

**CMR College of Engineering & Technology** is Sponsored by MGR Educational Society, which has established in 2002. The College is situated on Hyderabad - Nagpur National Highway (Medchal Road), Andhra green and free of pollution. The college endeavors to impart Quality Technical Education and to meet the challenge imposed on, by being in tune with the fast changing Technology & Globalization.

Since 2006, Department of Master in Business Administration at CMR has been building individuals with the capability to think act and lead in an increasingly complex business world. CMR Strongly believes in the change that individuals can bring about in the world and in themselves, when empowered with the knowledge to analyze the world the confidence to act on their decisions and perseverance to lead others in pursuit of change. It provides a platform to building a strong society and nation.

**About Sumedha Journal of Management** aims at promoting and disseminating relevant, high quality research in the field of management. It is a double blind reviewed referred academic quarterly journal focuses on publishing scholarly articles from the areas of management, management principles, recent inventions in management, company management, financial management, human resources, accounting, marketing, operations management, human resource management, statistics, international business, information technology, environment, risk management, globalization and related areas. Asian journal of management research seeks original manuscripts that identify, extend, unify, test or apply scientific and multi-disciplinary knowledge concerned to the management field. The journal endeavors to provide forum for academicians, scholars and practitioners.

The following types of Papers are considered for publication:

1. Original research works in the above-mentioned fields.
2. Surveys, opinions, abstracts and essays related to Operations research.
3. Few review papers will be published if the author had done considerable work in that area.
4. Case studies related to management domain.

**Submission of Articles** Authors are invited to submit their research articles, review papers, case studies in a properly formatted file as per the author guidelines to editor@cmrcetmba.in mentioning the name of the journal or through the submission.

**Department of Master in Business Administration**  
**CMR COLLEGE OF ENGINEERING & TECHNOLOGY**  
 An UGC Autonomous Institution  
 (Approved by AICTE, permanently affiliated to JNTU, Hyderabad)  
 (NAAC Accredited Institution with 'A' Grade)

Kandlakoya (V), Medchal Road, Hyderabad- 501 401  
 Cell: 9248727208  
 email: editor@cmrcetmba.in  
 www.cmrcetmba.in



July - Sept. 2015

SUMEDHA JOURNAL OF MANAGEMENT

Volume 4

Number 3



ISSN : 2277-6753

# SUMEDHA

## Journal of Management

Vol. 4

No. 3

July - Sept. 2015

Referred Journal of CMR College of Engineering & Technology

<i>Dr. Santanu Kumar Das</i>	<i>Corporate Social Responsibility Initiatives Taken for Rural Development in India</i>
<i>Dr. R. Anand</i>	<i>Decision Making Styles of IT Professionals in Relation to their Emotional Intelligence</i>
<i>A. Jayakrishnan</i> <i>Dr. G. Vijaya Kumar</i>	<i>Rural Consumers Perception Towards Buying Behaviour: A Study with Special Reference to Tiruvellore District, Tamilnadu</i>
<i>Dr. Syed Khaja Safiuddin</i> <i>Dr. Mohammad Abdul Samad</i>	<i>Impact of FDI on the Growth of Selected Pharmaceutical Firms - An Aggregate Analysis</i>
<i>Mr. Jnaneshwar Pai Maroor</i>	<i>Employee's Attitude and Perception Towards Voluntary Separation Scheme: A Comparative Study of ITI and BHEL</i>
<i>Dr. R. Venkataraman</i> <i>Pradeep Kumar H S</i>	<i>A Study on Impact of Bonus Issues on Stock Returns on selected equities in Indian Capital Market</i>
<i>Manikee Madhuri Sharma</i> <i>Dr S. Harish Babu</i>	<i>Consumer Buying Behaviour in Shopping Arcades in Globalised Economies-An Empirical Study</i>
<i>D. Amarendranath Reddy</i> <i>P. Sujendra Swamy</i>	<i>Six Sigma Implimentation Success Factors in Service Sector</i>
<i>L. Venkatasubramanian</i> <i>Dr. G.Vijaya Kumar</i>	<i>A Study on Impact of Celebrity Endorsers Towards the Buying Behaviour of Soft Drinks Among the Consumers: A Study with Special Reference to Chennai City</i>
<i>Lakshmi Saju</i>	<i>A Study on Role of SHG in Financial Inclusion and Poverty Eradication-With Reference to Mepayyur Village, Calicut District</i>
<i>Achini Ambika</i>	<i>A Study on Merger of ICICI Bank and Bank of Rajasthan</i>
<i>Dr. K. V. Siva Prasad</i>	<i>Corporate Social Responsibility: Practices and Challenges in Indian Prospective</i>

**Index Copernicus value 5.20 Impact Factor: 0.305 (From Global Impact Factor), INDEXED IN Indianjournals.com , PROQUEST DATABASE**

### Patrons

Ch. Malla Reddy, Chairman CMRGI  
Ch. Narasimha Reddy, Vice-Chairman CMRGI  
Ch. Gopal Reddy, Secretary & Correspondent CMRGI

### Chief Editor

**Dr. A. Kotishwar,**  
Associate Professor & HOD, Dep of MBA, CMRCET

### Assistant Managing Editors

**P. Usha Vaidehi**  
Assistant Professor, Dept of MBA, CMRCET

### Advisory Board

Dr. N. Satyanarayana, Director - (Academics), CMRGI  
Dr. M. Ramalinga Reddy, Principal - CMRCET

### Managing Editor

**Mrs. P. Hima Bindu**  
Associate Professor, Dept of MBA, CMRCET

### P. Alekhya

Assistant Professor, Dept of MBA, CMRCET

### Editorial Board

- Prof. Mohd Akbar, Ali Khan* : Former Honorable Vice-Chancellor, Telangana University, Nizamabad, Telangana, Dean, Dept. of Commerce, Osmania University, Hyderabad, Telangana
- Prof. Ramesh Bhat* : Former Professor of Finance at the Indian Institute of Management, Ahmedabad & Consultant ministry of HRD, Government of India, Delhi
- Dr S Gurusamy* : Professor & Head, Department of Commerce, Univeristy of Madras Chennai
- Dr. G.Y. Shitole* : Prof.& Head, Dept. of Commerce, SNTD Women's University, Mumbai
- Prof. Ranjan K. Bal* : Dept. of Commerce, Utkal University, Bhubaneswar, Odisha
- Dr. Mohammed Jahangir Ali* : Head & Associate Professor, AL Buriami University College, Oman
- Dr. P T Choudhary* : Executive Vice President, All India commerce Association & Head, Dept of Commerce, M J College, Jalgaon.
- Dr. Sudershan Kuntluru* : Professor, Indian Institute of Management Kozhikode, Kerala
- :
- Prof. T.L.N Swamy* : Principal, Nizam College, Osmania Univeristy.

**Electronic submission** of manuscripts is highly recommended, provided the text, tables, and figures are included in a single MS Word file. The file must be submitted as an e-mail attachment to the editorial office at : editor@cmrcetmba.in

**CMRCET-MBA Publication:** Authors shall be responsible for the ideas, thoughts expressed by them

### GUIDELINES FOR AUTHORS

1. The cover page of the article/research paper should include the title of the paper, Author's name, Designation, organization with the address, contact number & email address.
2. Abstract of not more than 200 words outlining the purpose of study should be presented on a separate sheet along with 5-6 keyword immediately preceding the text.
3. Name(s) of the author(s) should not appear anywhere in the entire text other than the cover page.
4. All the manuscript will be sent for blind review process, the corresponding author will be informed by the editor about acceptance or rejection of the manuscript within a period of time. On acceptance of the manuscript, the modifications suggested by the reviewers are to be incorporated by the author within a period of 10 days and send copy of the revised manuscript again.
5. The editor reserves the right to modify or improve the manuscript as per the standard of journal.
6. The copyright of the research papers published in the journal shall lie with the publisher.
7. The authors whose papers are selected for publication shall make a subscription (Rs 2,000) for annual of the printed edition of the journal per author.
8. Copies of the journal are available by way annual subscription (Rs 2,000 for annual or Life Time Rs 10,000).

### General Information about submission

1. **For Submission:**
  - ✍ Covering Letter: Title of the Paper, Author's Name, Designation, Organizations, Official Address, Personal Address, Contact Numbers (Official & Personal) and e-mail address
  - ✍ **Abstract: should contain** - objectives, Research Questions / Hypothesis, Methodology, findings and 5-6 keywords. Words limit - 250-300 words.
2. **Full Paper**
  - ✍ Format : A4 size, Ms-word
  - ✍ Word Limit : Not to exceed 5000 words
  - ✍ Font : Times New Roman
  - ✍ Size : Title - 18, Heading - 14, Text-12
  - ✍ Line spacing : 1.5
3. **Declaration :** Author must declare originality of work. The article should not have been published or be submitted for publication else where.
4. Editorial Board's decision will be final.
5. The copyright of all accepted papers will vest with dept. of MBA - CMRCET

### Address for correspondence :

### SUMEDHA Journal of Management

#### Dr. A. Kotishwar

Chief Editor  
HOD, Dept. of Master of Business Administration  
CMR College of Engineering & Technology, Kandlakoya (vi),  
Medchal Road, Hyderabad.  
Andhra Pradesh, India  
**E-mail:** editor@cmrcetmba.in  
Website: www.cmrctmba.in

For our E Journals and e-distributors please contact: Indianjournals.com

### RESEARCH PAPERS

- |    |   |     |
|----|---|-----|
| 1. | <b>Corporate Social Responsibility Initiatives Taken for Rural Development in India</b><br><i>– Dr. Santanu Kumar Das</i>   | 4   |
| 2. | <b>Decision Making Styles of IT Professionals in Relation to their Emotional Intelligence</b><br><i>– Dr. R. Anand</i>  | 18  |
| 3. | <b>Rural Consumers Perception Towards Buying Behaviour: A Study with Special Reference to Tiruvellore District, Tamilnadu</b><br><i>– A. Jayakrishnan &amp; Dr.G. Vijaya Kumar**</i>  | 37  |
| 4. | <b>Impact of FDI on the Growth of Selected Pharmaceutical Firms - An Aggregate Analysis</b><br><i>– Dr. Syed Khaja Safiuddin &amp; Dr. Mohammad Abdul Samad</i>   | 47  |
| 5. | <b>Employee's Attitude and Perception Towards Voluntary Separation Scheme: A Comparative Study of ITI and BHEL</b><br><i>– Mr. Jnaneshwar Pai Maroor</i>  | 61  |
| 6. | <b>A Study on Impact of Bonus Issues on Stock Returns on Selected Equities in Indian Capital Market</b><br><i>– Dr. R. Venkataraman &amp; Pradeep Kumar H S</i>   | 70  |
| 7. | <b>Consumer Buying Behaviour in Shopping Arcades in Globalised Economies-An Empirical Study</b><br><i>– Manikee Madhuri Sharma &amp; Dr S. Harish Babu</i>  | 82  |
| 8. | <b>Six Sigma Implimentation Success Factors in Service Sector</b><br><i>– D. Amarendranath Reddy &amp; P. Sujendra Swamy</i>  | 91  |
| 9. | <b>A Study on Impact of Celebrity Endorsers Towards the Buying Behaviour of Soft Drinks Among the Consumers: A Study with Special Reference to Chennai City</b><br><i>– L. Venkatasubramanian &amp; Dr. G. Vijaya Kumar</i> | 105 |

<b>10. A Study on Role of SHG in Financial Inclusion and Poverty Eradication-With Reference to Mepayyur Village, Calicut District</b>	<b>115</b>
<i>– Lakshmi Saju</i>	
<b>11. A Study on Merger of ICICI Bank and Bank of Rajasthan</b>	<b>124</b>
<i>– Achini Ambika</i>	
<b>12. Corporate Social Responsibility: Practices and Challenges in Indian Prospective</b>	<b>137</b>
<i>– Dr. K. V. Siva Prasad</i>	

**SUMEDHA**  
**Journal of Management**

## ***Chief Editor Message***

As SUMEDHA Journal of Management its Fifteenth issue, We look forward to the momentous growth of our Journal, increasing in their appeal, readership and relevance to the fast-changing world of Business Management. During these four and half years journey our journal has been critically evaluated by various institutions with similar line of interest and faculty fraternity. We have been consistently seeking advice from experts to continuously improve the quality of the journal. Our journal has been got Impact Factor from Index Copernicus value 5.20. On behalf of the Management, Editorial Board and Editorial Team, I express my profound gratitude to all our authors, reviewers, readers and patrons for offering their overwhelming support and I anticipate a continued and lively partnership for years to come.

All of us recognize the necessity for change, which results in progress. It gives way to new ideas and perspectives reflecting the current and emerging environment, which builds on the solid foundations of the past.

Last but not least valuable would be your response and suggestions on this issue. Kindly send us your views so that we can keep on upgrading our journal.

Thanking you

**A Kotishwar**  
**Chief Editor**

## Corporate Social Responsibility Initiatives Taken for Rural Development in India

– Dr. Santanu Kumar Das \*

---

### Abstract

*Corporates are traditionally known as engines for driving the economic performance of an entity, its success being measured in terms of high returns on equity at individual plane and its contribution to the nation's economic growth on a collective plane. The paper attempts to explore Corporate Social Responsibility (CSR) practices particularly in the context of rural development. The research questions examine do the corporate consider rural people as a stakeholder? If so, what CSR initiatives taken for development of rural areas and how the corporates implement their CSR initiatives as a part of their business strategy? Finally it evaluates impacts of CSR actions on the socio-economic development of rural people. The methodology of the present study relied on the web-based research, review of print literature and visit to the selected sites to witness CSR practice. The paper concludes that social responsibility is regarded as an important business issue of Indian companies irrespective of size, sector, and business goal. Therefore, CSR actions have positive impacts not only on development of rural community but also in their business. Study reveals some lesson on CSR practices in India which can provide guidance to corporate entities for better implementation of CSR activities.*

*Key words: India, Corporate Social Responsibility (CSR), Rural Development, Stakeholder, Social responsibility, Philanthropy, CSR audit, Economic development.*

### Introduction

Major part of the India's poorest people lives in villages and these villages are in a state of neglect and underdevelopment with impoverished people. The difficulties of hunger, ignorance, ill health, high mortality and illiteracy are most acute in rural areas. This is not only because of shortage of material resources but also because of flaws in our planning process and investment pattern. India has the capabilities to meet these challenges in rural areas. However, the efforts of Governments of India may not be adequate to provide basic services to its citizens. It is being increasingly recognized that

---

\* Assistant Professor (MBA), Kalam Institute of Technology, Govinda Vihar, Govindapur, Berhampur, Odisha, INDIA, E-Mail: dr.santanu.k.das@gmail.com

progress and welfare of a society is not only the responsibility of the Government alone, but many more participants need to be involved to attain the development goal. The corporate sector has a pivotal role to play in ensuring private investment flows to those rural areas that have been excluded of the development process so far and also to work for sustainable development of rural areas in general.

Over the past few decade, as a significance of rise in globalization and pressing ecological issues, the perception of the role of corporates in the broader social context within which it operates, has been altered. Corporates considers themselves as part of society and accordingly act in a social responsible way that goes beyond economic performance (KPMG and ASSOCHAM, 2008). As a result of this moving from purely profit to profit with social responsibility, many corporates are endorsing the term 'Corporate Social Responsibility (CSR)'. It is essentially a concept whereby companies decide voluntarily to contribute to the society to make it better and environmentally cleaner (European Commission, 2001). Generally, CSR is understood as "the commitment of business to contribute to sustainable economic development by working with employers, their families, the local community and society to improve their quality of life, in ways that are both good for business and good for development. A widely quoted definition by the World Business Council for Sustainable Development state that "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" (WBCSD, 1999). Thus, the CSR has two fold meaning. On one hand, it exhibits the ethical behaviour towards its internal and external stakeholders. On the other hand, it denotes the responsibility of an organization towards the environment and society in which it operates. CSR is regarded as tool through which companies give something back to the society. It involves providing innovative solutions to societal and environmental challenges. But the challenge work of development professional and business community is to identify CSR priorities and the areas of interventions which are meaningful in the context of rural development sector. Therefore, there is a necessity to study and understand how corporate enterprises are using CSR initiatives and what is the impact of CSR actions on socio-economic development of people in rural areas? This paper has been divided into several sections, and paper tries to introduce CSR practices of corporate enterprises in section one. It describes the present study which includes objectives, methodology and limitations of the study. Section three discusses current status of CSR and business interest. Later part talks about challenges in context of CSR and section six conclude the study.

## **Objectives of the Study**

- To study and understand the CSR initiatives being taken by organizations for rural development.
- To examine the corporates approach to work and their mode of action for implementation for CSR initiatives.
- To assess the impacts of CSR actions on socioeconomic development of rural India.

## **Scope of the Study**

Scope of the study is limited to study concept of corporate social responsibility (CSR) in the country, how organization taking it and working towards it. And what could be road ahead in Indian Context and mostly focusing on the corporate social responsibility (CSR) and its impact on rural development in context of India.

## **Methodology**

The study was conducted using mainly secondary data and information. Secondary data has been collected through annual reports of Ministry of Human Resource Development, Ministry of Education, Economic survey, Articles and review of reputed authors published in national and international journals etc.

## **Limitations**

The main limitation of this paper is that this study has only focused on a small sample of Indian companies. Secondly, information collected from print literature, websites of these companies and no primary data were collected directly from the stakeholders through interviews or surveys.

## **Concept of Corporate Social Responsibility**

Corporate Social Responsibility (CSR) is regarded very important for policies, practices and programs that are integrated into business operations, and decision-making processes throughout the organization, wherever the companies does business and it includes current and past actions as well as future impacts. CSR involves addressing the legal, ethical, commercial and other expectations society has for business, and making decisions that fairly balance the claims of all key stakeholders. CSR aims at "achieving commercial success in ways those ethical values and respect people, communities, and the natural environment." Simply put it means "what you do, how you do it, and when and what you say." Several kinds of terms have been used interchangeably with CSR. They include business ethics, corporate citizenship, corporate accountability,

sustainability and corporate responsibility. The issues that represent an organization's CSR focus vary by size (small, medium and large), sector (for example, financial institutions, infrastructure providers, textile manufacturers, agriculture producers, supermarket retailers, etc.) and even by geographic region. In its broadest categories, CSR typically includes issues related to business ethics, community investment, environment, governance, human rights, the marketplace and the workplace.

### **Need for Corporate Social Responsibility (CSR) in India**

All the interests of stakeholders and the actions of managers of any business organizations have to be governed by the laws of economics, requiring an adequate financial return on investments made, but in reality the operations of an enterprise need to be driven by a much larger set of objectives that are being defined under the term CSR. The broad rationale for a new frame of ethics for corporate decision making, which clearly constructs and upholds an organization's social responsibility, arises from the fact that a business enterprise derives several benefits from society, which must, therefore, require the enterprise to provide returns to society as well. Above points establishes the stake of a business organization in the good health and wellbeing of a society of which it is a part. More importantly, in this modern age of information technology and emphasis on transparency, consumer of any product or service are not likely to feel satisfied in buying from an organization that is seen to violate the expectations of what is deemed to be ethically and socially desirable?

### **Corporate Social Responsibility (CSR) in India**

World has made full circle to emphasis this concept of CSR through an articulation of the principle of social responsibility of business and industry. And this trend is no different in India either. Mahatma Gandhi, the charismatic leader who brought the cause of India's freedom from British rule, was a person who in several respects was ahead of his time. His view of the ownership of capital was motivated by the belief that essentially society was providing capitalists with an opportunity to manage resources that should really be seen as a form of trusteeship on behalf of society in general. In June 2008, a survey was carried out by the Times Foundation with the aim of providing an understanding of the role of corporations in CSR. The findings of study revealed that over 90 percent of all major Indian companies surveyed were involved in CSR practices. In fact, finding suggests that private sector was more involved in CSR activities than the public and government sector organizations. The leading areas that corporations were involved in were livelihood promotion, health, environment, education and women's empowerment (S. Ghosh and P. K. Ghosh, 2011).

## Current Status of CSR in India

CSR has been practiced in India from long time. Corporates like the Tata Group, the Aditya Birla Group, ONGC and Indian Oil Corporation, are few name whom have been involved in serving the community ever since their inception. Many organizations have been doing their part for the society through donations and charity activities. But today, CSR in India has gone beyond merely charity and donations, and is has approached in a more organized manner. It has become an inseparable part of the corporate strategy. Companies have effective and efficient CSR teams that devise specific policies, strategies and goals for their CSR works and set aside finance to support them. These programs, in many cases, are based on a clearly defined social philosophy or are closely aligned with the company's business expertise. Employees become the strength of these creativities and undertake their time and contribute their skills, to implement them. CSR

Programs could range from overall development of a community to supporting specific causes like healthcare, education, environment etc. Best practices followed by Indian Companies related to CSR are as follows:

- Public sector companies such as such as ONGC, Indian Oil Corporation and SAIL has been spending 0.75-1 % of their net profits on CSR activities. In 2007-08 Rs. 246.70 crores was spent by oil PSUs on CSR activities. ONGC's CSR projects focus on higher education, grant of scholarship and aid to deserving young pupils of less privileged sections of society, facilities for constructing schools etc. SAIL has taken successful actions in environment conservation, health and medical care, education, women upliftment providing drinking water.
- BHEL & Indian Airlines have been acclaimed for disaster management efforts. BHEL has also adopted 56 villages having nearly 80,000 inhabitants.
- A private firm such as Reliance Industries and Mahindra & Mahindra has been involved in CSR activities from long time. Reliance Industries initiated a project named as "Project- Drishti" to bring back the eyesight of visually challenged Indians from the economically weaker sections of the society. This project has brightened up the lives of over 5000 people so far. Mahindra & Mahindra launched a unique kind of ESOPs- Employee Social Option in order to enable Mahindra employees to involve themselves in socially responsible activities of their choice.
- GlaxoSmithKline Pharmaceuticals' CSR programs primarily focus on health and healthy living. They work in tribal villages where they provide medical check-up and treatment, health camps and health awareness programs. They also provide money, medicines and equipment to non-profit organizations that work towards improving health and education in under -served communities.

- The Infosys Foundation has organized training camps for destitute women and built orphanages where education is earmarked as a priority area. The Foundation donated US\$ 6.8 million towards relief and rehabilitation of flood-affected districts of Karnataka. The project is a model of sustainable community development. They have Constructed 2,541 homes for flood victims of Belgaum, Gulbarga, Dharwad, Gadag, Bagalkot, Bijapur, and Karwar. They have also initiated the construction of 10,000 toilets in the backward districts of Karnataka, work is still going on.

India Corporate takes CSR route to expand business In India skilled manpower are short in supply and existing agencies have little patience to impart on-the-job training to newbies, GCPL rolled out 'Project Vijay' with the intent of absorbing a large number of the trained youth for its own need. The rest are assured job in other firms with an average salary in the Rs 5,000-7,000 range. Over 4,500 students have already been trained, around 30-40% of who have been placed across FMCG sales, agri-sales and sectors like security, hospitality and retail. Although the programme is being offered free of cost, GCPL maintains a bench of about 90% who would be certified at the end of the course. "After getting certified, there is a dramatic change in the confidence levels of the individuals. It also creates a lot of positive 'word of mouth' about GCPL itself," said Rahul Gama, VP (HR), GCPL (N.Singh, 2012) which is keen on setting up a future-ready sales organization.

They being thought from basic communication skills to customer interaction and personality development, students are taught how to deal with customers while making a sales call. The project has been rolled out in three states in underdeveloped states such as Madhya Pradesh, Chhattisgarh and Orissa and it will be taken to 10-12 states by next few years.

GCPL is not the only company working on corporate social responsibility (CSR) role with a clear business objective in mind. Others firms are working in CSR for business benefits include Mahindra & Mahindra (M&M), Hindustan Unilever (HUL) , Marico and Procter & Gamble (P&G). M&M's watershed project covering 32 villages in Damoh district, Madhya Pradesh, was set up with the primary goal of conserving water, soil and environment. The dam covers about 10,000 hectares, 4,000 households and 20,000 people. M&M feels overall household income is expected to almost double as a result of the project (True Volunteer Foundation, 2010)

So question is there what's in it for M&M, which will bear all the management and CSR-related costs of the project? "It is expected that farmers of the locality will purchase tractors for cultivation and that farmers will adopt micro-irrigation for their

fields. As the project involves high levels of construction activity, it is expected that local entrepreneurs will adopt construction equipment and work on projects locally. Local businessmen are expected to purchase commercial vehicles to cater to the needs of the area," said Anirban Ghosh, VP, strategic planning and new business development, farm equipment sector, M&M (Forbes India, 2012). And it is supposed to enhance the sales of M&M tractors and other equipment's while pursuing CSR.

A large number of public and private corporates are looking at CSR as a do-good practice that will eventually help improve sales. In its eighth year now, P&G 'Shiksha' is structured to directly link its core cause (providing access to education to underprivileged children) with the business. With a simple purchase, Shiksha empowers consumers to lead the social change. "Shiksha is resourced with a dedicated team and measured just as any other Procter and Gamble (P&G) brand. The initiative helps drive trial for all our brands. Our latest consumer study tells us that 51% of the consumers who are aware of Shiksha are influenced to purchase the P&G product that would help them contribute to the cause," said a P&G spokesperson. Similarly, Marico's CSR initiative linked to Nihar Shanti Amla has proposed that every time a woman buys a Nihar bottle, 2% of the proceeds will be contributed to the cause of children's education. The initiative will fund 19 projects across Uttar Pradesh, Madhya Pradesh, Rajasthan and other regions, where each project will touch 25 -30 villages within these geographies. "The initiative is expected to draw a lot of empathy among our target group, especially the Hindi heartland where average literacy level is slightly lower. The positive rub-off will not be restricted to the brand alone. It will also help in our rural expansion programme," said S. Gupta, CEO and Marico.

For those firms which have started on the working on CSR with business objectives a decade ago, the results are visible. HUL's Project Shakti, which started as a rural distribution initiative in a few villages of Andhra Pradesh in 2000, today has 45,000 'Shakti Amlas' across more than 15 states. It catalyses rural affluence even as it benefits business. Shakti, it is understood, contributes 15% to HUL's rural sales today is more than Rs 1,500 crore. CSR as Business Strategy It is already accepted idea that of CSR makes business sense. This was realized and confirmed way back from statement made by JN Tata way back in 1895, when he stated, "We do not claim to be more unselfish, more generous or more philanthropic than others, but we think we started on sound and straightforward business principles considering the interests of the shareholders, our own and the health and welfare of our employees... the sure foundation of prosperity."

As firm who take CSR as business strategy has to place equal importance on financial returns as on fulfilling its social and environmental obligations, popularly known as the triple bottom line. Corporates are aimed at harmonizing the environmental factors

by reducing the adverse effect of its commercial activities and initiating steps encouraging eco-friendly practices. In order to build social capital in the community, a corporate group also got its managerial officials involved in social programs, and has encouraged employees to share their skills with others and work with community-based organizations. Companies needs be mindful of its social and moral responsibilities to consumers, employees, shareholders, society and the local community.

### Challenges of CSR

There are number of challenges to the implementation of CSR. They are enumerated below:

- **Lack of Awareness of CSR Activities:** There is very less interest among general public in participating or contributing to CSR activities of firms. This is because of the fact that there exists little or no information about CSR of companies. The situation is further aggravated by a lack of communication between the organizations involved in CSR and the people at the grassroots.
- **Local Capacities:** There is serious need of capacity building of the non-governmental organizations of particular locality as there is serious scarce of trained and effective institutions that can efficiently contribute to the CSR activities initiated by different firms.
- **Transparency Issues:** Lack of transparency is one of the key issues for the corporate as there is lack of transparency on the part of the small firms as they do not make adequate efforts to disclose information on their programmes, audit issues, impact assessment and utilization of funds. And it adversely impacts the process of capacity and trust building among the firms which is very important for the success of any CSR initiative.
- **Lack of organizational set up among NGOs:** There are very few organized non-governmental organizations in interior and rural areas that can assess and work toward the needs of the community and work with firms to ensure successful attainment of CSR objective.
- **Visibility Factor:** The role of media in generating good cases of effective CSR activities will spreads good stories and sensitizes the population about various on-going CSR initiatives of firms. This visibility and branding exercise often leads many non-governmental organizations to involve themselves in event-based programmes; in the process, they often miss out on meaningful grassroots interventions and objective.

- **Narrow Perception:** NGOs and Government agencies usually possess a narrow perception towards the CSR initiatives of corporates, often defining CSR initiatives more as donor-driven. As a result, corporates find it difficult to make up their mind whether they should participate in CSR activities for short or long run.
- **Lack of clear CSR Guidelines:** There are no statutory guidelines or policy directives to give a direction to CSR initiatives of firms. The CSR initiatives of companies mainly depend upon their business size and profile. It means that bigger the company, the larger its CSR activities.
- **Lack of Consensus:** There is a lack of consensus amongst implementing agencies and stakeholders regarding CSR activities. And it results in duplication of activities by corporate houses in areas of their activities and creates situation of ineffectiveness. This results in a competitive situation among implementing agencies rather than building collaborative approaches. It limits company's abilities to undertake assessment of their activities in regular interval.

There is a need of such Corporate Social Responsibility campaigns from prominent and respectable firms which has ability to change fate and face of rural India in the significant areas of education, health, sports, cultural, political, employment and neglected as well as untouched areas of empowerment which will boost them to live independent and dignified life which they deserve as they are vital and inseparable part of society.

### **CSR as a Future Business Strategy**

While today people talk about corporate doing social work, the Tata Group feels it is the need of the hour. But in western countries companies are not sure about spending the shareholders money and corporate are considering discontinuing CSR. According to Irani, "Which is fine for them, but not for a country like India. The governments of the western world have a strong social security net so corporate can concentrate on making profits and paying taxes regularly but in this regard India still lags behind. As country we are far away from being at the phase of socio-economic development where government is solely responsible for the basic needs of the public. We don't have a social security, adequate health and education services. So till that happen corporate houses need to come forward and should fill the gaps." Further he says that for an organization to be successful it require public support which is very important. In any society there is one section that makes profits and richer than the rest which lead s to disparity and poverty. Over a period of time one can see that companies die out if they do not support the general public.

In July 2004, B. Muthuraman, Managing Director, Tata Steel Limited (TISCO) announced that in future TISCO would not deal with companies, which do not conform to the company's Corporate Social Responsibility (CSR) standards. Speaking at the annual general meeting of the Madras Chamber of Commerce and Industry, Muthuraman stated, "We will not either buy from or sell to companies that do not measure up to Tata Steel's social responsibility standards."

## **Findings and Discussion**

### The CSR Policies and initiatives

The study shows that all surveyed companies present themselves socially responsible companies, having CSR policies and conducting practices. A large number of firms talk about CSR philosophy, ecological and ethical objectives in their mission statements, organizational policy and plans. Even though all the surveyed firms have CSR policies and objectives but no connection was observed between firm's agenda and the developmental Goals. There are many companies taking CSR activities for development of rural India.

Most of them working on education and it take the top priority list of the companies, followed by health and livelihood. It has been found that there are few companies take CSR initiatives in the area of infrastructure and in environment which includes plantation, awareness generation on environmental issues etc.

## **Approaches towards the Work and Modes of Action**

As CSR approach adopted by the companies is concerned because it is not doing what it supposed to, instead of that most of the companies have taken CSR as their overall business strategy. Therefore, they have been successful in achieving the objectives of both business and social development. Their approach to work is not mainly relief, welfare and service delivery but it is sustainable development oriented, which have long term benefits gain. Tata Steel Vedanta, Aluminum Ltd., Dr. Reddy's Labs, Ambuja Cement Ltd., Lupin India, Bharat Petroleum, SAIL believes in promoting human and social development through poverty alleviation by building capacity in rural India. Instead of providing for ignorable assistance that does not lead to effective alleviation of poverty or adequate development is designed as holistic action that includes an agricultural scheme, land cultivation and plantation programmes, fodder preservation schemes, water recycling programmes, establishment of medical and educational centres, adult literacy programs and credit schemes. Aditya Birla Group, Asian Paints activities are working towards trusteeship concept of management.

CSR interventions by IT companies such as Infosys, HCL and WIPRO are

philanthropic in nature, working through financial assistance, assets and facilities. The study shows that most of companies implement CSR programs with respect to rural development through four types of institutions which are given as below:

- CSR activities implemented directly by the company through its own (i) CSR division,(ii) Human Resource Department (iii) Local management of manufacturing unit;
- CSR activities implemented through a foundation;
- CSR activities implemented through partnership with NGOs ,academic institutions, international agencies;
- CSR activities implemented through partnership with Government.

### **The Impact of CSR Programs on Rural People**

The impact of CSR programs reflected by a sample of some of prominent companies in India was classified under five areas: livelihood, health, education, environment and infrastructure.

#### **Livelihood**

The Dr. Reddy's Foundation is implementing Grameen-LABS Programme in partnership with the Rural Development Department; Government of India (GoI). It aims to provide 35,000 livelihoods to rural people in the age of 18-25 years in 7 backward States of India. Livelihood programmes supported by Bharat Petroleum show that the SHG group members are earning a steady income of Rs. 2000 per month.

#### **Health**

The study also shows that many firms conduct number of health camps to create health awareness especially health issues like: immunization, blood donation, water purification tablets etc. Up to 2008, SAIL has conducted 267 health camps which have benefited more than 4.5 lakh people in rural area. Vedanta Aluminum Ltd covered 53 villages with 32,000 villagers by providing free medicines, treatment, referral services etc. through its mobile health units in Lanjigarh (Orissa). Tata Steel Family Initiatives Foundation (TSFIF) established 'Lifeline Express' hospital on wheels which has helped over 50,000 patients in backward states such as Orissa, Jharkhand and Chhattisgarh.

#### **Education**

Aditya Birla Group provided formal education to 62,000 children living in nearby area to the plants by running 26 formal schools. PSU such as SAIL assist around 138

schools in the peripheral areas of SAIL's plants/ units in the country where more than 80,000 children got education (Kumar, 2008). HCL works with NGO's Udayan, cry for social upliftment of underprivileged children. Similarly, WIPRO's Azim Premji Foundation also involved in providing education to poor and needy children. HCL set up of the "Shiv Nadar Foundation", an educational foundation catering to poor student for primary, secondary and higher education has helped rural children gain access to formal schooling and higher education.

### **Environment**

For sustainable development and management of natural resources which are scarce in nature require efficient and effective steps achieve it. Many Indian corporates have been working for tree plantation, waste management, watershed management, wind farm etc. For example, PSU such as SAIL has planted 13.5 million trees in and around SAIL plants / mines so far. Watershed development programme of Ambuja Cement Ltd. covered 9,000 ha in the last four years. Sustainable water management remains the top priority of Coca Cola India Inc. So far, the company's water initiatives have improved the lives of more than 1, 40,000 people and spread awareness about the crucial importance of water conservation among millions people .

### **Infrastructure**

Among the companies surveyed only few companies are providing infrastructural facilities such as construction or development of roads, electricity, school, health centre, water facility, sanitation, community centre, etc. Lupin Human Welfare and Research Foundation's scheme covered 38,000 villages in Rajasthan and almost all villages have school buildings, ponds, link roads, drinking water, community centres, and electricity. SAIL has been involved in the construction and repair of 33 km of pucca roads per year, thereby providing nearby two lakh people across 435 villages access to modern infrastructure facilities every year.

### **Conclusion of the Study**

Even though corporates are making serious efforts for the rural development, but some critics still are questioning the concept of CSR and motive behind the companies initiative. There are people who claim that CSR underlies some ulterior motives such as profit making instead of welfare while others consider it otherwise. The reality is that CSR is not a strategy for brand building; however, it creates goodwill and brand among its employees and rural consumer. Indulging into activities that help society in one way or the other only adds to the goodwill of a company. Corporate Social Responsibility is the obligation of everyone i.e. business corporations, governments, individuals because

of the reasons: money is earned only from the society and therefore it should be given back; thus wealth is meant for use by self and the public; the basic motive behind all kind of trade is to quench the hunger of the mankind; the objective of all business is and must be to help people especially whom are living in rural areas. CSR should not be taken as burden - it must be there as core of every business ethics, and its treatment of employees and customers. Thus, CSR is becoming a fast-developing and increasingly competitive field to tap rural India as market and treating CSR as business strategy. The case for demonstrating corporate responsibility is getting stronger as expectations among stakeholders such as formers, customers and the public are growing. Being a good corporate citizen is increasingly critical for commercial success and the key lies in matching public expectations and priorities, and involvement and achievements widely and effectively in areas of rural development which is need of hour.

## References

1. Ghosh J. (2003), Strategy for Development?, Frontline Vol. 20, No, 18, India.
2. Goyal S.K. (1996), Political Economy of India's Economic Reforms?, Working Paper of the Institute for Studies in Industrial Development (ISID), New Delhi, India.
3. Srinivasan T. N. and S. D. Tendulkar (2003); "Reintegrating India with the World Economy." Washington, D.C.: Institute for International Economics.
4. Khanna, P. Gupta, G., Bahra, B., 2011 'Status of Corporate Social Responsibility: in Indian Context'. APJRBM, Volume 2, Issue 1.
5. Sherlekar S.A. (1999), Ethics and Management, Mumbai: Himalaya Publishing House.
6. Pednekar. Mahesh C., 'Corporate Social Responsibility & Business Strategy - A Case Study on the Tata Group under Mr. Ratan Tata'.
7. Arora, B. and Puranik. (2004), "A Review of Corporate Social Responsibility in Indian Development" Vol: 47 (3), pp. 93-100.
8. Belal, A.T. (2001), "A Study of Corporate Social Disclosures in Bangladesh", Management Auditing Journal, 16 (5), pp.274-288.
9. Conway, C. (2003), "Tracking Health and Well-being in Goa's Mining Belt", Case Study 5, Ecosystem Approach to Human Health, International Development Research Centre, Canada.
10. Chappel, M. and Moon, J.(2005), "Corporate Social Responsibility(CSR) in Asia: A Seven country study of CSR", Business and Society,44(4), pp415-441.
11. Dutta, K. and Durgamohan, M. (2009), "Corporate Social Strategy: Relevance and pertinence in the Indian Context" retrieved on 6th April, 2012 from [www.iitk.ac.in/infocell/announce/conversion/papers](http://www.iitk.ac.in/infocell/announce/conversion/papers).
12. Save the Children Sweden (2007). Corporate Social Responsibility and Children's Rights in

- South Asia, p.3 retrieved on 29th August 2012 from <http://sca.savethechildren.se/upload/scs/SCA/publications/corporate>
13. TERI (2001) "Understanding and Encouraging Corporate Social Responsibility in South Asia", Altered Images the 2001 state of corporate responsibility in India poll, p.11, retrieved on 16th April,2012 from <http://www.terieurope.org/docs/CSR-India.pdf>
  14. Verma, S. and Chauhan. (2007):"Role of Corporate Social Responsibility in Developing Economics" International Marketing & Society.
  15. IIMK.World Business Council for Sustainable Development (1999) "Corporate Social Responsibility: Meeting Changing Expectation" WBCSD Publication P.3 Green Switzerland, retrieved on 7th April 2012 from [www.wbcSD.ch/DoCROOt/hbdf197&hmkdxBQDWW/CSRmeeting.pdf](http://www.wbcSD.ch/DoCROOt/hbdf197&hmkdxBQDWW/CSRmeeting.pdf)
  16. Pradhan, S. & Ranjan, A. 'Corporate Social Responsibility in Rural Development Sector: Evidences from India'. RITES LTD. (A Government of India Enterprise).
  17. European Commission, (2001), "Promoting a European Framework for Corporate Social Responsibility", Commission of the European communities, available on [www.btplc.com/society/society & environment/records/greenpapers.csr.pdf](http://www.btplc.com/society/society%20&%20environment/records/greenpapers.csr.pdf).
  18. KPMG & ASSOCHAM (2008), "Corporate Social Responsibility-Towards a Sustainable Future", A White Paper retrieved on 30th March 2009 from [www.in.kpmg.com/pdf/csr.whitepaper.pdf](http://www.in.kpmg.com/pdf/csr.whitepaper.pdf). 2010

## Decision Making Styles of IT Professionals in Relation to their Emotional Intelligence

– Dr. R. Anand \*

---

### Abstract

*In the current study investigated the relationship between the decision making styles with emotional intelligence among the information technology leaders. The purpose of this paper is to identify practical approaches to the application of emotional intelligence to the decision-making. These practical approaches are designed to instruct and aid decision makers in the utilization of emotional intelligence skills to improve decision-making. The participants were 130 information technology leaders selected through convenient sampling method in Bangalore, India. The Bar-On's emotional intelligence inventory and Decision-Making questionnaire of Leon Mann were utilized to develop a methodology for the practical application of emotional intelligence skills to decision-making. The 31 to 35 aged group information technology leaders were high in vigilance and hyper-vigilance decisional style. Self-regard has a negative relationship with vigilance style of decision-making. Further, implications of the study are discussed in this article.*

**Keywords :** *Emotional Intelligence, Decision-making and Information Technology*

### Introduction

The goal of the present study is to find out the role of emotional intelligence in the decisional styles of the information technology leaders. Today's business environments make information technology companies look for leaders who have various skills to cope with changes in appropriate ways. One of the most important personal factors affecting leader's responses in such situations is their emotional capability which management scholars, educators and development practitioners have evidenced their interest in understanding it in the work place.

Emotional intelligence is an important factor in work place performance both on individual level and group level. According to the Bar-On (1997) emotional intelligence "an emotional competencies, skills and facilitators that determine how well we understand

---

\* Assistant Professor cum Liaison Officer, Management Wing, DDE Study Centre, Annamalai University, Basavangudi, Bangalore - 560 004.

and express ourselves, understand others and relate with them, and cope with daily demands, challenges, and pressures."

Emotionally intelligent leaders are thought to be happier and more committed to their organization (Abraham, 2000) and use positive emotions to improve their decision making and instil of enthusiasm, trust and co-operation in other employees through interpersonal relationships (George, 2000). The theory of emotional intelligence proposes that individuals have the ability to perceive, express, understand, and manage emotions (Bar-On, 1997; Goleman, 1995; Mayer & Salovey, 1997; Salovey & Mayer, 1990).

The purpose of this paper is to present a framework describing what that role might be. First, however, it is useful to sample the literature and research findings attesting to the central role of emotional intelligence in decision making.

### **Decision-making**

Decision making is the cognitive process of reaching a decision; "a good leader must be good at decision making." Decision-making is an essential aspect of modern management. It is a primary function of management. A leader's major job is sound/rational decision-making. He or she takes hundreds of decisions consciously and subconsciously. Decision-making is the key part of leader's activities. Decisions are important as they determine both managerial and organizational actions. What does emotional intelligence or EQ have to do with good decision making?

Emotional intelligence does not only entail being aware of one's own emotions, but also using these emotions in functional ways. Emotional intelligence can likely help you stop any emotions not just negative ones, like stress and anxiety, but also good ones, like excitement from influencing unrelated decisions. They remove emotions that have nothing to do with the decision.

George (2000) has cited (following on the work of Easterbrook, 1959, Frigda, 1988, Mandler, 1975, Simon, 1982): "When leaders know and manage their emotions, they may be able to use them to improve their decision making." Further George (2000) has stated by recognizing their emotions and their roots, leaders can successfully use emotional input in decision making.

### **Need for the Study**

The practical application of emotional intelligence skills can enhance individual and group decisions and outcomes (James D. Hess & Arnold C. Bacigalupo, 2011). Information technology leaders faces complex and changing internal and external environments, which forces them to have various skills and abilities decisions in order

to deal with these extreme situations. Hence, the leader's should evaluate their current emotion quotient skills and develop more creative and innovate ways in their decision making.

The need of the study was to investigate the relationship of emotional intelligence in the styles of decision making among the leaders who works in information technology companies. Beside various organizational and environmental factors, leader's responses to decision making situations seem to be different because of their personal characteristics and orientations.

Therefore, researcher has to consider special factors that influence decision making. The leaders in information technology sectors should look for effective personal characteristics that affect their responses to decision making situations positively, instead of just relying on traditional and bureaucratic approaches. In this case it is predicted that emotional intelligence as an important personal factor can play an important role in information technology leaders' orientation or disorientation to a special decision making style.

Researcher going to show this effect by investigating the relationship between emotional intelligence and six general decision-making styles; that is, vigilance, hyper vigilance, rationalization, buck passing, procrastination, and defensive avoidance. Thus this paper provides a critical analysis of decision making styles of the information technology leaders' with respect to their emotional intelligence. This approach should help organizations look and prepare for the future more effectively. By studying the relationship of emotional intelligence with decision making styles, aimed to contribute to the decision making literature and to test emotional intelligence applications in decision making.

## **Method**

A sample of 130 individuals who working full time and who resided in the Bangalore area completed self-report surveys containing items assessing the variables described below. The surveys contained the thirty one items of the Leon Mann, Radford, and Kalucy (1986) decision making styles inventory. The survey items designed to assess vigilance, hyper vigilance, defensive avoidance, procrastination, buck passing, and rationalization of their decisions. These items featured a three-point response format ranging from not true (one point) to true for me (three points).

Leon Mann et al. (1986) reported a test-retest reliability, ranging from 0.47 to 0.74 for all the sub-scales. In India, Amalor (1992) found test-retest reliability as follows: Vigilance 0.79, hyper vigilance 0.47, defensive avoidance 0.58, procrastination 0.76,

buck passing 0.46, and rationalization 0.59. This tool possesses both content and constructs validity. The factorial validity of the scale ranges from 0.56 to 0.83 for all the six dimensions.

The emotional intelligence of the information technology leaders was measured by Bar-On (1997) Emotional Quotient Inventory in ten dimensions viz., empathy, assertiveness, flexibility, reality testing, stress management, problem solving, interpersonal relationship, impulse control, emotional self awareness and self-regard by sixty six items. There are five response categories for each item ranging from not true (zero point) to true (four point) for positive item and true (zero point) to not true (four point) for negative items. The average Cronbach's alpha coefficients were high for all of the sub-scales, ranging from 0.69 to 0.89, with an overall average internal consistency coefficient of 0.76.

Bar-On (1997) established the validity of the tool by conducting studies in six different countries (India is one among the six countries). This tool possesses content and face validity. Moreover, the criterion group validity was established as 0.81.

## **Hypothesis**

The following hypotheses are framed to study the relationship between decision making and emotional intelligence of the information technology leaders

1. There is a significant difference in decision making and emotional intelligence leadership of information technology leaders' basis of their age, length of service, marital status and number of dependents.
2. Decision making styles (vigilance, hypervigilance, buck passing, procrastination, rationalization, and defensive avoidance) will positively relate to Emotional intelligence (and each of its ten components such as interpersonal relationship, problem solving, stress management, self regard, reality testing, flexibility, assertiveness, and empathy, impulse control and emotional self awareness).

## **Results and Discussion**

The 't' test was used for testing the significant difference between the means of demographic variables viz. marital status and gender. The 'F' test was used for testing the significant difference between the means of demographic variables viz. age, years of service and number of dependents. To find out the relationship between the emotional intelligence and decision-making linear correlation analysis was used and the correlation values were calculated.

*Hypothesis:1 - "Age of Information Technology Leaders has a significant influence on their emotional intelligence and decision-making"*

From the Table 1, it is found that 'F' values are significant for the decision making dimensions viz. hyper vigilance, vigilance, buck passing and procrastination. And for the emotional intelligence, it is found that 'F' values are significant with emotional self awareness, reality testing, self regard, problem solving, flexibility, and inter personal relationship dimensions along with the total and hence the hypothesis is accepted for both the decision making and emotional intelligence. It is concluded that the information technology leaders significantly differ in their decision making and emotional intelligence based on their age.

**Table - 1: Decision Making and Emotional Intelligence with Respect to Their Age**

Decision-Making Styles	AGE				F – value	Posthoc
	1 Mean (S.D)	2 Mean (S.D)	3 Mean (S.D)	4 Mean (S.D)		
Hyper Vigilance	7.85 (1.31)	10.10 (1.59)	9.92 (1.64)	9.78 (1.50)	18.555 <sup>*</sup>	2 vs 3 vs 4 vs 1
Rationalization	9.95 (1.38)	10.05 (1.56)	10.26 (2.02)	10.00 (1.18)	0.272	----
Vigilance	11.64 (1.61)	12.41 (1.90)	11.64 (2.90)	7.11 (2.75)	32.595 <sup>*</sup>	2 vs 1, 3, vs 4
Defensive Avoidance	10.05 (1.52)	9.44 (1.60)	9.62 (1.60)	9.89 (1.63)	1.156	----
Buck Passing	9.82 (2.19)	11.02 (2.53)	11.67 (2.14)	13.48 (1.01)	16.422 <sup>*</sup>	4 vs 3 vs 2 vs 1
Procrastination	9.56 (1.87)	9.41 (1.55)	10.31 (1.59)	10.59 (1.39)	4.210 <sup>*</sup>	4 vs 3 vs 1 vs 2
Emotional Intelligence Dimensions						
Stress Management	24.49 (2.86)	25.39 (2.13)	24.87 (2.69)	25.70 (2.00)	1.624	----
Emotional Self Awareness	17.56 (2.62)	18.93 (1.68)	18.15 (2.15)	19.33 (1.62)	4.934 <sup>*</sup>	4 vs 2 vs 3 vs 1
Reality Testing	19.21 (1.91)	19.07 (1.97)	18.21 (2.40)	19.96 (1.53)	4.241 <sup>*</sup>	4 vs 1 vs 2 vs 3

	AGE				F – value	Posthoc
Self Regard	26.31 (3.31)	27.66 (2.47)	27.56 (3.01)	28.74 (2.45)	4.093*	4 vs 2 vs 3 vs 1
Impulse Control	14.46 (2.39)	15.59 (2.19)	15.18 (2.01)	15.93 (1.92)	2.970	----
Assertiveness	18.21 (2.240)	18.61 (1.69)	18.49 (2.11)	18.81 (1.59)	0.575	----
Empathy	15.00 (2.16)	15.54 (1.80)	14.90 (2.67)	15.93 (1.47)	1.920	----
Problem Solving	17.92 (2.78)	19.02 (2.43)	18.77 (2.62)	26.11 (1.71)	9.595*	4 vs 2 vs 3 vs 1
Flexibility	23.67 (3.01)	25.90 (2.40)	24.72 (3.62)	26.11 (3.18)	4.931*	4 vs 2 vs 3 vs 1
Inter Personal Relationship	19.74 (2.67)	22.27 (2.55)	21.95 (3.14)	24.00 (2.15)	15.223*	4 vs 2 vs 3 vs 1
EI_Total	196.56 (12.79)	207.98 (7.79)	202.79 (13.58)	215.70 (8.93)	17.148*	4 vs 2 vs 3 vs 1

1. Less than 30 years - 39 persons

\*Significant at 0.05% level

2. 31 to 35 years - 41 persons

3. 36 to 40 years - 39 persons

4. Above 40 years - 27 persons

From the Table - 1, it is observed that 31 to 35 aged information technology leaders were high in vigilance and hyper-vigilance decisional style. It may be due to the nature of project allotted to the individuals make them to be vigilant in their decisions. Hyper vigilance refers to a tendency to make decision impulsively. When we have a lot of pressure due to nature of work we may get irritated and make decisions impulsively.

More than 40 years of aged information technology were high in buck passing and procrastination decision making style. High in buck passing and procrastination may be due to the hierarchical flow of work and credit to the problem solving makes the individuals to avoid making decisions.

The 't' values are significant for the emotional intelligence dimensions viz. emotional self awareness, reality testing, self regard, problem solving, flexibility, inter personal relationship and emotional intelligence total. It is noticed that in all of these dimensions, information technology leaders with more than 40 years of age have shown significantly higher emotional resources than their counter parts.

With growing age, information technology leaders have faced a variety of life situations which in turn made them to be emotionally more intelligent. The good relationship with more experience makes the leaders to express their thoughts and ideas clearly. It is observed from the table that the aged leaders have higher score than the other aged groups; it may be due to the urge to prove them as an asset to the organization.

Hence it is quite natural that the information technology leaders with more than 40 years of age have better emotional self awareness, reality testing, self regard, problem solving, flexibility, inter personal relationship and emotional intelligence total, than the younger ones. It is concluded that the information technology leaders significantly differ in their decision making and emotional intelligence based on their age.

Hypothesis:2 - "Information technology leaders differ in the emotional intelligence and decision making on the basis of years of service."

From the Table 2, it is found that 'F' values are significant for the decision making dimensions viz. hyper vigilance, vigilance, buck passing and procrastination. And for the emotional intelligence, it is found that 'F' values are significant with reality testing, self regard, impulse control, problem solving, and inter personal relationship dimensions along with the total and hence the hypothesis is accepted for both decision making and emotional intelligence. It is concluded that the information technology leaders significantly differ in their decision making and emotional intelligence based on their service.

It is evident that the age and experience of the results almost the same. From the Table - 2, it is observed that 3 to 6 years of service as information technology leaders were high in hyper vigilance decisional style. It may be due to the insufficient time to make decisions in the organization though the individuals are optimistic about finding the solution to the problems in front them.

**Table - 2: Decision Making and Emotional Intelligence Based on Years of Service**

Decision Making Styles	Years of service			F – value	Posthoc
	1 Mean (S.D)	2 Mean (S.D)	3 Mean (S.D)		
Hyper Vigilance	8.79 (1.87)	9.92 (1.67)	9.73 (1.42)	6.881*	2 vs 3 vs 1
Rationalization	9.98 (1.45)	10.16 (1.85)	10.09 (1.42)	0.178	----
Vigilance	12.03 (1.87)	11.71 (2.48)	8.15 (3.47)	28.902*	1 vs 2 vs 3
Defensive Avoidance	9.79 (1.53)	9.51 (1.62)	9.94 (1.65)	0.821	----
Buck Passing	10.21 (2.34)	11.61 (2.40)	13.00 (1.44)	18.636*	3 vs 2 vs 1
Procrastination	9.52 (1.78)	10.00 (1.61)	10.50 (1.44)	3.983*	3 vs 2 vs 1
Emotional Intelligence dimensions					
Stress Management	24.84 (2.63)	25.14 (2.46)	25.38 (2.30)	0.551	----
Emotional Self Awareness	18.13 (2.41)	18.39 (2.02)	19.06 (1.81)	2.085	----
Reality Testing	19.35 (1.92)	18.29 (2.23)	19.56 (1.86)	5.301*	3 vs 1 vs 2
Self Regard	26.95 (3.19)	27.33 (2.76)	28.65 (2.67)	3.981*	3 vs 2 vs 1
Impulse Control	14.60 (2.31)	15.63 (2.15)	15.85 (1.76)	5.010*	1 vs 3 vs 2
Assertiveness	18.40 (1.94)	18.41 (2.14)	18.85 (1.64)	0.702	----
Empathy	15.30 (2.05)	15.14 (1.86)	15.50 (2.15)	0.316	----
Problem Solving	18.21 (2.52)	18.63 (2.67)	21.26 (1.62)	19.139*	3 vs 2 vs 1
Flexibility	24.60 (3.00)	25.35 (3.02)	25.35 (3.72)	0.981	----
Inter Personal Relationship	20.59 (2.66)	22.33 (2.59)	23.41 (3.03)	13.112*	3 vs 2 vs 1
EI_Total	200.97 (12.35)	204.63 (11.71)	212.88 (12.27)	10.700*	3 vs 2 vs 1

1. Less than 3 years - 63 persons
2. 3 to 6 years - 49 persons
3. Above 6 years - 34 persons

Whereas less than 3 years of experience as information technology leaders were high in vigilance decisional style. It is quite natural that the young and energetic leaders are optimistic about finding the solution to the issues faced by them in the work environment. The sufficient time available to the individuals, makes them to consider all the possible alternatives and to make decisions.

The information technology leaders whose experience was more than 6 years are high in buck passing and procrastination decisional style. It may be due to the promotional system or the performance appraisal system adapted by the organization. The individual who waits for the promotion, who promotion were delayed further makes them to adapt the buck passing or procrastination decisional style.

From the Table - 2, it is noticed that more than 6 years of experience as information technology leaders were high in all the significant dimensions (viz. reality testing, self regard, empathy, problem solving, inter personal relationship , and total emotional intelligence) of emotional intelligence other than impulse control. Emotional intelligence is about knowing feelings as well as facts. Once the individual developed the ability to aware of others feelings and shape their own feelings can easily regulate their emotions and stand high in emotional intelligence dimensions and emotional intelligence total.

Less than 3 years of experience information technology leaders were high in impulse control. Impulse control is the ability to resist or delay an impulse, drive or temptation to act. It is no wonder that the individuals whose experience were less than 3 years as leaders in the project want to be best in their part. Makes them to consider all the alternatives available to them and take a decision which is suitable. It is concluded that the information technology leaders who have more than 6 years of service are high in emotional intelligence and prefer buck passing and procrastination decisional style.

*Hypothesis:3 "Information technology leaders differ in their*

*emotional intelligence and decision-making with respect to their marital status"*

From the Table 3, it is found that 't' values are significant for vigilance decisional style. And for the emotional Intelligence, it is found that 't' value is significant for emotional self awareness and with the emotional intelligence total. Hence the hypothesis is rejected for both the decision making and emotional intelligence. It is concluded that marital status of the information technology leaders has no significant influence in their emotional intelligence and decision-making.

From the Table - 3, it is found that unmarried information technology leaders were high in vigilance decisional style. The conditions that characterize the real-world or naturalistic tasks places the unmarried leaders to the luxury of implementing a more elaborate analytic procedure and adapt the best one suitable for the current situation.

**Table - 3: Decision Making and Emotional Intelligence: Marital Status Comparison**

	Marital Status		F value
	Married Mean (S.D)	Unmarried Mean (S.D)	
Decision Making			
Hyper Vigilance	9.67 (1.65)	8.20 (1.66)	0.299
Rationalization	10.11 (1.63)	9.94 (1.45)	0.051
Vigilance	10.91 (3.29)	11.37 (1.55)	20.119*
Defensive Avoidance	9.66 (1.59)	9.97 (1.56)	1.360
Buck Passing	12.01 (2.12)	9.17 (2.13)	0.811
Procrastination	10.05 (1.57)	9.49 (1.95)	3.033
Emotional Intelligence dimensions			
Stress Management	25.25 (2.38)	24.49 (2.78)	2.930
Emotional Self Awareness	18.74 (1.90)	17.46 (2.66)	8.257*
Reality Testing	19.00 (2.13)	19.14 (1.91)	0.181
Self Regard	27.99 (2.65)	25.83 (3.15)	1.723
Impulse Control	15.36 (2.10)	14.86 (2.49)	1.642
Assertiveness	18.61 (1.84)	18.20 (2.25)	2.699
Empathy	15.42 (1.92)	14.89 (2.23)	1.423

Empathy	15.42 (1.92)	14.89 (2.23)	1.423
Problem Solving	19.42 (2.49)	17.91 (2.96)	2.185
Flexibility	25.37 (3.13)	23.94 (3.17)	0.107
Inter Personal Relationship	22.37 (2.77)	20.11 (2.84)	0.012
EI_Total	207.54 (11.21)	196.83 (14.62)	7.070*

And married information technology leaders were high in emotional self awareness and emotional intelligence total. The ability to recognize that self-related aspects can be cause the pleasantness or unpleasantness to them clear in the mind that emotions have important social functions, in communicating personal status and needs to others cause them high in emotional self-awareness and emotional intelligence total. It is concluded that unmarried information technology leaders were high in vigilance decisional style. And married information technology leaders were high in emotional self awareness and emotional intelligence total.

*Hypothesis: "Information technology leaders differ significantly in their emotional intelligence and decision making on the basis of their gender."*

From the Table - 4, it is inferred that 't' values are significant for defensive avoidance and buck passing decisional style. And for the emotional Intelligence, it is found that 't' value is significant for emotional self awareness, problem solving, interpersonal relationship and with the emotional intelligence total. Hence the hypothesis is rejected for both the decision making and emotional intelligence.

From the Table - 4, it is found that male information technology leaders were high in defensive avoidance and buck passing decisional style. It may be due to nature of the project that the solution to the issues or problem has to handle by the software engineers who developed the programmes or who maintains the same. They tries to shifts responsibility onto someone else or rationalizing the least objectionable alternative.

And female information technology leaders were high in emotional self-awareness and problem solving dimensions of emotional intelligence and emotional intelligence total.

**TABLE - 4: Decision Making and Emotional Intelligence: Gender Comparison**

	Gender		F value
	Male Mean (S.D)	Female Mean (S.D)	
Decision Making Styles			
Hyper Vigilance	9.37 (1.82)	9.44 (1.67)	1.284
Rationalization	9.96 (1.62)	10.31 (1.49)	0.684
Vigilance	10.76 (3.07)	11.60 (2.68)	2.652
Defensive Avoidance	9.79 (1.71)	9.60 (1.27)	4.883*
Buck Passing	11.94 (2.09)	9.96 (2.63)	6.948*
Procrastination	9.57 (1.71)	10.67 (1.35)	2.980
Emotional Intelligence dimensions			
Stress Management	24.77 (2.55)	25.73 (2.24)	2.587
Emotional Self Awareness	18.07 (2.23)	19.24 (1.79)	3.766*
Reality Testing	18.79 (2.01)	19.60 (2.14)	0.042
Self Regard	27.10 (3.05)	28.31 (2.40)	1.746
Impulse Control	15.24 (2.19)	15.25 (2.24)	0.021
Assertiveness	18.36 (1.88)	18.44 (2.06)	0.325
Empathy	15.04 (2.01)	15.87 (1.88)	0.213
Problem Solving	18.90 (2.88)	19.42 (2.15)	7.227*

Flexibility	24.96 (3.34)	25.18 (2.85)	0.250
Inter Personal Relationship	21.90 (3.20)	21.67 (2.28)	6.305*
EI_Total	203.13 (14.38)	209.11 (7.31)	16.355*

The ability of the female information technology leaders to understand and express ourselves, understand others and relate with them results in high in emotional self-awareness. Whereas high in "problem solving" dimension of emotional intelligence may be due to the ability to identify and define problems as well as to generate and implement potentially effective solutions.

Male information technology leaders were high in "interpersonal relationship" dimension of emotional intelligence. It is welcome one that male leaders were high in interpersonal relationship, traditionally were female are better. It may be due to the individual character that, approaching everyone in respect and warm and presenting themselves as approachable and conveying intimacy to other. It is concluded that the gender of the leaders does not have significant relationship with their emotional intelligence and decision-making styles.

*Hypothesis: "Information technology leaders differ significantly in their emotional intelligence and decision making on the basis of the number of dependents."*

From the Table - 5, it is noticed that 'F' values are significant for vigilance and buck passing decisional style. And for the emotional Intelligence, it is found that 'F' value is significant for stress management, problem solving, flexibility, interpersonal relationship and with the emotional intelligence total. Hence the hypothesis is rejected for both the decision making and emotional intelligence.

From the Table - 5, it is noticed that information technology leaders who have less than 2 dependents were high in vigilance decisional style. Responsibility of these individuals to take decisions in all parts of life makes them to be vigilant in the decisional style. Moreover they searches carefully for a wide variety of alternatives and objectively weighs the costs and benefits before making the final decision. And leaders who have more than 4 dependents were high in buck passing decisional style. As someone in the family to take care of the decisions in the personal life may be the reason to prefer the same in the work life.

**TABLE - 5: Decision Making and Emotional Intelligence Based on The Number of Dependents**

Decision Making Styles	Number of Dependents				F – value	Posthoc
	1 Mean (S.D)	2 Mean (S.D)	3 Mean (S.D)	4 Mean (S.D)		
Hyper Vigilance	8.87 (1.85)	9.72 (1.72)	9.90 (1.65)	9.57 (0.79)	3.323	----
Rationalization	10.00 (1.39)	10.19 (1.87)	10.10 (1.52)	9.71 (1.60)	0.250	----
Vigilance	11.52 (2.43)	11.70 (2.94)	10.10 (3.13)	6.00 (0.00)	10.853*	2 vs 1 vs 3 vs 4
Defensive Avoidance	9.73 (1.48)	9.70 (1.78)	9.70 (1.56)	10.14 (1.46)	0.164	----
Buck Passing	9.82 (2.41)	12.47 (1.65)	12.37 (2.06)	12.57 (1.51)	18.766*	4 vs 2 vs 3 vs 1
Procrastination	9.94 (1.69)	10.17 (1.72)	9.40 (1.63)	10.14 (1.35)	1.355	----
Emotional Intelligence dimensions						
Stress Management	25.11 (2.70)	24.21 (2.49)	26.03 (1.73)	26.29 (1.25)	4.172*	4 vs 3 vs 1 vs 2
Emotional Self Awareness	18.32 (2.50)	18.00 (1.84)	19.00 (1.88)	19.86 (1.21)	2.439	----
Reality Testing	19.18 (2.06)	19.06 (2.22)	18.70 (2.05)	19.14 (1.35)	0.362	----
Self Regard	27.06 (3.14)	27.72 (2.89)	27.67 (2.64)	28.57 (1.90)	0.895	----
Impulse Control	14.98 (2.40)	14.89 (1.91)	15.87 (1.94)	17.14 (2.03)	3.391	----
Assertiveness	18.26 (2.13)	18.38 (1.81)	18.83 (1.62)	20.14 (1.57)	2.411	----
Empathy	15.34 (2.20)	14.94 (2.06)	15.57 (1.55)	16.14 (1.21)	1.116	----
Problem Solving	18.40 (2.61)	19.31 (2.55)	19.40 (2.66)	21.71 (2.63)	4.078*	4 vs 3 vs 2 vs 1

Flexibility	24.71 (2.93)	23.55 (2.60)	26.47 (2.39)	31.57 (0.79)	22.182*	4 vs 3 vs 1 vs 2
Inter Personal Relationship	20.98 (2.73)	20.89 (2.66)	24.03 (1.83)	26.14 (1.68)	19.152*	4 vs 3 vs 1 vs 2
EI_Total	202.35 (13.24)	200.98 (11.16)	211.57 (7.76)	226.71 (5.65)	14.923*	4 vs 3 vs 1 vs 2

1. No dependents - 62 persons \*Significant at 0.05% level
2. Less than 2 dependents - 47 persons
3. 3 or 4 dependents - 30 persons
4. More than 4 dependents - 7 persons

It is observed from the table that information technology leaders with more than 4 dependents in their family have higher stress management, problem solving, flexibility, and interpersonal relationship skills and emotional intelligence total than their counter parts. Traditionally, it is stated that if there are more number of dependents in the family better will be the emotional intelligence. Further, it is evident in this study.

It is concluded information technology leaders with have less than 2 dependents were high in vigilance decisional style and who have more than 4 dependents were high in buck passing decisional style. Whereas for emotional intelligence leaders with more than 4 dependents in their family have higher stress management, problem solving, flexibility, and interpersonal relationship skills and emotional intelligence total.

*Hypothesis: "There is a significant relationship between emotional intelligence and decision-making of information technology leaders."*

From the Table - 6, it is found that the correlation co-efficient are not significant for most of the emotional intelligence dimensions. Hence, the hypothesis is rejected. It is concluded that the emotional intelligence of information technology leaders have not significant impact on their decision making. It is noticed from the table that stress management component of emotional intelligence has a negative relationship with vigilance style of decision-making. The inability of the information technology leaders to control their impulses and stress has a negative impact on the vigilant style of decision-making.

**TABLE - 6: Decision Making and Emotional Intelligence: Correlational Analysis**

	<b>Hyper Vigilance</b>	<b>Rationali zation</b>	<b>Vigilance</b>	<b>Defensive Avoidance</b>	<b>Buck Passing</b>	<b>Procrasti nation</b>
Stress Management	0.036	0.078	-0.189*	-0.070	-0.023	0.081
Emotional Self Awareness	0.184*	0.003	-0.182*	-0.061	0.145	0.204*
Reality Testing	-0.021	0.020	-0.037	-0.049	-0.056	0.064
Self Regard	0.151	-0.035	-0.206*	-0.117	0.096	0.080
Impulse Control	0.098	0.067	-0.159	0.036	0.158	0.073
Assertiveness	0.038	-0.054	-0.057	-0.018	0.013	0.052
Empathy	-0.036	-0.030	-0.117	-0.021	-0.010	0.088
Problem Solving	0.028	0.127	-0.177*	0.082	0.121	0.139
Flexibility	0.171*	-0.067	-0.248*	-0.080	0.036	-0.002
Inter Personal Relationship	0.261*	-0.042	-0.392*	-0.056	0.237*	0.072
EI_Total	0.193*	0.010	-0.361*	-0.073	0.148*	0.157

Emotional self-awareness has a positive relationship with hyper-vigilance and procrastination whereas negative relationship with vigilance styles of decision-making may due to the lack of awareness of one's own emotions. The positive relationship with the hyper vigilance and procrastination may be due to the situation when the leaders feel they are disorganized and inefficient makes them to behave so. Because the leaders do not have the luxury of implementing a more elaborate analytic procedure.

Self-regard has a negative relationship with vigilance style of decision-making. The pessimistic approach by information technology leaders, towards finding the solution and beliefs they have was that, there is insufficient time to take decision. This makes the leaders to evade the conflicting decision-making by procrastinating or shifting responsibility for making the decision to someone else or constructing wishful rationalizations.

Problem solving has a negative relationship with vigilance style of decision-making. It may be due to the failure of the leaders to visualise things as they are actually; able to define problems, generate implement effective and appropriate solutions to the problems identified, which occur easily because of their ability to tolerate stress and control impulses.

Inter personal relationship has a positive relationship with hyper-vigilance whereas negative relationship with vigilance styles of decision-making. The positive relationship with the hyper vigilance may be due to the limited awareness of one's own emotions is linked to a decisional style characterized by the need to entrust one's self to others for decision-making. The negative relationship with the vigilance may be due to the failure to recognize to trust their feelings and allow them by carrying the negativity of the bad decisions.

Flexible people are agile, synergistic, and capable of reacting to change without rigidity. Flexibility has a positive relationship with hyper-vigilance and buck passing decisional style. The positive relationship of flexibility with the hyper-vigilance may be due to ability of the leaders to adapt them to the unfamiliar, unpredictable, and dynamic circumstances and the handling the issue in the time bound pressure. And the buck passing may be due to the hardness of the issue or the subject makes them to passing the buck to others.

Negative relationship with the vigilance may be due to the nature of job and monotony of the work that push the executives to boredom and dissatisfaction aroused from the routine and specialized tasks. Finding time to make decisions itself is an ultimate challenge that requires the flexibility and initiative. Emotional intelligence total has a positive relationship with hyper-vigilance and buck passing whereas negative relationship with vigilance styles of decision-making. The positive relationship with the hyper-vigilance may be due the individuals' attention process and emotion perception fails to read the decision making process. Though they have better understanding and regulation of one's emotions the personal coping capabilities at the work place and affect the decision making process.

The rapid pace of organizational changes forces the individual to accommodate to the needs of the organization. Change requires the employee to function in a different manner and this requires considerable expenditure of emotional resources, when it fails it results in the negative relationship with the vigilance decisional style. Hence, it is concluded that there is no significant correlation between the emotional intelligence and decision making of the information technology leaders.

## **Conclusion**

The present study examines the decision making styles of information technology leaders in relation to their emotional intelligence. A study by Gardner and Stough (2001) argues that emotional intelligence enhances leaders' ability to solve problems and to address issues and opportunities facing them and by their organizations. Leaders within this context are able to enhance decision making capability through their knowledge

and management of emotions, and use those emotions in the procedure of decision making.

This research provides a number of contributions to the theoretical debate about emotional intelligence and decision making style, that is, "Decision Making Styles of IT Professionals in relation to their Emotional Intelligence." The first contribution is that this study explored the relationship between leader emotional intelligence and their tendencies to different decision making styles. Moreover, we constructed our research work on the valid models of emotional intelligence and decision making style. The second contribution establishes that emotional intelligence does lead to wide variety styles of managerial decision making and finally the result of the current study tried to make leaders pay much more attentions to emotional intelligence in their training programs and managerial assignments.

## References

1. Abraham, R. (2000). The role of job control as a moderator of emotional dissonance and emotional intelligence - outcome relationships, *The Journal of Psychology*, 134, 169-184.
2. Amalor, D. (1992). A study of decision making styles in relation to some personality characteristics of university students. Unpublished M.Phil., thesis, Dept of Psychology, Annamalai University, India.
3. Bar-On, R. (1997). EQ-i. Bar-On emotional quotient inventory: A measure of emotional intelligence: Technical manual. Toronto, ON: Multi-Health Systems Inc.
4. Easterbrook, J.A. (1959) The effects of emotion on cue utilization and the organization of behavior. *Psychological Review*, 1959, 66, 183-200.
5. Frigda, N.H. (1988) The laws of emotion. *American Psychologist*, 1988, 43, 349-58.
6. Gardner, L. & Stough, C. (2001). Examining the relationship between leadership and emotional intelligence in senior level managers, *Leadership and organizational Development Journals*, 23(2), 68-78.
7. George, J.M. (2000) *Emotions and Leadership: The role of emotional leadership*, Vol. 53 No, 8. London, Thousand Oaks CA, New Delhi.
8. George, J.M. (2000). Emotions and leadership: The role of Emotional Intelligence, *Human relations*, 53, 1027-1041
9. Goleman, D. (1995). *Emotional Intelligence*. New York: Bantam Books.
10. James D. Hess and Arnold C. Bacigalupo (2011). Enhancing decisions and decision-making processes through the application of emotional intelligence skills, *Management Decision*, 49 (5), 710-721.
11. Leon Mann., Radford, M. H. B., & Kalucy, R. S. (1986). Psychiatric disturbance and decision making. *Australia and Newzeland Journal of Psychiatry*, 20, 210-217.

12. Mandler, G. (1975), *Mind and emotion*. New York: Wiley, 1975.
13. Mayer, J.D., & Salovey, P. (1997). What is emotional Intelligence? In P. Salovey & D.J. Sluyter (Ed.), *Emotional Development and Emotional Intelligence*, New York; Basic Books.
14. Salovey, P., & Mayer, J.D. (1990). Emotional Intelligence. *Imagination, Cognition and Personality*, 9, 185-211.
15. Simon, H.A. Comments. In M.S. Clark and S.T. Fiske (Eds), *Affect and cognition*. Hillsdale, NJ: Erlbaum, 1982, pp. 333-42.

## Rural Consumers Perception Towards Buying Behaviour: A Study with Special Reference to Tiruvellore District, Tamilnadu

– A. Jayakrishnan \*  
– Dr.G. Vijaya Kumar\*\*

---

### Abstract

*Present study aims at identifying the factors affecting buying decisions of rural consumers and whether importance of these factors varies with age and income of respondents. Study identified the eight factors i.e. price, quality, warranty, advertisement, brand, friends recommendations, family members recommendation and packaging which rural consumers consider while making purchase decisions. It was found that factors effect on rural consumer vary with age and income and found increasing with gender and income. Importance of all factors in buying behavior of rural consumer found increasing trend with increase in their gender and income. The effect of price and quality on buying behavior of rural consumer increases significantly with increase in gender and income. Advertisement and brand of products found significantly very important to high income rural consumers than lower income consumers. Friends and family members' recommendations had significantly more impact on buying decisions of lower income consumers than high income consumers. Packaging had significantly more impact on buying decision of lower income consumers than high income consumers.*

### Introduction

Rural marketing is now a two-way marketing process. There is inflow of products into rural markets for production or consumption and there is also outflow of products to urban areas. The rural market has been growing steadily over the past few years and is now even bigger than the urban market. About 70 per cent of India's population lives in villages. More than 800 million people live in villages of India. 'Go rural' is the marketer's new slogan. Indian marketers as well as multinationals, such as Colgate-Palmolive, Godrej and Hindustan Lever have focused on rural markets. Thus, looking

---

\* Ph.D Research scholar, Department of Commerce, Sir Theagaraya College, Chennai-600021. Email:ajkusl@gmail.com

\*\* Dr.G.Vijaya kumar, Research Supervisor, Department of Commerce, Sir Theagaraya College, Chennai-600021. Email: viji\_tri2003@yahoo.com

at the opportunities, which rural markets offer to the marketers, it can be said that the future is very promising for those who can understand the dynamics of rural markets and exploit them to their best advantage. Since ancient times; Indian villages had the concept of village markets popularly known as the village haats. The haats are basically a gathering of the local buyers and sellers. The barter system was quite prevalent, which still continues in a number of places even today. Haats are basically a weekly event, and are central to the village economy. According to Mckinsey survey 2007, rural India, with population of 627 million would become larger than the total population of consumer markets in countries like South Korea or Canada in coming 20 years. Many experts and organizations have differing views on what constitutes the term, 'rural'. Collins Cobuild Dictionary (2001) describes the word 'rural' as 'place far away from towns and cities'. According to Velayudhan (2002), rural marketing includes all those activities of assessing, stimulating and converting the rural purchasing power into an effective demand for specific products and with the aim of raising the standard of living. Rural marketing is any marketing activity in which one dominant participant is from rural area (Kotler, et al., 2009). There are 6, 00,000 villages in India comprising of 16, 60, 00,000 households, earning 1, 14,458 rupees annually. Ruralites save 30,663 rupees and spend 83,735 rupees per year. Rural area grow day by day, in 2001 rural population of India is 74.3 crore but in 2011 that is 83.3 crore. It is increase by 9 crore.

Consumer behaviour is defined as activities people undertake when obtaining, consuming, and disposing of products and services (Blackwell et al, 2001). The study of consumer behaviour does not only include reasons for buying but also the consumption process of buying , consumers get driven by influences such as feelings, motivation, income, lifestyle, opinions, culture, personality etc (Srivastava,2013)

### **Review of Literature**

Host of factors affect the consumer behaviour like socio- cultural, price, ads and any promotional scheme but in India is increasingly getting more and more conscious of brands. The rural youth does not compromise for the quality of branded items and even prepared to pay more prices for the branded product. The choice of brand ambassador has a very significant effect on the purchase behaviour of rural consumer (Nain & Kumar, 2009). Rural consumers in Haryana not only aware of branded products rather they purchase variety of branded products and concluded that rural consumers are willing to buy a variety of products and brands if their prices are lowered in future. Income was found to be the most important factor followed by education, occupation. Caste is one of the most important factors in rural Haryana affecting purchase decision of rural consumers (Kumar & Bishnoi, 2007; Kumar & Singh, 2008; Kumar & Singh, 2013 a).

Srivastava (2013) reliability and product attributes plays a very important role for low income and price conscious consumers. The consumers largely remain brand loyal.

Promotions and offers have considerable impact on household and young adults. At the same time where they are buying generic products, they nourish aspiration value for branded products which remains restricted due to lack of money. Anandan. C et al. (2007) found that quality was the major factor to prefer a particular brand in washing soaps in the rural market. If preferred brands were not available, customers buy the available brands. High price and non-availability were the key reasons for dissatisfaction of the rural consumers.

Nagaraja (2004) impact of socio-economic influences on rural consumer behaviour in terms of their buying practices, to the social status and level of income. Rural consumer was more rational as a buyer and exhibits a higher level of rationality compared to the urban consumer.

Kumar (2011) revealed that celebrity attributes likely to influence consumer purchase intentions. The practice of celebrity endorsements has proliferated over time. Now a day it has become a pervasive element of advertising industry especially in India. Marketers use celebrity endorsers to influence the purchase decision of consumers in order to increase their sales and extend their market shares. Rajput et. al. (2012) stated that people are more conscious and aware towards branded products. They are ready to pay any price for comfort and quality of branded products. In India people have become more conscious presently only brand image is not only the significant factor in choosing the products but other factors also like quality, verity, comfort, price and expectations. Prasad & Reddy (2003) found the effect of celebrity ads and brand on consumers in their purchase decisions and to look into the appropriateness of such celebrities to various products they support.

Mukherjee et, al. (2012) found that Indian consumers are heterogeneous. The disposable income is rising, consumption patterns are changing and the level of brand consciousness is rising. They are price sensitive and therefore, appropriate pricing of the product is crucial for market entry and penetration. Hence, it is important that retailers adopt appropriate market strategies to target Indian consumers, know their demographic ?lper,o income patterns, purchase behavior and level of brand consciousness. Ramachander (1988) concludes that the degree of brand loyalty, pricing, packaging and other variables such as culture and socio economic factors influence consumer buying behavior. But brand factor are more inspire the consumer to choose the products.

Singh and Singh (2014) found that role of rural teenagers was found dominant across all decision stages in case of toothpaste and bathing soaps however the male respondents of 16-19 years old played dominant role at information search & evaluation stage and in brand selection at final purchase stage. It was found that influence of teenagers in family buying decisions of toothpaste and bathing soaps increases with

increase in their age and family income. Kumar and Singh (2013 b) stated that rural male teenagers in the age group of 16-19 years belonging to high income class had significantly more influence in family buying of cell phone than their counterpart.

### Objectives of the Study

Study was conducted with following objectives:

1. To categorize factors affecting buying decisions of rural consumers;
2. To study the importance of identified factors affecting buying decisions of rural consumers by gender and income of respondents.

### Research Methodology

The present study's ultimate objective is to find out the rural consumers perception towards the buying behavior in Tiruvellore District, Tamil Nadu. The study is embodied with both primary and secondary data. The primary data collected through the structured questionnaire from the rural consumers in Tiruvellore district. Data was collected from four villages of Tiruvellore district. Total of 200 samples were collected. Data was collected via questionnaire on five point scale. Frequency, mean, Friedman test, Independent t test and ANOVA were used to analyze the data.

### Data Analysis and Discussion

**Table 1 Characteristics of Respondents**

<b>Gender</b>	<b>Frequency</b>	<b>Percent</b>
Male	113	56.5
Female	87	43.5
<b>Total</b>	<b>200</b>	<b>100.0</b>
<b>Age</b>		
Up to 25 years	28	14.0
26-35 years	60	30.0
36-45 years	71	35.5
Above 45 years	41	20.5
<b>Total</b>	<b>200</b>	<b>100.0</b>
<b>Monthly Income</b>		
Up to Rs.10,000	83	41.5
Rs.10,001-15,000	60	30.0
Rs.15,001-20,000	34	17.0
Above Rs.20,000	23	11.5
<b>Total</b>	<b>200</b>	<b>100.0</b>

*Source: Primary data*

The above table represents that demographic profile of respondents. Out of 200 respondents, 113(56.5%) of respondents were male whereas 87(43.5%) of respondents were female. In connection with age classification, majority 35.5% of respondents were in the age group of 36-45 years, followed by 30% of respondents were in the age group of 26-35 years, 20.5% of respondents were in the age group of above 45 years and only 14% of respondents were up to 25 years. Regarding monthly income, majority 41.5% of respondent's monthly income was up to Rs.10, 000, followed by 30% of respondents monthly income was Rs.10, 001-15,000, 17% of respondents monthly income was Rs.15, 001-20,000 and only 11.5% of respondents monthly income was above Rs.20, 000.

### Null Hypothesis 1

There is no significant difference between the mean ranks with respect to factors affecting buying behavior of rural consumers.

**Table 2-Friedman Test for whether there is any significant difference between the mean ranks with respect to factors affecting buying behavior of rural consumers**

Factors	Mean Rank	Chi-Square value	P value
Quality	4.48	86.747	0.000**
Price	4.57		
Warranty	4.16		
Family members recommendations	4.14		
Brand	3.61		
Recommendation by Friends	3.90		
Advertisements	3.15		

Source: Primary data

\*\*represents significant at 1% level

The above table highlights that Friedman Test for whether there is any significant difference between the mean ranks with respect to factors affecting buying behavior of rural consumers. The chi-square value is 86.747 and corresponding p value is 0.000, which is less than 0.01. Therefore, the null hypothesis is rejected at 1% level of significant. Hence it is concluded that there is significant difference between the mean ranks with respect to factors affecting buying behavior of rural consumers.

### Null Hypothesis 2

There is no significant difference between the age group with respect to factors affecting buying behavior of rural consumers.

**Table 3-ANOVA test for whether there is any significant difference between the age group with respect to factors affecting buying behavior of rural consumers.**

<b>Factors</b>	<b>Monthly Income</b>	<b>N</b>	<b>Mean</b>	<b>S.D</b>
Quality	Up to Rs.10,000	83	3.64	1.205
	Rs.10,001-15,000	60	3.65	1.176
	Rs.15,001-20,000	34	3.50	1.261
	Above Rs.20,000	23	3.52	1.275
	Total	200	3.61	1.207
Price	Up to Rs.10,000	83	3.67	1.231
	Rs.10,001-15,000	60	3.68	1.200
	Rs.15,001-20,000	34	3.50	1.261
	Above Rs.20,000	23	3.61	1.340
	Total	200	3.64	1.232
Warranty	Up to Rs.10,000	83	3.63	1.237
	Rs.10,001-15,000	60	3.68	1.112
	Rs.15,001-20,000	34	3.65	1.203
	Above Rs.20,000	23	3.65	1.229
	Total	200	3.65	1.185
Family members recommendations	Up to Rs.10,000	83	3.53	1.328
	Rs.10,001-15,000	60	3.47	1.321
	Rs.15,001-20,000	34	3.53	1.308
	Above Rs.20,000	23	3.26	1.421
	Total	200	3.48	1.326
Brand	Up to Rs.10,000	83	3.29	1.121
	Rs.10,001-15,000	60	3.43	1.125
	Rs.15,001-20,000	34	3.35	1.252
	Above Rs.20,000	23	3.30	1.185
	Total	200	3.35	1.146
Recommendation by Friends	Up to Rs.10,000	83	3.46	1.468
	Rs.10,001-15,000	60	3.42	1.357
	Rs.15,001-20,000	34	3.44	1.481
	Above Rs.20,000	23	3.26	1.544
	Total	200	3.42	1.437

Advertisements	Up to Rs.10,000	83	3.13	1.446
	Rs.10,001-15,000	60	2.97	1.426
	Rs.15,001-20,000	34	2.88	1.452
	Above Rs.20,000	23	2.96	1.461
	Total	200	3.02	1.435

Source: Primary data

ANOVA						
		Sum of Squares	df	Mean Square	F	P value
Quality	Between Groups	.749	3	.250	.169	.917
	Within Groups	289.046	196	1.475		
	Total	289.795	199			
Price	Between Groups	.902	3	.301	.196	.899
	Within Groups	301.178	196	1.537		
	Total	302.080	199			
Warranty	Between Groups	.113	3	.038	.026	.994
	Within Groups	279.387	196	1.425		
	Total	279.500	199			
Family members recommendations	Between Groups	1.407	3	.469	.264	.852
	Within Groups	348.513	196	1.778		
	Total	349.920	199			
Brand	Between Groups	.767	3	.256	.192	.901
	Within Groups	260.428	196	1.329		
	Total	261.195	199			
Recommendation by Friends	Between Groups	.717	3	.239	.114	.952
	Within Groups	410.003	196	2.092		
	Total	410.720	199			
Advertisements	Between Groups	1.959	3	.653	.314	.815
	Within Groups	407.961	196	2.081		
	Total	409.920	199			

ANOVA test for whether there is any significant difference between the age group with respect to factors affecting buying behavior of rural consumer's shows above table. Since the p value of all the statements are greater than 0.05. Therefore, the null hypothesis

is accepted at 5% level of significant. Hence it is concluded that there is no significant difference between the age group with respect to factors affecting buying behavior of rural consumers.

### Null Hypothesis 3

There is no significant difference between male and female with respect to factors affecting buying behavior of rural consumers.

**Table 4 -Independent t test for whether there is any significant difference between male and female with respect to factors affecting buying behavior of rural consumers**

Group Statistics						
Factors	Gender	N	Mean	Std. Deviation	t value	P value
Quality	Male	113	3.63	1.241	.311	0.756
	Female	87	3.57	1.168	.313	0.754
Price	Male	113	3.65	1.253	.079	0.937
	Female	87	3.63	1.212	.079	0.937
Warranty	Male	113	3.65	1.155	.066	0.947
	Female	87	3.64	1.229	.065	0.948
Family members recommendations	Male	113	3.48	1.310	-.026	0.979
	Female	87	3.48	1.354	-.026	0.980
Brand	Male	113	3.42	1.108	1.123	0.263
	Female	87	3.24	1.191	1.113	0.267
Recommendation by Friends	Male	113	3.34	1.461	-.939	0.349
	Female	87	3.53	1.405	-.944	0.346
Advertisements	Male	113	2.91	1.392	-1.220	0.224
	Female	87	3.16	1.485	-1.210	0.228

*Source: Primary data*

The above table explains that Independent t test for whether there is any significant difference between male and female with respect to factors affecting buying behavior of rural consumers. The p value of all the factors are greater than 0.05. Therefore, the null hypothesis accepted at 5% level of significant. Hence it is concluded that there is no significant difference between male and female with respect to factors affecting buying behavior of rural consumers.

## Conclusion

It is observed from the study there are eight factors i.e. price, quality, warranty, advertisement, brand, friends recommendations, family members recommendation and packaging which rural consumers consider while making purchase decisions. It was found that factors effect on rural consumer vary with gender and income and found increasing with gender and income. Importance of all factors in buying behavior of rural consumer found increasing trend with increase in their gender and income. The effect of price and quality on buying behavior of rural consumer increases significantly with increase in gender and income. Advertisement and brand of products found significantly very important to high income rural consumers than lower income consumers. Friends and family members' recommendations had significantly more impact on buying decisions of lower income consumers than high income consumers. Packaging had significantly more impact on buying decision of lower income consumers than high income consumers.

## References

1. Anandan, Anandan, C et al. (2007), A study on brand preference of washing soaps in rural areas, *Indian Journal of Marketing*, 37(3), 30-37.
2. Bijapurkar, R. (2000), *The Marketing in India*, The Economic Times, September 18(6).
3. Datta, P., Saproo, A. & Kulshreshth, S. (2012-13). *The Marketing White book 2012-2013 one stop guide for marketers*, Business World.
4. <http://www.censusindia.gov.in>
5. Kotler, P., Keller, K. L., Koshy, A. & Jha, M. (2009), *Marketing Management A South Asian Perspective*. 13 ed., Pearson Education, New Delhi.
6. Kumar, A. (2011), *Celebrity Endorsements and its impact on consumer buying behavior*, [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1802531](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1802531).
7. Kumar, S. & Singh, V. (2013 b). *Influence of Teenagers in Family Purchase Decision Making of Cell Phones*. *Advance Management Research: An International Journal (AMRIJ)*. 1(1), 120-139.
8. Kumar, S., & Bishnoi, V. K. (2007). *Influence of Marketers' Effort on Rural Consumers and Their Mind Set: A Case Study of Haryana*, paper presented at 2nd IIMA Conference on Research in Marketing, January 3-5, 2007, Ahmadabad, India.

9. Kumar, S., & Singh, M. R. P. (2008). Brand Aspirations and Brand Switching Behaviour of Rural Consumers A case study of Haryana. Paper presented and published in IIM Kozhikode, Conference 3, 4, 5, April 2008.
10. Kumar, S., & Singh, V. (2013 a). An Insight into Teenagers' Influence on Buying Decision Making Process of Rural Families. Paper presented and published in "National Conference on Paradigm for Sustainable Business: People, Planet and Profit" IIT Roorkee, 8-9 March, 2013.
11. Mukherjee, A., Satija, D., Goyal, T. M., Mantrala, M. K. & Zou, S. (2012), Are Indian consumers brand conscious? Insights for global retailers, Asia Pacific Journal of Marketing and Logistics, 24 (3), 482-499.
12. Nagaraja. (2004), Consumer Behaviour in rural areas: A micro level study on buying behaviour of rural consumers in Kaval Mandal, Indian Journal of Marketing, 34(11), 30-35.
13. Nain, M. and Kumar, S. (2009). Impact of Brand Ambassadors on Purchase Behavior of Rural Youth and Identifying the Requisites of a Rural Brand Ambassador-A case Study of Haryana. Paper presented and published in paper presented and published in IIM Kozhikode, Conference Marketing to Rural Consumers 6-8, April 2009.
14. Prasad & Reddy. (2003), Use of Celebrities in Advertisements and Their Impact on Consumer Behaviour, Indian Journal of Marketing, 2, February
15. Rajput N., Kesharwani S. & Khanna A. (2012), Consumers' Attitude towards Branded Apparels: Gender Perspective, International Journal of Marketing Studies, 4,( 2).
16. Ramachander, S. (1988), Consumer Behaviour and Marketing: Towards an Indian Approach?, Economic and Political Weekly, 23, (9), 22-25.
17. Srivastava, S. (2013), Factors Affecting Buying Behaviour of Consumers in Unauthorized Colonies for FMCG Products, Global Journal of Management and Business Studies. ISSN 2248- 20.9878, 3(7),785-792.

## Impact of FDI on the Growth of Selected Pharmaceutical Firms - An Aggregate Analysis

– Dr. Syed Khaja Safiuddin\*

– Dr. Mohammad Abdul Samad\*\*

---

### Abstract

*The Foreign Direct Investment is a main source of capital fund for different economies and leading source of external financing. In India, the liberalization of FDI policies offers opportunities as well as threats for firms. It is also observed that FDI has an impact on the growth, performance and efficiency of the firms as well as its contribution to the nations economy. The most important issue is the difficulty in choice FDI policies is faced by most of the countries. This is mostly due to conflicting objectives such as desire for rapid growth along with desire for equitable distribution of income. The present study focuses on assessing the impact of FDI on the growth of select firms measured in terms of forex earnings, sales, profit and assets. For the present study firms aggregates of the FDI based pharmaceutical firms are considered. The study is carried out for a period of 10 years from 2000-01 to 2009-2010.*

*Key words: FDI, Liberalization, Pharmaceutical firms, FDI firms, Aggregates.*

### Introduction

The rise in volume of FDI is accompanied by a marked change in its composition. FDI has an impact on country's trade balance, improving labor skills and standards, transfer of technology and innovative ideas, infrastructure development and the general business environment. Foreign direct investment (FDI) is considered to be the lifeblood for economic development as far as the developing nations are concerned.

Apart from liberalization, the FDI flows in different regions and countries depend upon the factors like global economic trends, stock market movements and the elimination of hurdles such as political instability, issues in corporate governance, terrorism risk etc. create conducive atmosphere for higher FDI flows (Srujan.A, 2006).

---

\* Senior Assistant Professor, Department of Management and Commerce, Maulana Azad National Urdu University, Email: sksafiuddin@gmail.com

\*\* Asst. Professor, College of Business Administration, Prince Sattam bin Abdulaziz University, Al Kharj, Saudi Arabia.

## **Significance of FDI**

The role of FDI as a source of capital and technology has grown over time. As other sources of capital have become scarce, FDI became necessary for developing economies to grow rapidly to integrate with international trade and compete with developed economies (Pramod Kumar, 2006).

The liberalisation of government policies that restrict foreign direct investment (FDI) is a recent phenomenon. Although trade policies have been liberalised for many years through the elimination of quotas and the reduction of import tariffs, liberalisation of investment policies is more recent, stimulated by the World Trade Organisation (WTO) in 1995. Liberalization of FDI policies offers opportunities for firms as well as threats. If FDI (and trade) liberalization result in faster growing national economies, then firms face larger, faster-growing markets domestically (Feinberg & Majumdar, 2001). In addition, more foreign-invested firms mean more potential customers locally with strong purchasing power, and more chances for linkages with them. If technology spillovers occur from foreign firms to other firms in the industry, then those firms can achieve better technical performance.

## **Overview of Indian Pharmaceutical Sector**

The Indian pharmaceutical sector is an interesting and relevant context for several reasons. The Indian pharmaceutical industry is one of the most vibrant knowledge driven industries in India with consistent growth over the past thirty years. Today, more than 90 percent of the modern medicine consumed in India is produced locally. India is among top 5 pharmaceutical producers worldwide in terms of volume and ranks among 15 in value. It is one of the top 20 top exporters of bulk actives and dosage forms. Indian exports are destined to around 175 countries around the globe including highly regulated markets of Australia, Europe, Japan and US.

The policy environment in India towards both technology and FDI was liberal during 1960s, the policies were made stringent during 1970s, attempts were made at liberalization during 1980s, and the liberalization took place during 1990s. But during this period, the policy environment was characterized by lack of transparency and discretionary control. This environment has had profound effects on the investment and research activities of both MNCs and domestic pharmaceutical firms in India.

The pharmaceutical sector is R&D intensive and multinational companies have a presence in the Indian market. The Indian pharmaceutical sector also has a long history of multinational participation in both manufacturing and research and development.

The Indian pharmaceutical sector is also subject to a complex and changing mix of sector-specific policies aimed at the objectives of equality of income distribution and self-determination. All the policies that affected firms, both foreign and domestic in the pharmaceutical sector, have the combined intention of developing domestic industry and making drugs available to India's poor. (Management Accountant, Nov 2010, Special issue on Indian Pharmaceutical Industry)

### **Literature Review**

Chalapati Rao K.S., Murthy MR and Ranganathan KVK (1999), in their work made an attempt to study the Foreign Direct Investment in India in the Post-liberalization period. This study seeks to provide empirical content to the developments during the first seven years of liberalization. The study further revealed that a pattern of FDI inflows in infrastructure is not significant and the increasing dominance of foreign companies in consumer goods sector makes it more significant and FDI approvals in the post-liberalization period are increasing for setting up of subsidiaries.

Luiz R. De Mello (1999) in his paper made an attempt to estimate the impact of Foreign Direct Investment (FDI) on Capital Accumulation and Output and Total Factor Productivity (TFP) growth in recipient economy. The study is conducted for the period of 1970-1990. Time series and panel data analysis are applied for the sample of OECD and non-OECD countries. The study reveals that although FDI is expected to boost long-run growth in the recipients' economy via technological upgrading and knowledge spillovers, it is found that the extent to which FDI is growth enhancing depends on substitutions between FDI and domestic investment.

Surendra Pradhan (2000) in his study made an attempt to examine the various aspects of FDI from investing firm and as well as from receiving firms' point of view. This study mainly focuses on the risk and return from firms' perspective and also the strategies that attract FDI from host countries point of view. The methodology used in this study for data analysis is based on Brown and Warner. An examination of shareholders responses to the announcement of FDI in emerging markets shows positive response which is indicated by higher risk adjusted rate of returns than expected on investments during the period surrounding the announcements.

Feinberg & Majumdar (2001) found that Liberalisation of FDI policies offers opportunities for firms as well as threats. If FDI (and trade) liberalisation results in faster growing national economies, then firms face larger, faster-growing markets domestically.

Pradhan (2004) examined the nature of relationship between the presence of foreign firms and local productivity growth in Indian pharmaceutical industry and

investigated the spill over benefits from FDI. The export intensity of a firm was hypothesized to have a positive impact on its productivity growth. The results showed that exporting had a negative effect on the efficiency of the firms and reached a modest level of statistical significance.

Sebastian Morris (2004) in his work made an attempt to study the regional determinants of FDI in India and Gujarat. The study specifically uses Stephen Flymers' understanding of the parallels and relationship between the international organization of a global firm and the locational choices for the same with spatial aspects of the location of economic activities in general. The results from the study reveal that though Gujarat is not having large and metropolitan cities, the FDI in Gujarat increased over the period when the state grew rapidly in the first six years from the post-liberalization period and after that the slow down of growth has been a retardant to FDI.

Rajit Kumar Sahoo (2005) in his work made an attempt to review the policy and institutional arrangement for attracting FDI and its patterns of inflows since 1991 and also to empirically estimate the impact of FDI on productivity gap in the manufacturing sector/sub-sectors of India. The study reveals that the role of FDI impacting the growth and its spillovers of productivity to domestic firms is limited in India. Direct impact of FDI in manufacturing sector as a whole and limited to three out of six manufacturing sectors i.e. chemical, electrical and electronics and the indirect impact of FDI (spillovers) in raising productivity of domestic firms is limited to one sector, namely, drugs and pharmaceuticals.

Maathai K Mathiyazhagan (2005) in his study made an attempt to examine the long-run relationship of FDI with gross output, export and labor productivity in Indian economy at the sectoral level. In this study, the panel co-integration (PCONT) test has been used and the annual data from 1990-91 to 2000-01 has been considered for the purpose of data analysis. The results from the study reveals that there is no significance co integrating relationship among variables like FDI, gross output, export and labor productivity in core sectors of the economy. The study also reveals that at the sectoral level of the Indian economy, FDI has helped to raise the output, productivity and export in some sectors only.

Annika Bergman (2006) in her paper made an attempt to analyze the impact of FDI on India's domestic pharmaceutical industry through spillover effects and the India's policy environment in which spillover effects can be materialized. The study reveals that the firm with foreign ownership exhibit higher productivity growth than domestically owned firms. The study shows varied results about spillover effects in the Indian Pharmaceutical Industry and reveals that spillover effects of FDI are difficult to compute and it is therefore recommended to include a qualitative approach of analysis in addition

to the statistical analysis to get a deeper understanding of the effects of foreign firm in an Industry.

Tanay Kumar Nandi and Ritankar Saher (2007) in their work made an attempt to study FDI in India with a special focus on Retail trade. This paper emphasises the need of FDI in India in retail sector and reveals that the effect of FDI on the retail trade have been positive without harming the domestic economy. The study also suggests that FDI in retail sector must be allowed.

Chalapati Rao K.S., Ranganathan VK and Murthy M.R. (2007), in their work made an attempt to study the policies and procedures related to actual FDI inflows in selected sectors in India. The study reveals that information technology, transport equipment and other engineering industries, food processing sector and drug and pharmaceuticals offer a mix of export potential, technology intensity and employment generation and also accounted for a significant portion of FDI inflows into India in the new policy period.

Philippe Gugler S. Brunner (2007) in this paper made an attempt to assess the effects of FDI on National competitiveness. The study reveals that MNEs potentially have a beneficial impact on the host country, as they are a source of technology in a broad sense and can lead to an upgrading of human capital. The effective impact of FDI depends on the type of activity undertaken and the absorptive capacity of the host state.

Aditya K.R. Bajaj and Swastik Nigam (2007) in this work made an attempt to study the impact of globalization in the pharmaceutical industry and FDI spillovers in various forms to the domestic pharmaceutical industry in terms of domestic productivity and competitiveness. The analysis of the study reveals that the FDI have had spillover effects on the Indian Pharmaceutical Industry. With the new WTO patent regime introduced in 2005, the foreign players have found greater security in operating in India and due to the spillover effects of a competitive environment, the domestic players have substantially increased their productivity and hence compete on stranger footing with the incoming pharmaceutical firms.

Ramesh Kumar S and Alagappan V (2008) in their work made an attempt to examine the trends and patterns in Foreign Direct Investment (FDI) inflows in India during the post-liberalization period. The analysis of the study reveals that the actual FDI inflow into the country had maintained a fluctuating and inconsistent trend during the study period. The study also finds that the approvals for FDI inflows had been very slow in materializing themselves into actual inflows.

Sambrita Chattopadhyay (2008) made an attempt to analyze the impact of the FDI in terms of its spillovers effects and promotion of exports based on both industry

and company level data. This study has been conducted for electrical & electronics, Auto-ancillary, Engineering, Chemicals and Pharmaceuticals sector. The study reveals that although India experienced greater magnitude of FDI inflows during economic liberation, the liberal FDI policy of government of India has failed to bring in the "attendant advantages of technology transfer" and "new possibilities for promotion of export".

Bharathi Kamath G (2008) in this study made an attempt to analyze the impact of Foreign Direct Investment (FDI) on Gross Domestic Product (GDP) and exports in India during the post liberalization period i.e. 1991 to 2005. The analysis of the study reveals that a greater inflow of foreign capital has led to growth in the exports of goods and services and also growth of the economy over the period of study.

Syed Khaja Safiuddin (2010) in his paper made an attempt to analyse the FDI inflows in India with reference to sectors wise inflows and also opportunities attached with these sectors and benefits of FDI to these sectors. The paper reveals that though FDI inflows show a varying trend in Indian Industry, but acts as a catalyst for growth in quality maintenance and development of Indian Industries.

Syed Khaja Safiuddin and Sreenivasa Murthy S (2011) in their paper studies the trends in FDI inflows in the Indian Industry and revealed that varying trend of FDI inflows in Indian Industry is evident in the post-liberalisation period and depends on the industry demand and reveals that service sector in India attracts the maximum FDI inflows followed by Computer Software and Hardware.

Syed Khaja Safiuddin and Sreenivasa Murthy S (2011) made an attempt to study the trends of FDI inflows in India and the Indian Pharmaceutical Industry with reference to Post-Liberalisation Period. The analysis of the study reveals that FDI inflows in India marginally influences the FDI inflows in the Indian Pharmaceutical Sector and inflows of FDI in IPI may be due to several other factors. Though 100% FDI is allowed into the Indian Pharmaceutical Sector, the proportion of Pharmaceutical FDI in total FDI is very low.

### **Need for the Study**

The importance of FDI extends beyond the financial capital that flows into the country. It is observed that the presence of foreign ownership in the ownership pattern of the firms showed relatively superior performance of those firms than other firms. global managerial skills and practices, optimal utilization of human capabilities and natural resources, making industry internationally competitive, opening up export markets, providing backward and forward linkages and access to international quality goods and services and augmenting employment opportunities. Hence it is interesting to study the role played by FDI in a world of increased competition and rapid

technological change. The extent to which FDI contributes to the growth of economy in general and Indian Pharmaceutical sector in particular especially in the context of post-liberalization scenario is seen as a major area of focus. There is a need to assess the impact of FDI on the growth of FDI-based companies.

### **Objectives of the Study**

The objectives of the study are

1. To assess the impact of FDI on the growth in forex earnings of select firms.
2. To assess the impact of FDI on the growth in exports of select firms.
3. To assess the impact of FDI on the growth in sales of select firms.
4. To assess the impact of FDI on the growth in profit of select firms.
5. To assess the impact of FDI on the growth in assets of select firms.

### **Hypotheses of the Study**

After the detailed review of literature and certain assumptions, the following null hypotheses have been framed for the study.

H01: There is no significant impact of FDI on the growth in forex earnings of select firms.

H02: There is no significant impact of FDI on the growth in exports of select firms.

H03: There is no significant impact of FDI on the growth in sales of select firms.

H04: There is no significant impact of FDI on the growth in profit of select firms.

H05: There is no significant impact of FDI on the growth in assets of select firms.

### **Methodology of the Study**

The present study examines the impact of Foreign Direct Investment on the performance measures of select pharmaceutical firms in India. FDI based companies and the regression analysis was run to assess the impact of FDI on the financial performance of Pharmaceutical firms in India. FDI as defined by OECD and IMF has been taken into consideration.

The study is carried out with the help of secondary data collected mainly from sources such as CMIE-Prowess Database, DIPP, Ministry of Commerce & Industry, GOI.

The present study focuses on one specific industrial sector i.e the Indian Pharmaceutical Sector. From this sector 18 companies which are identified as FDI-based companies have been considered for the study. The financial aggregates of the companies is considered for analysis.

## Scope of the Study

The scope of the study is confined to select financial ratios of FDI based pharmaceutical companies consistently listed in NSE and BSE. The ownership pattern of the companies has been considered for identifying and classifying FDI based companies (based upon IMF BOP Definition). The study is conducted for a period of 10 Years i.e. 2001-2010.

## Limitations of the Study

In this study, only those pharmaceutical companies consistently listed for a period of 10 Years i.e. from 2001-2010 and whose data is available at least for a period of five years are considered for the study. Further, this study is based on secondary sources of data only.

## Impact of FDI on the growth of FDI-based Pharmaceutical Companies in India on an Aggregate Basis

Impact of FDI (foreign promoter) on the Financial Performance of Selected FDI-based Pharmaceutical Companies - An aggregate analysis

In case of aggregate analysis, FDI (% of foreign promoter in the Share holding pattern of the company) is considered as dependant variable and financial indicators are considered as dependant variables. 18 Companies averages are considered for calculating aggregate figures)

### I. Impact of FDI on growth in Foreign Exchange Earnings

**Table 1 : Regression analysis for Impact of FDI on Growth in Foreign Exchange Earnings  
Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.239 <sup>a</sup>	.057	-.077	154.1656185

a. Predictors: (Constant), FDI (%)

#### ANOVA<sup>b</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10100.004	1	10100.004	.425	.535 <sup>a</sup>
	Residual	166369.3	7	23767.038		
	Total	176469.3	8			

a. Predictors: (Constant), FDI (%)

b. Dependent Variable: Growth in Forex earnings (%)

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	535.581	707.034		.758	.473
	FDI (%)	-9.852	15.113	-.239	-.652	.535

a. Dependent Variable: Growth in Forex earnings (%)

The simple regression analysis has been run to assess the impact of FDI on growth of FOREX Earnings of IPI. FDI is independent variable and growth of Forex Earnings is dependent variable. The results showed that the R square value is .057 and Beta(t) value is 6.52 with a significant value of .535 which reveals that FDI has not significantly influenced the forex earnings of the FDI based pharmaceutical companies on an aggregate basis.

**II. Impact of FDI on growth in Sales****Table 2 : Regression analysis for Impact of FDI on Growth in Sales****Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.205 <sup>a</sup>	.042	-.095	11.3656430

a. Predictors: (Constant), FDI (%)

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	39.642	1	39.642	.307	.597 <sup>a</sup>
	Residual	904.245	7	129.178		
	Total	943.887	8			

a. Predictors: (Constant), FDI (%)

b. Dependent Variable: Growth in Sales (%)

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	41.882	52.125		.803	.448
	FDI (%)	-.617	1.114	-.205	-.554	.597

a. Dependent Variable: Growth in Sales (%)

The simple regression analysis has been run to assess the impact of FDI on growth of Sales of IPI. FDI is independent variable and growth of Sales is dependent variable. The results showed that the R square value is .042 and Beta(t) value is 5.54 with a significant value of .597 which reveals that FDI has not significantly influenced the growth in sales of the sector

### III. Impact of FDI on Growth in Exports

**Table 3 : Regression analysis for Impact of FDI on Growth in Exports**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.374 <sup>a</sup>	.140	.017	54.2928683

a. Predictors: (Constant), FDI (%)

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3359.063	1	3359.063	1.140	.321 <sup>a</sup>
	Residual	20634.009	7	2947.716		
	Total	23993.072	8			

a. Predictors: (Constant), FDI (%)

b. Dependent Variable: Growth in Total Exports (%)

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	308.463	248.998		1.239	.255
	FDI (%)	-5.682	5.322	-.374	-1.067	.321

a. Dependent Variable: Growth in Total Exports (%)

The simple regression analysis has been run to assess the impact of FDI on growth of exports of IPI. FDI is independent variable and growth of exports is dependent variable. The results showed that the R square value is .140 and Beta(t) value is 1.067 with a significant value of .321 which reveals that FDI has not significantly influenced the exports of the FDI based pharmaceutical companies on an aggregate basis.

#### IV. Impact of FDI on Growth in Profit After Tax

Table 4 : Regression analysis for Impact of FDI on Growth in Profit After Tax

##### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.198 <sup>a</sup>	.039	-.098	103.4643411

a. Predictors: (Constant), FDI (%)

##### ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3056.662	1	3056.662	.286	.610 <sup>a</sup>
	Residual	74934.089	7	10704.870		
	Total	77990.751	8			

a. Predictors: (Constant), FDI (%)

b. Dependent Variable: Growth in PAT (%)

##### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	256.581	474.508		.541	.605
	FDI (%)	-5.420	10.143	-.198	-5.34	.610

a. Dependent Variable: Growth in PAT (%)

The simple regression analysis has been run to assess the impact of FDI on growth in PAT of IPI. FDI is independent variable and growth in PAT is dependent variable. The results showed that the R square value is .039 and Beta(t) value is 5.34 with a significant value of .610 which reveals that FDI has not significantly influenced the exports of the FDI based pharmaceutical companies on an aggregate basis.

#### V. Impact of FDI on Growth in Assets

Table 5 : Regression analysis for Impact of FDI on Growth in Assets

##### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.452 <sup>a</sup>	.205	.091	9.9992581

a. Predictors: (Constant), FDI (%)

The simple regression analysis has been run to assess the impact of FDI on growth in Assets of IPI. FDI is independent variable and growth in Assets is dependent variable. The results showed that the R square value is .205 and Beta(t) value is 1.342 with a significant value of .222 which reveals that FDI has not significantly influenced the sales of the company

### **Findings and Suggestion**

The analysis of the study reveals that FDI does not influence the growth of pharmaceutical companies on an aggregate basis measured through foreign exchange earnings, sales, exports, profit and assets.

It is revealed from the analysis that FDI in pharmaceutical firms do not influence the growth of the select financial paramaters on an aggregates.

Further, to enhance the growth and improve the performance of the pharmaceutical sector, the following suggestions are made

Indian Pharmaceutical companies, in an effort to consolidate their position, will have to increasingly look at merger and acquisition options of either companies or products. This would help them to offset loss of new product options, improve their R&D efforts and improve distribution to penetrate markets.

The Indian pharmaceutical industry also needs to take advantage of the recent advances in biotechnology and information technology. The future of the industry will be determined by how well it markets its products to several regions and distributes risks, its forward and backward integration capabilities, its R&D, its consolidation through mergers and acquisitions, co-marketing and licensing agreements.

### **References**

1. Chalapati Rao KS, Murthy MR, KVK Ranganathan (1999), "Foreign Direct Investments in the post-liberalization period: An Overview", Journal of Indian School of Political Economy, Vol. XI, No. 4, July Sept. 1999.
2. Chalapati K.S., Ranganathan K.V.K and Murthy M.R. (March 2007), "Impact of Foreign Direct investment on selected sectors of India: A comparative study with selected countries", project completed under institute for studies in Industrial development (ISID), 2007.
3. Chhibber P.K. and Majumdar S.K. (1999) "Foreign Ownership and Profitability; Property rights, Control and the Performance of Firms in Indian Industry", Journal of Law and Economics, April 1999, Pp 209-238.
4. Feinberg, Susan & Majumdar, Sumit K. (2001), "Technology spillovers from foreign direct investment in the Indian pharmaceutical industry," Journal of International Business Studies, vol. 32, no. 3 (Third Quarter), Pp.421-437

5. Luiz R. De Mello (1999), "Foreign Direct Investment-Led Growth: Evidence from Time Series and Panel Data", Oxford Economic Papers, Series No.51, Oxford University Press,1999, Pp.133-151.
6. Pradhan J.P. (2004) "FDI Spillovers and Local Productivity Growth; Evidence from Indian Pharmaceutical Industry", Jawaharlal Nehru University, New Delhi, 2004
7. Pradhan, J.P and Sahu, PP, Transnationalisation of Indian Pharmaceutical SMEs, Book Well Publishers, 2008
8. Pramod Kumar (2006), "Role of FDI in Economic Development of Developing Economies", FDI Issues in Emerging Economies by Seethapathi K, ICFAI University Press, 2006, Pp 16-26.
9. Parimal Kr. Sen, Indrani Saha and Palash Garani(2010), "Challenging Role of Indian Pharmaceutical Industry in Global Market :The Way Ahead" The Management Accountant, ICWAI, November 2010, Pp 900-901.
10. Ramesh Kumar S an Alagappan V (2008), "Foreign Direct Investment in India during the Post-liberalization Period", ICFAI journal of Finance (IJPE) , ICFAI University Press, February, 2008.
11. Ravi Kiran(2009), "Changing Pragmatics of Indian Pharmaceutical Industry, in the Pre & Post TRIPS Period", International Journal of Business & Management, Sept 2009.
12. Sambrita Chattopadhyay(2008), "Impact of FDI on Indian Industry" is a doctoral dissertation submitted to department of economics, Osmania University, 2008.
13. Santanu Sarkar (2006), "Impact of Inward FDI on Host Country-Case of India", Tata Institute of Social Sciences, Mumbai, and Paper presented at professional development workshop, Paper 05, Asian Academy of management, Chunne University of Hong Kong, 2006.
14. Satyanarayan Reddy Ch. And Renuka C (2008), "Foreign Direct Investment in India: A Retrospection," ICFAI Reader, ICFAI University Press, Oct. 2008.
15. Sebastian Morris (2004). "A Study of the Regional Determinants of Foreign Direct Investments in India and the case of Gujrat", Working Paper No. 2004/03/07, Working Paper Series of Indian Institute of Ahmedabad (IIM-A), March 2004.
16. Seethapathi K, FDI issues in emerging economics, ICFAI University Press, 2006
17. Shiralashetti AS and Hugar SS (2009), "Foreign Direct Investment and Economic Development of India: A Diagnostic Study", ICFAI journal of Managerial Economics (IJME), ICFAI University Press, February, 2009.
18. Sudarshan Maity (2010), "Growth Scenario in Pharmaceutical Sector", The Management Accountant, ICWAI, November 2010, Pp 890-892.
19. Sumana Chatterjee (2009), " An Economic Analysis of Foreign Direct Investment in India", Doctoral thesis submitted to Department of Economics, Faculty of Arts, The Maharaja Shivajirao University of Baroda, 2009
20. Srujan A (2006), "Emerging Trends in FDI Emperical Evidence", FDI issues in Emerging Economies by Seethapathi K, The ICFAI University Press, 2006, Pp. 3-15.

**SUMEDHA Journal of Management**

---

21. Surendra Pradhan (2000), "Foreign Direct Investment Risk, Return and Host Country's Strategy", Journal of Management Research, Vol.1, No. Sep-Dec. 2001.
22. Syed Khaja Safiuddin (2012), Hndustan mein Ghair Mulki Rast Sarmayakari, Yojana (Urdu), Issue.12, Feb 2012, Pp.9-12
23. Syed Khaja Safiuddin(2011), FDI in the Post-liberalization period - A Study with special reference to Pharmaceutical Sector, Advances in Management Vol. 4 (12) December 2011, Pp.146-52
24. Syed Khaja Safiuddin and Sreenivasa Murthy S(2011) Financial Performance of FDI and Non-FDI Companies in IPI - A Comparative Study, International Review of Business and Finance , Vol. 3 No. 2 July -Dec 2011, Pp.133-150
25. Syed Khaja Safiuddin(2010), FDI in India- Opportunities and Benefits, Global Journal of Finance & Management, Vol. II Issue II, July-Dec 2010, Pp. 245-259
26. Tanay Kumar Nandi and Ritankar Sahu, "Foreign Direct Investment In India With Special Focus On Retail Trade", Journal Of International Trade Law And Policy, Year: 2007, Vol. 6, Issue. 2, Emerald Group Publishing Limited, Pp 40-53.

## **Employee's Attitude and Perception Towards Voluntary Separation Scheme: A Comparative Study of ITI and BHEL**

– Mr. Jnaneshwar Pai Maroor\*

---

### **Abstract**

*The aim of this study is to find out about the employee's perception about Voluntary Retirement Scheme and their work-life in public sector companies which were established as the backbone for the progress of the country. The two companies taken for the study are Indian Telephone industries and Bharat Heavy Electricals Limited. The two giants on which laid the great responsibility to develop the economy and to develop the demography where they are placed. From broader view one can find many similarities in these two companies. But when we take a narrow view two companies rarely seems different as one is the part of Navratna and another is loss making unit". The two companies also differ in their style of perceiving different objectives.*

*Keywords: Voluntary Retirements Scheme, employee perception, Downsizing, Golden hand shake and public sector units*

### **Introduction:**

Liberalization and opening up of the Indian economy have exposed the Indian companies to foreign Competition. This has forced many Indian companies to adhere a strict cost cutting measures and to increase productivity and to overcome the existing losses This situation of existing losses had lead to emergence of various revolt from trade unions as company cannot cut down the facilities of employees on the sake of losses. Manpower adjustment is an effective strategy for cost cutting as it is leading to high labour cost by 25- 30 % which the organizations could not afford, as the direct cost of the employee for the company is 60% and indirect cost is 40% which is much more than the cost of the closing the unit. Since the extra manning was there company could not provide job to every employee this resulted into mass indiscipline in the organization and because of various labour laws management could not terminate the services of employees so the company has to find out the medium by which employee could get extra amount over and above their legal dues and can leave their job willingly.

---

\* Assistant Professor & Ph.D Research Scholar, Justice K.S. Hegde Institute of Management, NMAMIT, Nitte.  
Email : pai.jnan@gmail.com

The major golden rule of striking balance between demand and supply does not only offer a solution to this problem, and because of growing competition it is not possible for the companies to retain surplus labor even at a very lower wage level. The two hard options before the struggling companies are "Ship out" or "Shape out" (B.P Guha 1996). The right sizing contributes to better decision-making and the control of human resource so that the cost of expenditure can be cut short effectively. It develops a value system of proactive work culture where the members in the organization get opportunity for better participation and involvement in the decision making process. It develops an ownership mentality among members and they shoulder forward an organization with more collaboration fidelity and accuracy.

Downsizing has been defined as an attempt to increase organizational effectiveness (Kozlowsky, et. al. 1993). Freeman & Cameron 1993; Tomasco 1990; indicate from their findings that the presumed benefits of downsizing include faster decision making, greater flexibility, improvements in quality and increased efficiency and productivity. Human Resources Management report (2001) indicates that "this mandatory retirement system gives firms a slow but sure way to cut back employment levels through attrition, whereas the call for voluntary retirement is seen as a more proactive way to move ahead with the reorganization of a firm". Voluntary retirement is seen as an unaggressive way of reducing employment levels which can result in solutions acceptable both to the employee and to management, there is concern that firms and the government pay adequate attention to the career development of employees and to their smooth movement through the labor market after taking such retirement.

### **Literature Review: Studies on Perception towards VRS**

VRS is not only Perceived as voluntary retirement scheme but it can also perceived as Voluntary Retirement Scandal, because the real benefit from downsizing is usually to be found in the balance sheets of the companies, as they can show lower costs and therefore possibly higher profits. This is what creates the competitive pressure across an industry for other companies to follow suit, and to try and reduce the number of their workers. (Jayati Ghosh 2006)

VRS is not actually Voluntary Retirement scheme but this is very Rewarding Scheme in perspective of Public sector units in Uttar Pradesh where they not only ended up by paying emoluments to the employees who were not entitled but also threw the VRS open to employees who were not entitled to opt for it under rules. Voluntary retirement Scheme should more appropriately be termed as voluntary early retirement (K.R Chitra 2000) as it is the innovative concept evolved in India in the post economic reform environment. The scheme was initially implemented in financial year 2000-2001

by public sector banks .This is an attempt to downsize the work force of public sector Banks with employee willing acceptance. Voluntary retirement scheme is the latest mantra of many corporate and public sector units (B.S Thaur 2001) earlier it was called as Golden Hand Shake. Company declares VRS on their HR plan and suitability as it is less painful strategy adopted by the government after looking into various option i.e. golden hand shake, voluntary separation scheme. (Vipin Agnihotri 2005).

The study was conducted to know what employees' perceives about Voluntary retirement Scheme. Though many researchers had already worked on implication of the VRS in different sectors, there still lies a wide scope for further study in this field. The objective developed for the study is perception of employees towards VRS.

### **Research Methodology**

**Area of Study:** The study was carried out in four cites. These four cities were selected on the basis of the need of a study. Out of these four cities two has ITI unit and two has the BHEL unit which are the main units of the study.

**Study Plan:** The study was conducted in two phases: Pilot study and Main study.

**Pilot study:** Pre-pilot testing was done before framing the questionnaire. The major objective behind pre pilot testing is to know about the major responses from the sample. Initially ten respondents were interviewed in order to check the relevance and clarity of the questions. All the respondents found no difficulty in understanding the questionnaire. So there was no ambiguity in framing of the questions. The respondents also reported that the questionnaire was relevant to tap the difficulties and problem faced by them in the process of VRS. The major objective behind pre pilot testing was to know about the major responses from the sample.

**Main study:** On the basis of the pilot study, the main interview schedule was finalized for the study. A list of employees opted VRS from ITI and BHEL was obtained. The interview took place in the separate room. Before starting the interview, a good rapport was established with the employees through asking their name, hobbies, interest, occupation etc. Most of the employees were contacted in their homes. Before the final interview respondent s were told about the objectives of the study which was to understand the difficulties and benefits of these employees which they had faced. Each interview took 50- 60 minutes.

**Research Instruments:** All the respondents found no difficulty in understanding the questionnaire. So there was no ambiguity in framing of the questions. The respondents also reported that the questionnaire was relevant to tap the difficulties and problems faced by them in the process of VRS. They felt that the questions were relevant.

## Results and Discussion

### Demographic Profile of the Respondents

A total of 200 employees Participated in the survey. Majority of employees are from ITI (52%). The age group respondents are from 55 years to 69 years who had already opted for VRS. The maximum number of people took VRS is in the year 2001. Survey indicates that (33.5%) employees are just inter pass as they are working on lower or middle level in the organization.

**Table 1: Perception of the Respondents' Towards VRS**

Variables	Freq.	%
Retrenchment without tears	195	97.5
Golden Hand Shake	170	85
Govt. Pressure	176	88
Mgmt. Policy	178	89
Very Rewarding Scheme	39	19.5
Reduces Surplus manpower	172	86
improves age-mix of employees	16	8
Improves skills level of employees	84	4
Mandatory as per govt. policy	170	85

The finding of the Table No. 1 presents the perception of employees towards VRS. From the results it can be easily depicted that( 97.5%) respondents reported that VRS is a policy to retrench employees without tears. 89 % respondents perceived that VRS is implemented because of management policy. 88 % respondents' perceived VRS as management policy to overcome financial losses.86 % respondents perceived it as a tool to reduce surplus manpower whereas 85% respondents perceived VRS as golden handshake and Mandatory for the organization as per govt. policy, and only 8% and 4% percent respondents perceived that VRS Improves age-mix of employees and improves skill level of employees.

Table 2: Correlations between Personal Profile &amp; Perception towards VRS

S.No.	Perception towards VRS	Perso			Family structure
		Age	Education	Grade before opting VRS	
1	Retrenchment without tears	.137*	.041	.074	.025
2	Sort of Golden hand shake	.141*	.024	-.032	.046
3	Due to Government's pressure on the Company	.032	-.080	.148*	-.038
4	Management policy to overcome Financial loss	.085	-.024	.043	-.068
5	Very rewarding scheme	.029	.163*	.094	.057
6	Helps to reduce surplus manpower	-.052	-.001	.137*	.073
7	Improves the age mix between officers and non officer	.049	.083	.085	.039
8	Improves overall skill level of Employees	.002	.078	.025	-.087
9	Mandatory for organization as per Government policy	-.128*	.134*	.071	.133*

Table 3: Mean Comparison on the basis of Age and Perception towards VRS (N=200)

S. No.	Variables Name	A		FR	FP (df=199)
		Age gr.1(55-63) (N=104)	Age gr.2(64-69) (N=96)		
1.	Perception and Attitude towards VRS	1.89	1.75	6.00	.01*
2.	Retrenchment without tears	1.92	1.81	.59	.44
3.	Sort of Golden hand shake	1.90	1.79	.01	.90

S. No.	Variables Name	Age gr.1(55-63) (N=104)	Age gr.2(64-69) (N=96)	FR	FP (df=199)
4.	Due to Government's pressure on the Company	1.60	1.76	.12	.73
5.	Management policy to overcome Financial loss	3.82	3.73	8.09	.005***
6.	Very rewarding scheme	2.14	2.17	1.24	.27
7.	Helps to reduce surplus	3.69	3.72	.157	.69
8.	Improves the age mix between officers and non officers	2.96	2.83	.01	.91
9.	Improves overall skill level of Employees	1.82	1.97	1.27	.26

\* P < .05, \*\* p < .01, \*\*\*p < .001

Table 2 presents the correlation results of employee's who had opted VRS. The results reveal that the age of the employees was found positively correlated with Retrenchment without tears ( $r=.137^*$ ), and Sort of Golden hand shake ( $r=.141.^*$ ) the items of perception towards VRS, which indicates that the employees with increasing age reported VRS as a sort of Golden hand shake and Retrenchment without tears. On the other hand the results further show that the age of the employees was found negatively correlated with Mandatory for organization as per Government policy ( $r=-.128^*$ ) ninth item of perception towards VRS, which indicates that the employees with higher age perceived that VRS should not be mandatory for organization as per government policy. Other items of perception towards VRS were not found significantly correlated with age.

The Table 2 further reveals that education was positively correlated with Mandatory for organization as per Government policy ( $r=.134^*$ ), ninth item of perception towards VRS, which indicates that highly qualified employees perceived that VRS is Mandatory for organization as per Government policy. The Table further reveals that there was positive correlation between education and fifth factor of perception towards VRS i.e. Very rewarding scheme ( $r=.163^*$ ), which indicates employees having higher education perceived VRS as very rewarding scheme.

The findings of Table 2 further show the significant positive correlation between grade before opting VRS and the third factors of perception towards VRS i.e. due to Government's pressure on the Company ( $r = .148^*$ ), which suggests that employees having higher grade before opting VRS perceived that VRS is implemented because of government pressure.

The results show that for Perception and Attitude towards the VRS, F value was 6.00 (Significant at  $P < .01^*$ ). Which indicates that on the whole employees from group 1 (55-63) had more positive perception towards VRS as compare to group 2 (64-69) employees. The findings further suggest that F value was 8.09 (significant at  $P < .005^{***}$ ) which indicates that the employees of group 1 (55-63) report that VRS is a management policy to overcome the financial losses.

### **Discussion of Findings**

This research attempts to find out employees' perception towards VRS in BHEL and ITI employees. BHEL and ITI are set up by Indian government for infrastructural development of the country, but later in late nineties because of new economic policy any multinational companies got a chance to be a part of open economy. As multinational companies performed better than the public sector, Public sector companies now running into losses and among many reasons of financial losses large number of employees employed in public sector also emerge as main reason for the losses and now it is difficult for the government to sustain these companies government had adopted many ways to get shut down these companies as privatization, closure of units, Voluntary retirement scheme etc. Study also demonstrated that majority of respondents were of 55-69 years age group and majority of the respondents were from ITI because in ITI VRS is implemented more seriously than in BHEL. Majority of the respondents are inter qualified and very nominal percentage of the respondents are postgraduate. It was found in the study that in the year 2000 very few employees opt for it as the policy is new employees are less aware about its benefits and losses. But later management took various steps to make policy successful by persuading employees to opt for the policy willingly or forcefully and in year 2001 (26.5%) employees opted for VRS which is the highest percentage of employees opted for VRS as the policy. Later in the year 2003 only 18% employees opted for VRS as by this time trade union understood management tactic to force employees to opt for VRS. Again in later years the percentages of the employees opted for VRS improved and in the year 2003 (24.5 %) employees opted for VRS and in the year 2004 (22.5%) employees opted for VRS this improved percentages of VRS opted employees is because of many reasons.

Finding of the study presents the perception of the employees related to voluntary retirement scheme. Variables of perception are selected by the interview method through pilot study. Among all the variables (97.5%) respondents strongly perceives VRS as retrenchment without tears which itself is the basic idea behind VRS policy higher percentage to this variable clearly signifies that VRS is implemented according to the policies of the government. Findings clearly indicate that all employees have proper knowledge about the VRS policy Results of the ANOVAs (table 3) show that age was compared by different variables of the study. Age when compared with the variables of perception indicates that the employees of age group 1(55-63) has more positive perception than the employees from group 2 as they age opting for the policy at the right age where they can derive the maximum benefit of the policy, but the results further show that the employees from group 1 are not fully aware about the policy as they think that the policy is only implemented by the management to overcome financial losses which is not the only reason for implementing the policy. Significant factor for the reasons of opting VRS as the results indicates are that the employees from group 2 (64-69) opted for VRS because of the age as with the grown age they are not able to do their work efficiently along with that the employees from group 2 (64-69) also complain that there was irregularities in salaries.

### **Limitation of the Study**

Sincere efforts were made to make this study as much objective and systematic as possible, but the findings of the study are based on the opinion expressed by the respondent's. Hence objectivity would be limited only to the extent of information received from the respondents. Following limitations were realized during the conduct of study.

- Finding of the study is confined only to two industries thus findings of the study cannot be generalized.
- The entire population is represented by sample taken for the study.
- Some of the findings of the study are inferential in nature, which require further investigation to be concluded as facts.

### **Conclusion and Recommendations for Future Research**

The present study had indicated different type of perception of employees from both public sector companies. Study focus on different variables constitute together in framing the perception of any employee. It is evident from the study that the employees of BHEL had positively perceived VRS while the employees of ITI had a negative perception about VRS because in ITI management had applied

different tactics to make this policy forcefully voluntary which lead to some revolt in organization. Study also reflects that some dues are still not settled in ITI but it is all clear in BHEL. Finally we can conclude that perception basically refers to the manner in which a person experiences the world. We suggest that future studies in this area be made independent of the human resource or any department in the sample organization so that fair response can be extracted.

### References

1. Barse (2000) "Implication of voluntary retirement scheme "A study of Mumbai" Economic & Political weekly Volume XXXXVI No 52.
2. B.P Guha (1996) Voluntary Retirement "Problems and prospects of rehabilitation", Shri Ram center for Industrial Relations and HR Page 223.
3. Davidson Wallace, N .W Danl and f. Jeremy B (2011) "Early Retirement programs and Firm performance" Academic Management Journal | VOI 39 No 4 pp 970 -984.
4. Datta, Ramesh (2011) "Life after VRS some plain truth" Indian Journal of labour economics Vol. 44 No 3 pp 475 -494.
5. Dutha ,Abijit (2005) "Workers buy out -An Indian Experience" Management and labour studies Vol. 20(4) pp 233-238.

## A Study on Impact of Bonus Issues on Stock Returns on Selected Equities in Indian Capital Market

– Dr. R. Venkataraman\*

– Pradeep Kumar H S\*\*

---

### Abstract

*The title of the study is Impact of Bonus Issues on Stock Returns on selected equities in India. For the study five different industries and five different companies stock was taken. Different companies taken were Infosys, Mind tree, Kothari industries, Sudharshan etc. The period of study for each company is ten days before bonus announcements and ten days after bonus announcements. For the study mean return, standard deviation and volatility of stocks were analyzed. For testing hypothesis T-test was used as this was appropriate in determining return before and after bonus announcements. The null hypothesis is that, there is no change in return after bonus announcements. It was found that the Infosys had high volatility in returns after bonus announcements whereas Mind tree and Kothari had less or little change in returns after bonus announcements. In all cases except Sudharshan Chemicals the null hypothesis was accepted. i.e there was no change in returns after bonus announcements in case of Sudharshan chemicals.*

*Keywords: Bonus, mean return, standard deviation and volatility.*

### Introduction

A Bonus issue (or scrip issue) is a stock split in which a company issues new shares without charge in order to bring its issued capital (outstanding stock) in line with its employed capital (the increased capital available to the company after including retained profits). This usually happens after a company has retained profits, thus increasing its employed capital. Therefore, a bonus issue can be seen as an alternative to dividends. No new funds are raised with a bonus issue.

Bonus issue is an offer to issue additional shares to the existing shareholders. A company may decide to distribute further shares as an alternative to increase the dividend pay-out also known as "Capitalization Issue". New shares are issued to the shareholders

---

\* Professor, Presidency College, Bangalore. E-mail ID- venkat05raman@gmail.com

\*\* Research Scholar, Bharathiar University, Coimbatore. E-mail Id- pradeepkumarhsaol@gmail.com

in proportion to their holdings. For example, the company may give one bonus share for every five shares held.

## **Review of the Literature**

### **Budhraj et al. (2004), Market Reaction**

Around the Stock Splits and Bonus issues: Some Indian Evidence in their study on BSE suggested that abnormal returns in stock prices around the bonus issue announcement data, over three day trading period starting one day before the announcement is significant at 95 per cent confidence level. It also says that much of the information in the bonus announcement gets impounded into stocks by the time of the announcement of the bonus issue.

### **Madhuri Malhotra (2007)**

Stock Market Reaction and Liquidity Changes Around Bonus Issue Announcement: Evidence from India This study examines share price reaction to the announcement of Bonus Issue for a sample of Indian Companies. Standard event study methodology has been used for the purpose of studying the Bonus issue announcement reaction. Bonus issue announcement yields negative abnormal returns around the announcement date. There is a negative reaction after the bonus issue announcement conveying that the market under reacts after the announcement. It is also observed that there is no information leakage prior to the announcement. Reduction in the liquidity ratio after the announcement is evidenced, though insignificant. All the three liquidity measures seem to be inconsistent with the enhanced trading liquidity expectation

### **Satyajit Dhar and Sweta Chhaochharia (2009)**

Market Reaction around the Stock Splits and Bonus Issues: Some Indian Evidence It is often argued that stock splits and bonus issues are purely cosmetic events. However, many studies have found numerous stock market effects associated with bonus issues and stock splits. This paper examines the effects of these two types of events for the Indian stock market. We use the event study methodologies. The abnormal returns are calculated using the Capital Asset Pricing Model and then t-tests are conducted to test the significance. Consistent with the existence literatures, the two events are associated with significantly positive announcement effect.

## **Objectives of the Study**

1. To Study and examine the effects of bonus issues on equity price.
2. To study the impact of bonus issues on stock returns volatility.
3. To identify the causes of bonus issues and volatility of stock returns.

## Research Methodology

1. **Sample size:** five companies from five different industries were chosen.
2. **Data:** Secondary data was collected from relevant web portals. i.e www.nseindia.com and www.moneycontrol.com
3. **Hypothesis**  
 H0: There is no change in the stock returns following the bonus issue  
 H1: There is a change in the stock returns following the bonus issue
4. **Statistical Data used:** T test was used to test the hypothesis as it is relevant to determine the changes in returns before and after announcement of bonus shares.

## Scope of the Study

The study will reveal returns volatility over the period and it shall also bring an on sight awareness to investors who are interested to invest in bonus shares.

## Data Analysis and interpretation

### 7.1 Infosys- Bonus issue announcement on 10.10.2014

Returns before bonus			Returns after bonus		
Date	Close Price	Returns	Date	Close Price	Returns
25-Sep-14	3691				
26-Sep-14	3680.15	-0.293958277	13-Oct-14	3942.55	1.386085145
29-Sep-14	3749.05	1.872206296	14-Oct-14	3918.3	-0.615084146
30-Sep-14	3747.75	-0.034675451	16-Oct-14	3865.3	-1.352627415
1-Oct-14	3847.3	2.656260423	17-Oct-14	3851.65	-0.353142059
7-Oct-14	3831.3	-0.415876069	20-Oct-14	3812.35	-1.020341931
8-Oct-14	3650.15	-4.728160155	21-Oct-14	3772.95	-1.033483285
9-Oct-14	3646.8	-0.09177705	22-Oct-14	3796.05	0.612253012
10-Oct-14	3888.65	6.631841615	23-Oct-14	3805.05	0.237088553

Mean of Return		0.699482666		-0.267406516
Standard deviation of return		3.234909565		0.942797577
Assume there are 252 trading days in a year(sqrt of 252)		15.87450787		15.87450787
Volatility of stock per annum		51.35259734		14.96644756
sqrt of 2n		16		16
standard error of estimate		3.209537334		0.935402973

From the above it is understood that there is less return of Infosys shares after post bonus issue announcement. This shows that the speculators play an important role in buying the company shares after announcements. The risk and the volatility factor as calculated by standard deviation are very less in post announcement period. This indicates that the speculators were not holding the stocks for long period.

t-Test: Paired Two Sample for Means

	<i>Before</i>	<i>after</i>
Mean	0.699482666	-0.267406516
Variance	10.4646399	0.888867272
Observations	8	8
Pearson Correlation	0.27510226	
Hypothesized Mean Difference	0	
df	7	
t Stat	0.879196469	
P(T<=t) one-tail	0.204229972	
t Critical one-tail	1.894578604	
P(T<=t) two-tail	0.408459944	
t Critical two-tail	2.364624251	

H0: There is no change in the stock returns following the bonus issue

H1: There is a change in the stock returns following the bonus issue

**Statistical test:** The t-test is chosen because the samples are independent, normally distributed populations & the assumption of equal population variances

Significance Level: Level of significance is at 5% (two-tailed test)

Calculated value: 0.879

**Interpretation:** Since the calculated value is lesser than critical value i.e. 0.879 < 2.36, null hypothesis has to be accepted, i.e. there is no change in the stock returns following the bonus issue announcement. The empirical evidence suggests that the volatility in returns does not change after bonus issue when compared to the volatility before bonus issue in India.

**Mind tree-Bonus issue announcement made on 16.04.1974**

Returns before bonus			Returns after Bonus		
Date	Close Price	Returns	Date	Close Price	Returns
1-Apr-14	1359.7				
2-Apr-14	1387.35	2.03353681	17-Apr-14	1405.45	2.329899159
3-Apr-14	1429.8	3.059790248	21-Apr-14	1414.95	0.67594009
4-Apr-14	1418.9	-0.762344384	22-Apr-14	1420.45	0.388706315
7-Apr-14	1401.05	-1.258016774	23-Apr-14	1431.9	0.806082579
9-Apr-14	1380.2	-1.488169587	25-Apr-14	1430.15	-0.122215238
10-Apr-14	1368.95	-0.815099261	28-Apr-14	1429.85	-0.020976821
11-Apr-14	1378.45	0.693962526	29-Apr-14	1433.35	0.244780921
15-Apr-14	1399.4	1.51982299	30-Apr-14	1418.95	-1.004639481
16-Apr-14	1373.45	-1.854366157			

Mean of Return	0.372935321	0.412197191
Standard deviation of return	1.699546111	0.957043767
Assume there are 252 trading days in a year (sqrt of 252)	15.87450787	15.87450787
Volatility of stock per annum	26.97945811	15.19259881
sqrt of 2n	16	16
standard error of estimate	1.686216132	0.949537426

From the above table it is understood that there is slightly higher return of mind tree shares after post bonus issue announcement. This shows that the speculators play an average role in buying of company shares after announcements. The risk and the volatility factor as calculated by standard deviation is comparable less in post announcement period. This indicates that the speculators were holding the stocks for long period as indicated by the price changes.

t-Test: Paired Two Sample for Means		
	Variable 1	Variable 2
Mean	0.372935321	0.412197191
Variance	2.888456983	0.915932772
Observations	8	8
Pearson Correlation	0.272968893	
Hypothesized Mean Difference	0	
df	7	
t Stat	-0.065026805	
P(T<=t) one-tail	0.474985381	
t Critical one-tail	1.894578604	
P(T<=t) two-tail	0.949970763	
t Critical two-tail	2.364624251	

**Interpretation:** Since the calculated value is lesser than critical value i.e.  $0.06 < 2.36$ , null hypothesis has to be accepted, i.e. there is no major change in the stock returns following the bonus issue announcement. The empirical evidence suggests that the volatility in returns does not change much after bonus issue when compared to the volatility before bonus issue in India.

**Kothari products limited- bonus issue announcement on 11.02.2014**

Returns before bonus			Returns after Bonus		
Date	Close Price	Returns	Date	Close Price	Returns
28-Jan-14	319.75				
29-Jan-14	327.45	2.408131	12-Feb-14	464.6	19.98966942
30-Jan-14	328	0.167965	13-Feb-14	499.1	7.425742574
31-Jan-14	325.2	-0.85366	14-Feb-14	488.2	-2.183931076
3-Feb-14	329.6	1.353014	17-Feb-14	478.15	-2.058582548
4-Feb-14	325.4	-1.27427	18-Feb-14	470.7	-1.558088466
5-Feb-14	329.95	1.398279	19-Feb-14	458.8	-2.528149564
6-Feb-14	332.6	0.803152	20-Feb-14	492.3	7.301656495
7-Feb-14	326.55	-1.819	21-Feb-14	485.75	-1.330489539
10-Feb-14	333.75	2.204869	24-Feb-14	534.3	9.99485332
11-Feb-14	387.2	16.01498			

Mean of Return	0.487609	3.894742291
Standard deviation of return	1.526477	7.834342335
Assume there are 252 trading days in a year(sqrt of 252)	15.87451	15.87450787
Volatility of stock per annum	24.23207	124.366329
sqrt of 2n	18	18
standard error of estimate	1.346226	6.909240501

From the above table it is understood that there is high return of Kothari shares after post bonus issue announcement. This shows that the speculators play an important role in buying of company shares after announcements. The risk and the volatility factor as calculated by standard deviation are very high in post announcement period. This indicates that the speculators were holding the stocks for long period.

t-Test: Paired Two Sample for Means		
	Variable 1	Variable 2
Mean	0.487608599	3.894742291
Variance	2.330131161	61.37691982
Observations	9	9
Pearson Correlation	0.628653899	
Hypothesized Mean Difference	0	
df	8	
t Stat	-1.465127364	
P(T<=t) one-tail	0.090525127	
t Critical one-tail	1.859548033	
P(T<=t) two-tail	0.181050255	
t Critical two-tail	2.306004133	

**Interpretation:** Since the calculated value is lesser than critical value i.e.  $1.46 < 2.30$ , null hypothesis has to be accepted, i.e. there is no change in the stock returns following the bonus issue announcement. The empirical evidence suggests that the volatility in returns does change after bonus issue when compared to the volatility before bonus issue in India.

#### 7.4 Raj Television limited- bonus issues announcement on 28.01.2014

Returns before Bonus issue			Returns after bonus issue		
Date	Close Price	Returns	Date	Close Price	Returns
9-Jan-14	502.15				
10-Jan-14	503	0.16927213	29-Jan-14	525.5	0.506837525
13-Jan-14	509.75	1.34194831	30-Jan-14	526.4	0.171265461
14-Jan-14	514.2	0.87297695	31-Jan-14	527.05	0.123480243
15-Jan-14	517.1	0.56398289	3-Feb-14	529.25	0.417417702
16-Jan-14	518.2	0.21272481	4-Feb-14	527.35	-0.35899858
17-Jan-14	517.3	-0.1736781	5-Feb-14	527.55	0.037925476
20-Jan-14	523.25	1.15020298	6-Feb-14	528.8	0.236944365
21-Jan-14	525.6	0.4491161	7-Feb-14	528.6	-0.03782148
22-Jan-14	526.3	0.13318113	10-Feb-14	530	0.264850549
23-Jan-14	528.2	0.36101083	11-Feb-14	529.05	-0.17924528
24-Jan-14	527.8	-0.0757289	12-Feb-14	529.8	0.141763538
27-Jan-14	525.9	-0.3599848	13-Feb-14	529.65	-0.02831257
28-Jan-14	522.85	-0.5799582	14-Feb-14	530.9	0.236004909

Mean of Return	0.312697393	0.117854758
Standard deviation of return	0.567034519	0.234857634
Assume there are 252 trading days in a year(sqrt of 252)	15.87450787	15.87450787
Volatility of stock per annum	9.001393937	3.728249356
sqrt of 2n	26	26
standard error of estimate	0.346207459	0.143394206

From the above table it is understood that there is slightly higher return of raj television limited shares after post bonus issue announcement. This shows that the speculators play an average role in buying of company shares after announcements. The risk and the volatility factor as calculated by standard deviation is comparable less in post announcement period. This indicates that the speculators were holding the stocks for long period as indicated by the price changes.

t-Test: Paired Two Sample for Means

	<i>Variable 1</i>	<i>Variable 2</i>
Mean	0.312697393	0.117854758
Variance	0.321528146	0.055158108
Observations	13	13
Pearson Correlation	0.116069864	
Hypothesized Mean Difference	0	
df	12	
t Stat	1.194705814	
P(T<=t) one-tail	0.127640683	
t Critical one-tail	1.782287548	
P(T<=t) two-tail	0.255281366	
t Critical two-tail	2.178812827	

**Interpretation:** Since the calculated value is lesser than critical value i.e. 1.194 < 2.17, null hypothesis has to be accepted, Where in there is no change in the stock returns following the bonus issue announcement. The empirical evidence suggests that the volatility in returns does change after bonus issue when compared to the volatility before bonus issue in India.

**Sudarshan chemicals- Bonus issue announced on 08.08.2014**

Returns before bonus issue			Returns after bonus issue		
Date	Close Price	Returns	Date	Close Price	Returns
23-Jul-14	725				
24-Jul-14	777	7.172413793	11-Aug-14	1136.9	-0.013192032
25-Jul-14	787.95	1.409266409	12-Aug-14	1077	-5.268713167
28-Jul-14	781.95	-0.761469636	13-Aug-14	1103.35	2.446610956
30-Jul-14	780	-0.249376559	14-Aug-14	1089.9	-1.219014819
31-Jul-14	841.7	7.91025641	18-Aug-14	1078.8	-1.018442059
1-Aug-14	840	-0.201972199	19-Aug-14	1086.25	0.690582128
4-Aug-14	1008	20	20-Aug-14	1087.45	0.110471807
5-Aug-14	1160.1	15.08928571	21-Aug-14	1085.45	-0.183916502
6-Aug-14	1194.15	2.935091802	22-Aug-14	1086.15	0.064489382
7-Aug-14	1184.2	-0.833228656	25-Aug-14	1083.2	-0.271601528
8-Aug-14	1137.05	-3.981590947			

Mean of Return	4.408061466	-0.466272583
Standard deviation of return	7.455146573	1.963426625
Assume there are 252 trading days in a year(sqrt of 252)	15.87450787	15.87450787
Volatility of stock per annum	118.3467829	31.16843141
sqrt of 2n	20	20
standard error of estimate	5.917339146	1.558421571

From the above table it is understood that there is negative return of Sudharshan chemicals television limited shares after post bonus issue announcement. This shows that the speculators did not play an important role in buying of company shares after announcements. The risk and the volatility factor as calculated by standard deviation is comparable less in post announcement period. The speculators seem to be not playing an active role in this stock during post announcement period.

t-Test: Paired Two Sample for Means

	<i>Variable 1</i>	<i>Variable 2</i>
Mean	5.247026708	-0.466272583
Variance	53.15191221	3.855044114
Observations	10	10
Pearson Correlation	0.054653631	
Hypothesized Mean Difference	0	
df	9	
t Stat	2.426422447	
P(T<=t) one-tail	0.019103039	
t Critical one-tail	1.833112923	
P(T<=t) two-tail	0.038206078	
t Critical two-tail	2.262157158	

**Interpretation:** Since the calculated value is lesser than critical value i.e. 2.42 > 2.26, null hypothesis has to be rejected, i.e. there is huge change in the stock returns following the bonus issue announcement. The empirical evidence suggests that the volatility in returns does change after bonus issue when compared to the volatility before bonus issue in India.

## Findings and Conclusions

It is found there is less return of Infosys shares after post bonus issue announcement, there is slightly higher return of mind tree shares and Raj televisions shares after post bonus issue announcement and the speculators plays an average role in buying of company shares after announcements, there is high return of Kothari shares after post bonus issue announcement, this shows that the speculators play an important role in buying of company shares after announcements and there is negative return of Sudharshan chemicals television limited shares after post bonus issue announcement. This shows that the speculators did not play an important role in buying of company shares after announcements.

## Bibliography

### Journals

1. George E. Pinches (1970), The Random walk hypothesis & Technical analysis, financial analysis Journal, March-April, pp.104-110.
2. Eugene F. Fama (1995), Random Walks in Stock Market Prices, Financial Analysts Journal, January-February, pp. 75-80.

3. Obaidullah (1990), Stock Prices Adjustment to half-yearly earnings announcements- A Test of Market Efficiency, chartered Accountant, Vol.38, Pp. 922-924.
4. Lukose, Jijo P.J, and S.Narayan Rao (2002), Market Reaction to Stock Splits- An Empirical Study, The ICFAI Journal of applied finance, Pp 50-62.
5. Stock market reaction and liquidity changes around bonus issue announcement: evidence from India- SSRN-id962830
6. Market Reaction Around the Stock Splits and Bonus Issues- SSRN-id1087200
7. Market Efficiency of Indian Stock Market - A Study of Bonus Announcement in Bombay Stock Exchange- ISSN - 2249-555X

**Website:**

1. [www.nseindia.com](http://www.nseindia.com) viewed on 13/01/2015
2. [www.moneycontrol.com](http://www.moneycontrol.com) viewed on 13/01/2015

## Consumer Buying Behaviour in Shopping Arcades in Globalised Economies-An Empirical Study

– Manikee Madhuri Sharma \*

– Dr S. Harish Babu \*\*

---

### Abstract

*Retailing industry has been available in India since ages; however it is just in the later past that it has seen so much dynamism. Indeed, retailing has seen exceptional change in the last few years—from a defectively stacked kirana store in the by path of local locations, to a tastefully designed store with appropriately masterminded products, offering mood and accommodation. The composed retail development in the nation has been activated by huge expand in customer using, which thusly is fuelled by the ascent in the disposable salary. The most dominating variables like changing age profile, expanding consumerism, the accessibility of modest credit and changing disposition of the Indians have assumed a significant part in the expand of purchaser using in developing economies. The retail business in India is helping 10 for every penny of the GDP and 8 for every penny of the aggregate work. It is currently well known at worldwide level as per a report discharged by A.t. Kearny, which positioned India fifth in Global Retail Development Index and third in Confidence Index in retail business. India has seen colossal development because of rise of stores and additionally halfway cooled shopping centres. Till 1990's there were only a few hand-full of shopping centres in India in some metro cities New Delhi, Mumbai and Chennai. Be that as it may now vast formal markets and halfway aerated and cooled shopping centres have come up practically in every huge city. Further, there are around 1500 stores, 11025 departmental stores and 300 shopping centres, having 45 million square feet of retailing space territory (Agarwal, 2004). This is obvious from the way that shopping centre action, which was prior, just some piece of the huge urban areas has begun permeating down to littler urban areas and towns. This has brought about the Indian customer being laid open to an assortment of retail arrangements prompting change in shopper purchasing K.G. conduct. The stimulation and interest estimation of the new arrangements is quick decreasing for the customer who is no more fulfilled*

---

\* Research Scholar, Dept of Business Administration, UoM & Asst. Prof, Chitkara Business School, Chitkara University, Punjab

\*\* HOD, MBA Department, Nitte Meenakshi Institute of Technology & Research Academy, Bangalore

*by the sweeping recommendation offered by them. To indulge the expanding many-sided quality in the commercial centre the Indian retailer will need to know his client and outline a special worth suggestion for this portion. In this setting it would be attainable to study shopping conduct of buyer in shopping centres.*

**Keywords:** *Shopping mall; Retailing; PurchasingEnthusiasm; Generation-Y End-users.*

### **The Need of the Study**

Through the years, retailers have been rocked by various macro-ecological drives that have changed the scene of the business. These incorporate the spread of mass discounters, the expansion of suburban force focuses and lifestyle retailing configurations, and the late entry of the Internet as an option retail stage offering shopper's unparalleled accommodation. For instance, the July 1998 spread of Time magazine anticipated the downfall of the shopping centre 'Kiss Your Mall Good-Bye: Online Shopping is Cheaper, Quicker and better'. In this environment it is no more enough for a retailer to work in a routine way by luring clients with expansive combinations, low valuing, and amplified store hours. The stimulation part of retailing, or 'entertailing'-entertainment and retailing put together, is progressively being perceived as a key focused instrument. Numerous retailers are reacting to the danger of Internet-based shopping by leveraging the 'block and-mortar' favourable circumstances that virtual retailers can't match, for example, more elevated amounts of administration, very prepared staff, and a diverting and fun nature. Retailers from stores to feature stores are brandishing new and energizing thoughts, for example, animatronics ranch creatures, spread stirring challenges, and meandering face painters and kids' entertainers truth be told, in this advancing retail scene the hedonic encounters that a client can now get are practically unending, from rock-climbing dividers in shoe stores, to 'singles nights' in supermarkets, to go dirt road romping test tracks in Land Rover dealerships (e.g., Fournier, 1996). While retailers are concentrating all the more on entertainment, scholastic examination is slacking in exploring the reasons individuals make a go at shopping.

For instance, the last extensive exertion at inspecting shopping inspirations happened sooner or later back, and the retail scene has changed drastically from that point forward. Late retail research is starting to concentrate on the hedonic parts of the in- store experience, for example, the emotional reaction of fervour. On the other hand, no late research has researched, in an extensive way, the various and changed reasons, or inspirations, that individuals make a go at shopping. Accordingly, given the momentum centre by retailers on the motivational parts of shopping and the general absence of scholarly movement around there, there is plainly a requirement for examination on

this issue. This study explores the motivational reasons individuals set out for some shopping.

In any occasion, it is fascinating that shopping centre related studies have investigated grown-up shoppers and adolescents while overlooking the gathering that lies in the middle of, the more seasoned fragment of Generation Y. These 19-25 year olds constitute a scaffold in the middle of young people and grown-ups when purchasing conduct is experiencing significant change. A noteworthy number of these more seasoned Generation Y customers are additionally either low maintenance or full-time school people. With purchasing force surpassing \$200 billion every year, more seasoned Generation Y customers speak to a critical open door for retailers today. This examination explores the relationship between the more established era Y purchasers and the motivational component for going to shopping centres. It would help retailers to look at present and potential benefactors, along these lines giving direction to store outline and promoting communications system. This study explores the motivational reasons individuals make a go at shopping.

### **Research Methodology**

In the preparatory phase of the examination work, unstructured, undisguised exploratory exploration was completed. Investigation of optional information was made and pilot research with a gathering of youths was conveyed to discover the motivation behind going to shopping centres, how regularly they visit shopping centres, what do they purchase in shopping centres and with whom they want to make a go at shopping, and so on.

**Research Design:** The study is descriptive and rather spellbinding in nature. Organized poll was managed to guests of shopping centres inside the age gathering of 19 to 25 years.

**Sampling Design:** Sampling units incorporated the guests of shopping centres inside the age gathering of 19 and 25 years who were the occupants of Bangalore.

**Sampling Procedure:** Convenient testing strategy was utilized to gather essential information about shopping centre guests.

**Example Sources Primary information:** A poll was developed that held the 26 inspiration things (5-point agree-disagree reaction position), and in addition age, instructive capability, recurrence of visits, sum used for every month and gender things.

A sum of 300 polls were gathered, and 38 surveys were judged unusable focused around the age prerequisite, leaving a last specimen size of  $n = 262$ . Optional information:

Literature accessible in the field of retailing especially with reference to shopping centres was altogether contemplated. The wellsprings of data were diaries, daily papers, magazines and productions.

## Analysis and Interpretation

The information gathered has been altered, coded and ready for investigation. Information has been examined and translated utilizing rates, diagrams, outlines and some measurable devices like Chi-square Test, One-way ANOVA, variable examination delineate these in an effortlessly and justifiable way. The logical element investigation is utilized within request to recognize the different motivational elements of going by shopping centres in Bangalore. Important Components Analysis is utilized for concentrating elements. Orthogonal Rotation with Varimax is connected. The Latent Root Criterion is utilized for extraction of variables.

**Exploratory Factor Analysis:** At the beginning phase of dissection, exploratory variable examination was directed utilizing the Principal Component Approach with a Varimax turn. In this study, the consequence of Bartlett's test of sphericity (0.00) and KMO (0.633) demonstrate that the information are fitting for variable examination. In the examination just the elements having idle roots or eigenvalue more prominent than 1 were viewed as critical. Complete nine elements were concentrated throughout this phase of exploratory component dissection. All the nine components together represented 68.734 percent of the aggregate change. These nine variables were helpful shopping, financial shopping, and accomplishment shopping, thought shopping, shopping delight, move shopping, satisfaction shopping, looking for stylish feeling, and social shopping.

**Confirmatory Factor Analysis:** So as to accept the estimation properties of the hedonic and utilitarian shopping inspiration develops recognized in the exploratory element examination, an emphasis of affirming variable examines was directed. A 24 items and thing, and nine-measurement affirming variable model was evaluated utilizing AMOS 16 (Evaluation Version). The consequences of the affirming element examination are accounted for in table II.

Table II: Confirmatory Factor Analysis of Shopping Motivation Paradigms

Shopping Motivations	Items	Factor Loading	Coefficient Alpha	Construct Reliability	Variance Extracted
<b>Utilitarian Shopping Motivations</b>					
• Convenient Shopping	I like to shop at shopping mall because of large variety of products available	0.902	0.891	0.891	0.732
	I like to shop at shopping mall because I need I find it under one roof	0.823			
	Timing of the shopping malls is convenient to me	0.841			
• Economic Shopping	I go shopping in the mall to take advantage of salespromotion schemes.	0.804	0.821	0.825	0.613
	I go to shopping in shopping malls when there are sales.	0.839			
	I enjoy looking for discounts when I shop inshopping malls.	0.698			
• Achievement Shopping	I always plan my shopping trips.	0.640	0.805	0.814	0.528
	It is important to accomplish what I had planned onparticular shopping trips.	0.643			
	I always have a list of products to buy when I go forshopping.	0.702			
	I already know which products I want to buywhen I go for shopping.	0.829			

<b>Hedonic Shopping Motivations</b>					
• Shopping Enjoyment	Visiting shopping mall makes me feel better even if I do not buy anything.	0.771	0.798	0.801	0.575
	I enjoy spending time at shopping mall.	0.839			
	Shopping in mall is one of the enjoyable activities of my life.	0.653			
• Gratification Shopping	When I'm in a down mood, I go shopping to make myself feel better	0.939	0.902	0.904	0.826
	To me, shopping is a way to relieve stress.	0.877			
• Idea Shopping	I like to go to shopping mall because I like to see what the latest fashion is.	0.947	0.891	0.899	0.750
	I go to shopping mall to see what new products/designs/brands are available.	0.724			
	I go to shopping malls to keep up with trends.	0.908			
• Shopping for Aesthetic Ambiance	I always enjoy the architecture of shopping malls.	0.715	0.808	0.826	0.708
	Visual display of the mall is very attractive to me.	0.951			
• Roll Shopping	I like to go shopping when it is for other people.	0.853	0.755	0.762	0.617
	I like shopping for others because when they feel good I feel good.	0.712			
• Social Shopping	I prefer to shop with friends and family.	0.939	0.885	0.890	0.802
	Shopping with friends and family members is a social occasion.	0.850			

## Reliability and Accuracy of the Exemplars

Investigation started with measuring the unwavering quality of the develops. To start with, interior unwavering quality of the scale was inspected utilizing Cronbach's alpha coefficients. Taking 0.7 or more as a pointer of unwavering quality, it might be presumed that all the shopping inspiration builds are solid. Focalized legitimacy might be evaluated from the estimation display by figuring out if each marker's assessed greatest probability stacking on the underlying build is noteworthy. As represented in table II all affirming variable loadings surpass 0.60. Thusly, we have proof of united legitimacy of our measures. Composite dependability coefficients for each one build are additionally given in Table II. Composite dependability ought to be more prominent than 0.7 to show dependable variables (Hair et al. 1995). In this study, all the composite unwavering quality coefficients are more prominent than 0.7 showing dependability of the components. Last, fluctuation concentrated was figured. Difference concentrated assessments demonstrate how changes are measured contrasted with irregular estimation lapse. All changes concentrated were over 0.50, which implies more than 50% of the differences for the detailed things were represented by the build the composite dependability, fluctuation removed, and Cronbach alpha coefficient values for all shopping inspiration components, extraordinarily surpassed the base worthy qualities. This showed that measures were free from failure and along these lines yielded extremely reliable results (Sigmund, 2003). In the wake of directing the legitimacy and dependability tests for the greater part of the shopping inspiration variables, it is likewise important to exhibit the general fit of the estimation model. A few fit records enjoys the proportion of chi-square to degrees of opportunity, the decency of-fit file (GFI), balanced GFI (AGFI), the normed fit list (NFI), Tucker-Lewis Index (TLI), Incremental Fit Index (IFI), and the Relative Fit Index (RFI), near fit record (CFI), and root mean square mistake of estimate (RMSEA) were utilized to quantify the model fit. As demonstrated in Table III, the aftereffects of the affirming element dissection showed a moderate fit of the estimation display on the premise of various fit detail.

## Major Results

The most paramount consequences of this study are discovering the critical motivational purposes behind going to shopping centres, with whom they wanted to make a go at shopping, and so forth. The most vital element for going by shopping centres is social shopping. The majority of the more established era Y customer runs shopping with loved ones with the end goal of standardizing. Thought shopping is the second huge motivational element for going by shopping centres by era Y shopper. They go shopping to stay aware of patterns, to stay aware of new forms, to see all the

new items accessible and to encounter new things. Part shopping is the third huge element, which reflects the satisfaction that customers infer from looking for others, the impact that this movement has on the customers' sentiments and dispositions, and the fervour and inherent bliss felt by customers when discovering the ideal blessing for others. Fourth paramount variable is the undertaking shopping. Escapade shopping alludes to looking for incitement, undertaking, and the inclination of being in an alternate world. A critical number of respondents reported that they make a go at looking for the sheer fervour and escapade of the shopping trek. These witnesses regularly depicted the shopping background regarding enterprise, thrills, incitement, energy, and entering an alternate universe of energizing sights, smells, and sounds. Fifth paramount component is the quality shopping. Worth shopping alludes to looking for deals, searching for rebates, and chasing for deals. The last variable is the satisfaction shopping. Delight shopping, includes looking for anxiety alleviation, shopping to ease a negative disposition, and shopping as an uncommon treat to oneself.

**Table III: Model Fit Indexes**

<b>Fit Indexes</b>	
• Ratio of chi-square to degrees of freedom	1.865
• Goodness-of-fit index (GFI)	0.832
• Adjusted GFI (AGFI)	0.771
• Normed fit index (NFI)	0.808
• Tucker-Lewis Index (TLI)	0.871
• Incremental Fit Index (IFI)	0.901
• Relative Fit Index (RFI)	0.759
• Comparative Fit Index (CFI)	0.898
• Root Mean Square Error of Approximation (RMSEA)	0.073

### **Implications of the Research**

This study gave a thought regarding a wide mixture of reasons individuals set out for some shopping, and has an expansive mixed bag of requisitions to retail explore. Various ramifications for retailers are evident also. To start with, information of unique customer fragments is valuable to retailers in building advertising correspondence procedure and planning engaging store situations. Case in point, publicizing as a rule may need to be intended to pull in customers who are inspired for diverse reasons. This could be fulfilled by concentrating on the experiential parts of the nature's domain,

situating the shopping knowledge as an undertaking or an opportunity to visit with companions.

### References

1. Bahin, D.; Darditch, X. and Griffith, L. (2010). "Effort and/or Fun: Assessing Hedonic and Serviceable Shopping Value," *Journal of Consumer Research*, 19 (March), 544-56.
2. Baruahh, D.; Sophie, N. and Dash, S. (2009). "The Shopping Arcade as Shopper Territory," *Journal of Retailing*, 69 (1), 33-42.
3. Mobbin, D. (2012). "Fledgling Bucks: Recompense Ridge Marketplace Provides to Prosperous Gen-Y Shoppers," *Shopping Centres Today*, February, <http://www.icsc.org/>.
4. Nagendkar, M. (2010). *Services Marketing: Text and Cases*, New Delhi: Tata McGraw-Hill.
5. Parul, T. (2009). "Receiving Inside Gen Y," *American Demographics*, 22(8), 32-9.
6. Prabhush, A. (2010). "Vending Upheaval in India: An Impression," *The Management Accountant*, (September).
7. Reynolds, K.; Ganesh, J. and Lockett, M. (2002). "Conventional Malls vs. Factory Openings: Associating Shopper Typologies and Insinuations for Retail Approach," *Journal of Business*, 45(8), 587-96.

## Six Sigma Implimentation Success Factors in Service Sector

– D. Amarendranath Reddy\*  
– P. Sujendra Swamy\*\*

---

### **Abstract**

*In the world competition intensive marketplace, quality is of the utmost importance. Quality in production, quality in service and quality in learning is only the tip of the iceberg when trying to ensure the highest profitability within a company, developing a product or service is simply not good enough any longer. In the 21st century the need for conformance and design are essential to ensure the long term success of any firm. A system within an organization to promote the elimination of defects and to increase profitability is vital to the development of a competitive advantage. One method of achieving such an advantage is through the use of six sigma. The service industry has an increased interest in six sigma implementation and many companies have gained the profits and advantages from disciplined approach, the literature is limited and the research of the impact of six sigma implementation and the factors contributed to six sigma success remain.*

**Key Words: Quality, Service Oriented, Operations, Implementation, Emphasis**

### **Introduction**

Six Sigma is all about quality improvement and was first pioneered by Motorola in the 1980s. Over the last few years, this methodology has received much recognition and several companies have adopted it in order to meet their targets. Six Sigma's clientele include a long list of well-established manufacturers like General Motors, Ford Motor Co., GE, Honeywell and many more. However, there are still many non-manufacturing companies that have come to the conclusion that Six Sigma will not work for them. This is because Six Sigma was originally developed for helping the manufacturing industry. Organizations such as health care systems, financial service providers and educational systems all doubt the usefulness of 6 Sigma.

---

\* St Joseph's University, Philadelphia, USA, E-Mail:d.amarendranath@gmail.com

\*\* Associate Professor, 145, Mc Intyre Road, Begumpet, Secunderabad, Telangana. Email: pallati3@gmail.com

## The History of Six Sigma

The quality initiative that was started which eventually became Six Sigma was initiated in the 1970s. In the 70's there was a time when a Japanese firm took over a Motorola factory and proceeded to make drastic changes. Under the new Japanese management, the factory had 1/20th as many defects as they had produced under Motorola's management using the same workforce, technology and designs while lowering costs (pyzdek, 2003). After observing this, Motorola could clearly see that their processes were not as optimal as they had originally thought. At the end, Motorola's management finally admitted that "Our quality stinks" (Main, 1994).

In the 1980s, besides Motorola who was hurt by the Japanese companies, many other companies were also being driven out of business by Japanese competitors. Japanese companies had superior quality and innovative products that made North American products essentially obsolete. Motorola was only one out of many US companies who were being hurt by the foreigners. Motorola had to develop a method that would be able to allow them to compete with the Japanese, but more importantly, they needed to come up with a quality program that worked, or else face elimination (Harry and Schroeder, 2000). The new innovative improvement concept that Motorola developed was called "Six Sigma". Six Sigma originated at Motorola in the early 1980s by the late Bill Smith (Lucas, 2002). Bill Smith is considered the father of Six Sigma. Mr. Smith was also a senior engineer and scientist at Motorola. He crafted the original statistics and formula that were the beginnings of the Six Sigma culture (Pavletic and Sokovic, 2002). Although Bill Smith was the person deemed to have started Six Sigma, he couldn't have been able to take Six Sigma organization-wide by himself.

- The purpose of Six Sigma is to reduce variation to achieve very small standard deviation so that almost all of your products or services meet or exceed customer expectations. (Pande et al, 2002) [Statistical terms]
- Six Sigma is a highly disciplined process that focuses on developing and delivering near-perfect products and services constitutently. Six Sigma is also a management strategy to use. In statistics, sigma denotes the standard deviation of a set of data; it provides a measure of variability which indicates how all data points in a statistical distribution vary from the mean value.

When specification are set at  $\pm$  sigma the result is a near zero defect rate. This holds true even when the process mean shifts and when multistage processing is involved. Statistically speaking, Six sigma is based on the normal distribution. However, if you were to take true six sigma results, it actually translates to about 2 defects per billion opportunities, this is far cry from the 3.4 DPMO stated previously. The reason for this

discrepancy was determined by Motorola in their early days and developing six sigma. Motorola determined, through their own experience, that processes drift overtime and they referred to this phenomenon as the "Long-Term Dynamic Mean Variation", where this variation generally falls between 1.4-1.6 sigma (Swinney, 2003). Harry and Schroeder (2008) summarizes this 1.5 sigma shift phenomenon in their own words: "By offsetting normal distribution by a 1.5 standard deviation on either side, the adjustment takes into account what happens to every process over many cycles of manufacturing ....Simply put, accommodating shift and drift is our 'fudge factor', or a way to allow for unexpected errors or movement over time. Using 1.5 sigma as a standard deviation gives us a strong advantage in improving quality not only in industrial process and designs, but in commercial processes as well.

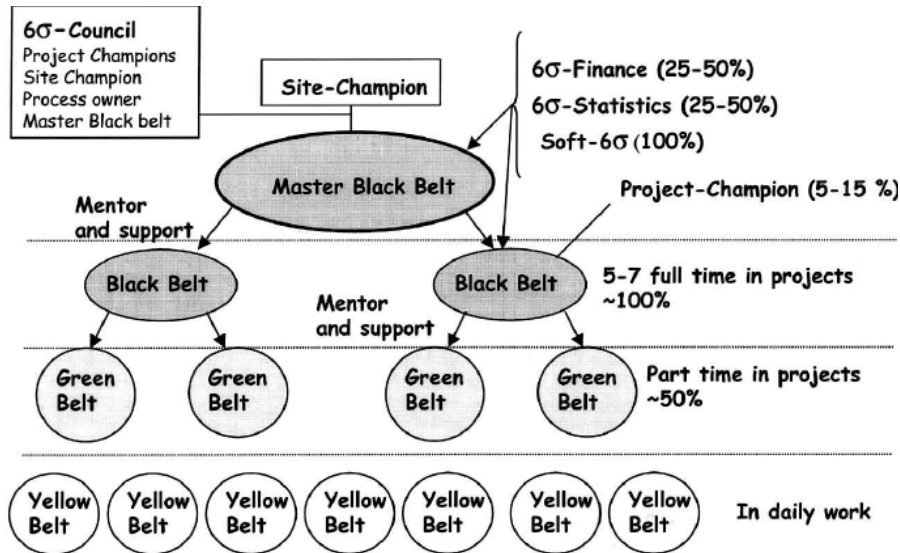
**Table 1: Sigma Performance Levels**

<b>Six sigma Level</b>	<b>Defects per million opportunities (DPMO)</b>
1	690000
2	308537
3	66807
4	6210
5	233
6	3.4

### **Six Sigma in Service Sector**

The most obvious reason why service companies keep away from six Sigma is because they perceive it as a manufacturing tool. Service organizations feel that because their companies have a large amount of human work force, there are no measurable defects to be corrected. However, experts say this is not true. A recent survey has shown that service companies that have invested in Six Sigma are all saving millions of dollars for every project. Human resources makes up a large part of all service organizations. To conquer this problem, leaders of the industry can be trained in six Sigma to balance their employment expertise with statistics-based analytical tools. The features and challenges cause unpredictable volumes, rapid variant business strategy and unpredictable tasks. Because of these many variations, designing and collecting data and information cannot be established in a proper manner. So lack of information is tangible in the most of service organizations. Obviously regarding to these problems, organizations cannot focus on quality which it deserves.

Chart 1: Six Sigma Implementation Team Levels



Source: Basic Six Sigma belt infrastructure (Adopted from Hakan et al , 2002)

### How six Sigma Can Benefit the Service Industry?

Six Sigma goes in to the details of improving customer service, generating business expansion and gaining knowledge about the service sectors business processes. Most service industries revolve around areas of finance, human resources and sales and marketing. Hence, six sigma delves deeply into the subject of soft skills. Six Sigma can be applied to a company that provides housekeeping services. Firstly, the companies working processes would need to be understood. Using the DMIAC method or the define-measure-improve-analyze-control method, Six Sigma can definitely implement quality in any industry. As the main aim of this methodology is to reduce defects, the first step would be detecting the particular defect. Secondly, data will be collected to observe how, why and how often these defects occur. Next, the Six Sigma team implements an outstanding employees method of working as the normal method for all employees. Finally, new employees are taught the correct techniques.

### Need for the Study

All world class companies are attracting customers with their high quality and sophisticated products by using world class quality standards, where Indian companies are lacking in quality. We are suffering with low quality and high cost products in our market which makes us poor in quality competition. There are some world class quality

standards available in the market such as ISO standards, CMM, six sigma for various fields and various industrial sectors.

### **Research Questions**

The formulated research questions based of this explorative research are:

1. What are the critical success factors for Successful implementation of six sigma?
2. How the success rate measured in six sigma?
3. Whether customer needs and wants show the effect on implementation of six sigma?

### **Hypotheses**

**H01:** There is no significant relation between the opinion of belt holders on voice of the customer, on time delivery, leader acting as a coach as a critical success factor for six sigma implementation.

**H02:** There is no significant relation between constructive feedback, supplier coordination and six sigma implementation success.

**H03:** There is no significant difference in the opinion of belt holders on creativity by belt holders, creativity to value stream as a critical success factor for six sigma implementation.

### **Survey Instrument**

A questionnaire that is properly worded and designed can gather the required data and have the potential to reach companies at a larger scale. The questionnaire basically contain there parts called as demographics data Called Part-A and Part-B is combination of prepositional factors like customer preferences, employee involvement, quality culture etc,. and benefits of six sigma. Each preposition contains sub questions specially associated with the measurement of a factor to six sigma success.

### **Sample**

The population frame would be the six sigma implementation team i.e sponsors/ champions, Master Black belts, black belts green belts in service oriented organizations.

### **Sampling Unit**

The sample subjects for the present research are service oriented sectors like IT/ ITES, Banking/financial /Insurance services, Hospitals, Travel services, Telecommunications in Hyderabad and secunrabad twin cities in India.

## Sampling Technique

The judgment sampling technique was adopted for the purpose study. A method of choosing a data sample drawn from a larger population based on one's own judgment, grounded in relevant experience.

### Analysis:

Factor Analysis is a data reduction technique. It also helps in structure detection among the variables and further helps in studying the underlying crucial factors that cause the maximum variation.

**Table 1: KMO-Bartlett test result of factor analysis.**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.913
Bartlett's Test of Sphericity	Approx. Chi-Square	8793.034
	Df	12
	Sig.	.000

**Inference:** Before approach for factor analysis first the researcher tested the eligibility for factor analysis by checking KMO- Bartlett's test which is a measure of sampling adequacy (KMO test also tests for multivariate normality among the variables). The KMO value is 0.913 > 0.6 indicates perfect sampling adequacy. Further, Bartlett's Test (test of inter correlation among the variables) is conducted to test sphericity among variables, since the significance value is less than .005, the researcher proceed for factor analysis.

**Table 2: Rotated component matrix values of overall factor analysis values**

	Component					
	1	2	3	4	5	6
Optimum utilization of resources	-.757	-.095	-.223	-.250	-.139	-.088
Reliability on service	-.450	-.127	-.425	-.208	-.414	.094
Process Improvement	-.439	-.256	-.327	-.098	-.490	-.211
<b>6.Enterprise Performance Measurement System</b>	-.183	-.236	-.088	-.030	.155	.795
Training to key managers	-.023	-.142	-.076	-.198	-.711	-.058
New Employee training	-.200	-.514	-.263	-.145	-.514	-.054
Coordination b/w quality and non quality employees	-.491	.044	-.124	.125	-.542	.026
Quality teams participation	.580	.163	.550	.141	.176	.051
Continuous Process Improvement	.703	.353	.099	.012	.247	.051
Employee Knowledge	.698	.396	.127	.016	.240	-.105
Education (Tech/ Non Tech)	.219	.244	-.215	.659	.348	.033

	Component					
	1	2	3	4	5	6
<b>1.Voice of the Customer</b>	.812	-.058	.035	.147	.120	-.027
Respond to Customer Needs	.649	.434	.201	.030	.217	-.108
Service Line value	.232	.658	.245	.051	.051	.014
Corrective Action system	.752	-.011	.395	.236	.002	.027
<b>1.On time Delivery of Services</b>	.843	.009	.032	.241	-.024	-.123
Team members Selection	.647	.307	.363	-.033	.194	.094
<b>2.Constructive Feedback</b>	.409	.789	.426	-.121	.244	.001
situational Leadership	.536	.464	.127	.094	.281	-.242
Collaborative Leadership	.091	.498	.519	.064	.142	-.071
<b>1.Leader as a Coach</b>	.800	.059	.213	.006	.186	-.085
<b>5.Integration of Six sigma Requirement at the time of Employee Selection</b>	-.136	.693	.032	.282	.395	-.233
Process Owners	.696	.391	.154	.039	-.020	-.032
Rewards for six sigma efforts	-.112	.583	.521	.232	.025	.110
Special Incentive system	.560	.514	.157	.105	.093	-.159
Six sigma with HR	.009	.182	.060	.571	.315	.026
<b>2.Suppliers coordination</b>	.199	.787	.081	.029	.053	.004
Internal work process	.557	.270	.608	.084	.063	-.091
<b>3.Value Stream after Six sigma</b>	.280	.350	.667	.199	.104	-.101
Vendor support	.700	.092	.534	.086	.010	-.003
QWL	.504	.294	.091	.300	-.093	.420
<b>3.Creativity among employees in six sigma implementation process</b>	.306	.317	.669	.135	.190	-.078
Quality Service Culture	.612	.038	-.297	.274	-.258	.367
Flexibility of service	.505	-.043	.128	.570	-.201	.089
<b>4. Reliability &amp; Trust worthiness among Employees</b>	.049	.153	.279	.779	.119	-.013
Employee attitude	.401	-.109	.271	.664	-.236	-.077

#### Extraction Method: Principal Component Analysis. a. Rotation covered in 20 Iterations

From the component matrix it may be observed that the following factors are influencing maximum success for six sigma implementation program.

The above component matrix reveals the highly influencing factor in factor analysis. Before deciding the finalized factors, the researcher considered nearly co related values to name factors. The final factors named as "Customer Centric Leadership", "Constructive feedback with supplier coordination", "Creativity to Value stream". List of variables and co related values listed below.

**Table 3: Highly influencing factors for Six Sigma Success in Service Sector**

S.no	Factor Name
1	<i>Customer Centric Leadership</i> On time Delivery (.843) Voice of the Customer (.812) Leader as a coach (.800)
2	<i>Constructive feedback with supplier coordination</i> constructive feedback (.789) Supplier coordination (.787)
3	<i>Creativity to Value Stream</i> Creativity by belt holders (.669) Value stream after six sigma (.667)
4	Reliability and trustworthiness among employees (.779)
5	Six sigma oriented employee selection (.395)
6	Performance measurement system (.795)

**H0 1:** There is no significant relation between the opinion of belt holders on voice of the customer, on time delivery, leader acting as a coach as a critical success factor for six sigma implementation.

**Table 4 : Consolidated chi square values of first three overall factors.**

	Value	df	Asymp.sig (2 Sided)
<i>Voice of the Customer Chi square Values</i>			
Pearson Chi-Square	20.681 <sup>a</sup>	12	.000
Likelihood Ratio	20.291	12	.000
Linear-by-Linear Association	.397	1	.766
No. of Valid Cases	315		
<i>On time delivery Chi square Values</i>			
Pearson Chi-Square	62.768 <sup>a</sup>	12	.045
Likelihood Ratio	62.797	12	.062
Linear-by-Linear Association	.089	1	.528
No. of Valid Cases	315		
<i>Leader acting as a coach Chi square Values</i>			
Pearson Chi-Square	34.589 <sup>a</sup>	12	.001
Likelihood Ratio	36.091	12	.000
Linear-by-Linear Association	.173	1	.678
No. of Valid Cases	315		

Most of chi square calculations in this study are indicating 12 degrees of freedom which is derived from (Scale-1)(Belt-1) in survey questionnaire=4\*3, except financial dimensions where it is 9 there, and all the chi square tables are adjusted with Yates's correction which is while using the chi-squared distribution to interpret Pearson's chi-squared statistic, it is required to assume that the discrete probability of observed binomial frequencies in the table can be approximated by the continuous chi-squared distribution. This assumption is not quite correct, and introduces some errors. This problem is adjusted with Yates's correction.

From the above table all factors significant value is less than 0.05 , Hence H0 1: There is no significant relation between the opinion of belt holders on voice of the customer, on time delivery, leader acting as a coach as a critical success factor for six sigma implementation is rejected.

**H02:** There is no significant relation between constructive feedback, supplier coordination and six sigma implementation success.

**Table 5: Consolidated chi square values of second influencing factors**

	<b>Value</b>	<b>df</b>	<b>Asymp.sig (2 Sided)</b>
<i>Constructive feedback chi square values</i>			
Pearson Chi-Square	36.555 <sup>a</sup>	12	.000
Likelihood Ratio	36.829	12	.000
Linear-by-Linear Association	1.257	1	.262
No. of Valid Cases	315		
<i>Supplier coordination chi square values</i>			
Pearson Chi-Square	44.302 <sup>a</sup>	12	.000
Likelihood Ratio	42.316	12	.000
Linear-by-Linear Association	9.800	1	.002
No. of Valid Cases	315		

From the above table all factors significant value is less than 0.05, Hence H02: There is no significant relation between constructive feedback, supplier coordination and six sigma implementation success, is rejected.

**H03:** There is no significant difference in the opinion of belt holders on creativity by belt holders, creativity to value stream as a critical success factor for six sigma implementation.

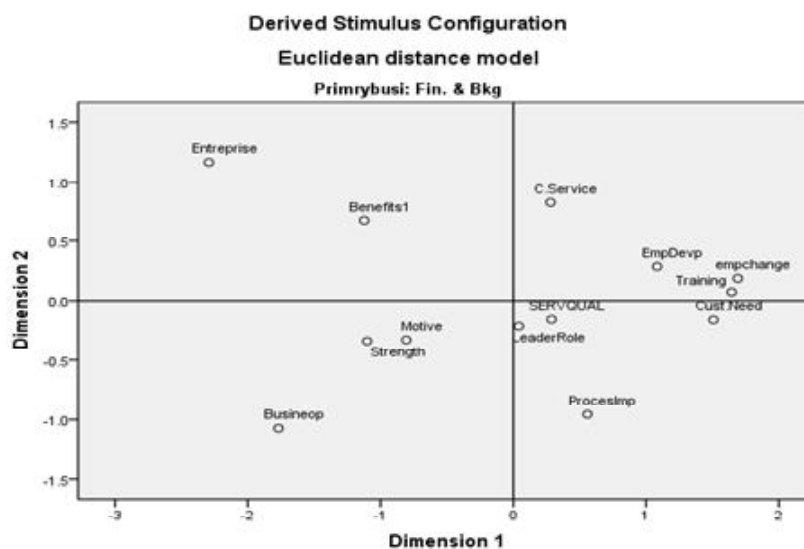
**Table 6: Consolidated chi square values further influencing factors**

	Value	df	Asymp.sig (2 Sided)
<i>Creativity by belt holders chi square values</i>			
Pearson Chi-Square	23.226 <sup>a</sup>	12	.026
Likelihood Ratio	26.190	12	.010
Linear-by-Linear Association	.012	1	.911
No. of Valid Cases	315		
<i>Creativity to value stream chi square values</i>			
Pearson Chi-Square	24.197 <sup>a</sup>	12	.019
Likelihood Ratio	25.130	12	.014
Linear-by-Linear Association	.005	1	.944
No. of Valid Cases	315		

From the above table all factors significant value is less than 0.05, Hence H0 3: There is no significant difference in the opinion of belt holders on creativity by belt holders, creativity to value stream as a critical success factor for six sigma implementation, is rejected.

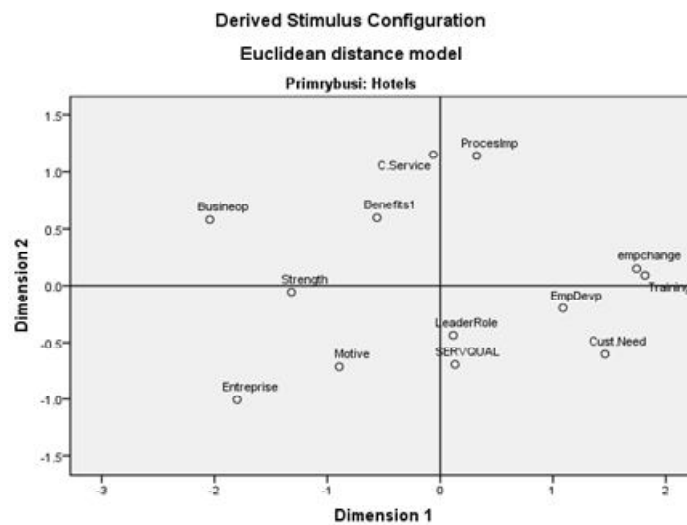
Multidimensional scaling (MDS) refers to a set of related ordination techniques used in information visualization, in particular to display the information contained in a distance matrix.

**Chart 1: 2- Dimensional plot for finance & banking people perception.**



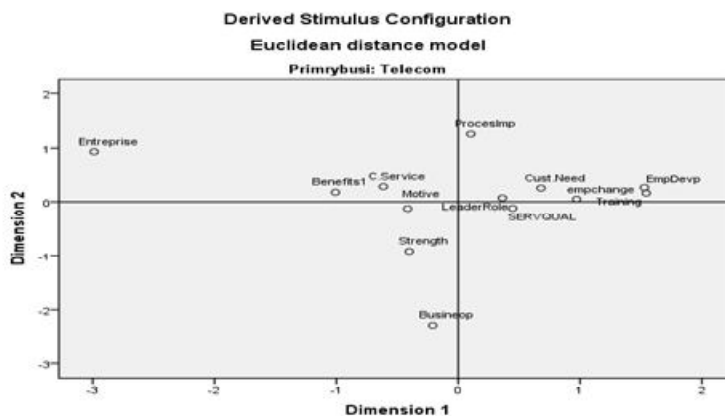
**Inference:** The above two dimensional scale plot the finance & Banking factors on business process quality positive side includes service quality, leader role, process improvement, training, employee change and negative includes business operations and motives where behavioral positive includes enterprise and benefits hear both IT/ ITES and finance following same trend.

**Chart 2: 2 Dimensional plot for Hotel people perception**



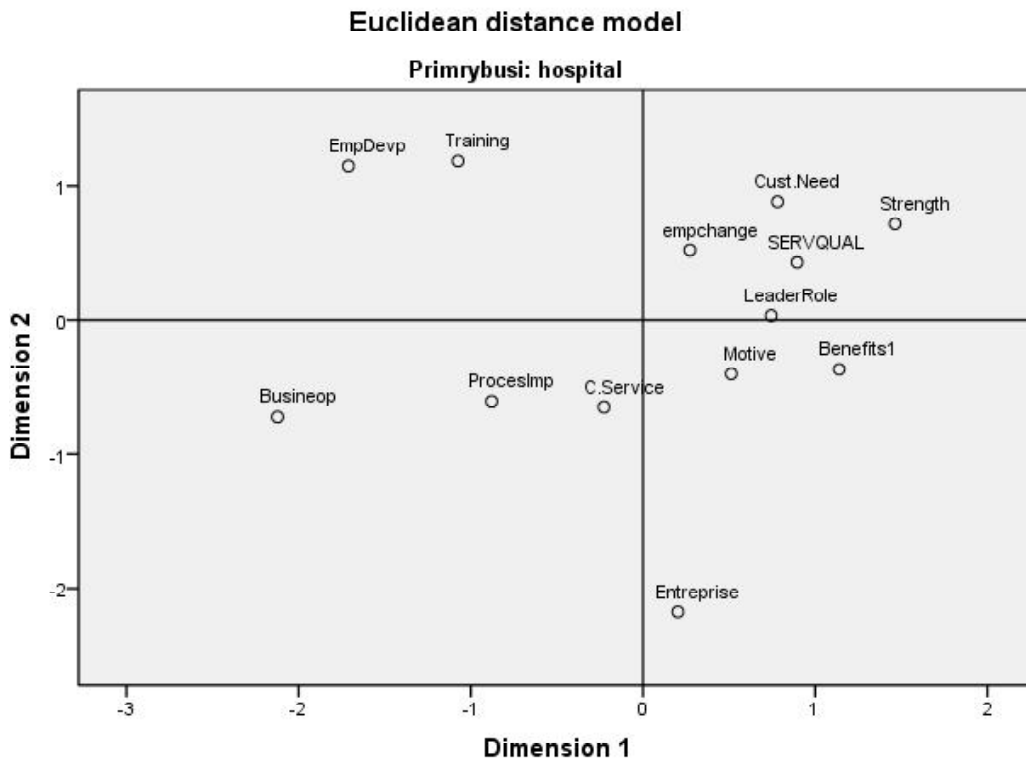
**Inference:** The above two dimensional scale plot the Hotel sector factors on business process quality positive side includes service quality, leader role, training, employee development and negative includes enterprise ad motives where behavioral positive includes customer service & benefits, strength etc..

**Chart 3: 2 Dimensional plot for telecom people perception**



**Inference:** The above two dimensional scale plot the Telecom sector on business process quality positive side includes service quality, leader role, customer needs , employee development and negative includes strength and business operations includes customer service & benefits, motives etc..

**Chart 4: 2 Dimensional plot for hospital sector people perception  
Derived Stimulus Configuration**



**Inference:** The above two dimensional scale plot the hospital sector factors on business process quality positive side includes service quality, leader role, customer needs , employee development and negative includes customer service and process improvement includes customer service & benefits, motives etc..

**Conclusion**

Six Sigma provides a comprehensive and flexible system for maximizing business success. It has been considered as a revolutionary approach to product and process improvement through the effective use of statistical methods. This study resembles the key ingredients one should consider before a Six Sigma program is initiated in their

organizations. All these ingredients are essential for the successful application of Six Sigma principles to any business process. If any of these ingredients is missing during the introduction and development of Six Sigma program, it would be then the difference between a successful implementation and a waste of resources, energy, money and time.

Six sigma has been widely accepted as a business strategy to improve business profitability and achieve service excellence through the effective application of both statistical and non-statistical tools. The popularity of six sigma in service organizations is growing every day, and even many manufacturing companies today are focusing their six sigma efforts on service-oriented processes where they achieve maximum return on investment. Many Researches has shown that the current and future focus of six sigma will be on service sectors.

This present study focuses on some of the major challenges, difficulties, common myths, and implementation issues in the application of six sigma in service settings. Successful implementation and growing organizational interest in six sigma method have been exploding in the last few years. It is rapidly becoming a major driving force for many technology-driven, project-driven organizations. Understanding the key features, obstacles, and shortcomings of six sigma provides opportunities to practitioners for better implement six sigma projects.

However, integrating the data-driven structured six sigma processes into organizations still has room for improvement. Cultural changes require time and commitment before they are strongly implanted into the organization. Effective six sigma principles and practices are more likely to succeed by refining the organizational culture continuously. In people-centered operations, in particular, staff development should go hand in hand with prevailing six sigma applications. This will help to reap the benefits of continuous learning, knowledge accumulation, group innovation and creativity. At the collective level, conscious efforts could also be made to meet the requirements of the organization's social mission and obligations. The synergy of such endeavors and Six Sigma based activities and programs could lead to results larger than the sum of isolated or unconnected efforts, and help ensure maintenance or improvement of overall organizational performance in uncertain times.

## References

1. Abraham B, Mackay J. Discussion of Six Sigma Black Belts: What do they need to know? *Journal of Quality Technology* 2001; 33(4):410-413.
2. Ackermann C, Fabia J. Monitoring supplier quality at ppm levels. *IEEE Transactions on Semiconductor Manufacturing* 1993; 6(2):189-195.
3. Adam and Ebert, T. 2002, Measuring banks' automated service quality: a confirmatory factor analysis approach. *Marketing Bulletin* 16, 1-19.

4. Ahire S, Landeros R, Golhar D. Total quality management: A literature review and an agenda for future research. *Production and Operations Management* 1995; 4(3):277-307.
5. Ahire, S.L., Dreyfus, P., 2000. The impact of design management and process management on quality: an empirical examination. *Journal of Operations Management* 18, 549-575.
6. Ahire, S.L., O'Shaughnessy, K.C., 1998. The role of top management commitment in quality management: an empirical analysis of the auto parts industry. *International Journal of Quality Science* 31, 5-37.
7. Anderson, J.C., Rungtusanatham, M., Schroeder, R.G., 1994. A theory of quality management underlying the Deming management method. *Academy of Management Review* 19, 472-509.
8. Antony & Banueals, Six Sigma-The quest for quality. *Hospitals and Health Networks* 2001; 75(12):41-48.
9. Antony J, Coronado R. Design for Six Sigma. *Manufacturing Engineer* 2002; 81(1):24-26.
10. Armand Feinburg B, "Discussion of six sigma Black Belt : What do they need to know ? *Journal of quality Technology* 1991:33: 410-413.
11. Arvidsson M, Gremyr I, Johansson P. Use and knowledge of robust design methodology: A survey of Swedish industry. *Journal of Engineering Design* 2003; 14(2):129-143.
12. Behara R, Fontenot G, Gresham A. Customer satisfaction measurement and analysis using Six Sigma. *International Journal of Quality and Reliability Management* 1995; 12(3):9-18.
13. Benedetto A. Adopting manufacturing-based Six Sigma methodology to the service environment of a radiology film library. *Journal of Healthcare Management* 2003; 48(4):263-280.
14. Berlowitz D. Striving for Six Sigma in pressure ulcer care. *Journal of American Geriatrics Society* 2003; 51(9):1320-1321.
15. Berte & Nevalainen, T. (1997), "Roles and infrastructure", in Bertels, T. (Ed.), *Rath & Strong's Six Sigma Leadership Handbook*, John Wiley & Sons, Inc., Hoboken, New Jersey, NJ, pp. 57-83.
16. Bisgaard S, Freiesleben J. Quality quandaries: Economics of Six Sigma program. *Quality Engineering* 2000; 13(2):325-331.
17. Hakan Wiklund and sandvik wiklund (2002) "Widening the six sigma concept: An approach to improve organizational learning", *TQM Journal* Vol13, No 2, 2002, pp 233-239.
18. Harry, M. and Schroeder, R. *Six Sigma: The Breakthrough Management Strategy Revolutionizing the World's Top Corporations*, Doubleday, 2002, New York, NY.
19. Lucas, W.J. Notes on the Six Sigma Concept. Pyzdek, T. (n.d.), *The Six Sigma Revolution*, 2002.
20. Pande, P. & Holpp, L. (2002). *What is Six Sigma?*. New York: McGraw-Hill.
21. Pavletic, D and sokovic.M, M (2002), "Six sigma : A complex Quality Initiative", *Journal of Mechanical Engineering*, 2002, vol.48 No 3, Pp 158-168.
22. Pyzdek, T. *The Six Sigma Handbook: A Complete Guide for Green Belts, Black Belts, and Managers at all Levels*. McGraw- Hill, New York, 2003, NY.
23. Swinney B. A slow spread for Six Sigma. *Chemical Week* 2003; 164(6):34-36.

## **A Study on Impact of Celebrity Endorsers Towards the Buying Behaviour of Soft Drinks Among the Consumers: A Study with Special Reference to Chennai City**

– L. Venkatasubramanian \*

– Dr. G.Vijaya Kumar\*\*

---

### **Abstract**

*Today 'Celebrity Endorsement' has mesmerized enormous debate on whether it really contributes to the brand building process or whether it is just another lazy tool to make the brand more visible in the minds of the consumers. Although it has been observed that the presence of a well-known personality helps in solving the problem of over-communication that is becoming more prominent these days, there are few undesirable impacts of this practice on the brand. Firms invest huge amounts as advertising expenditure for hiring the right celebrity. Consumers perceive the brand as having superior quality because it has been endorsed by a credible source. The present paper tries to look behind the obvious benefits that whether the consumers buys the soft drinks just because it is endorsed by their favorite and well known personality or it is just needy that they have to buy the product or its just situation. And researcher has selected 200 respondents as a sample in Chennai city. The data have been collected from both the primary and secondary source. For the primary researcher has used questionnaire. The study formulated few hypotheses and used one-sample t test to find out the major findings. The study concluded that brand ambassadors are creating Brand awareness, Brand image, and Brand recall among the consumers in Chennai city.*

**Keywords:** Brand Ambassadors, Consumer Buying Behavior, Advertisement.

### **Introduction**

In 21st century, the marketers are originating and implementing different strategies in order to retain existing customers and attract new customers. To communicate about

---

\* Ph.D Research Scholar, Department of Commerce, Sir Theagaraya College, Chennai-600 021.  
Email: venkat2351970@yahoo.com

\*\* Research supervisor, Department of Commerce, Sir Theagaraya College, Chennai-600 021.  
Email: vijji\_tri2003@yahoo.com

the product offerings to the customers, marketers always use unique tools and techniques when compare to their competitors. Creating very different strategy by using marketing mix is one the major challenge for the present scenario. In the modern market, without brand ambassadors it's somewhat difficult to sell the product. For brand recall, marketers select right person for right product at right place so that the brand can maintain the stability in the competitive world. The brand ambassadors will explain the process of the usage of the product and benefits out of it and why customers have to buy this product. Most of the times brand ambassadors influence on their consumers by communicating in an effective way. And the customers perceive the brand as having very superior quality just because it has been endorsed by their favorite personality and based on this customers start that endorsement as one the indicator of the superior quality for any other brand. With the help of the both brand ambassadors and the company credibility plays a very significant role in the attitude of the consumers towards the advertisement and brand recall too. But sometime over popularity of the brand ambassadors may create negative response to the brand. By involving in multiple brand endorsement it may leads to create huge confusion in the minds of the customers. Still there is confusion among the marketers regarding the impact of the celebrity endorsement on buying behavior of soft drinks. There are different soft drinks companies in the market, and all most all brands are using brand ambassadors for their brands but the question is whether these ambassadors are really influencing on the consumer decision making? And every day we see different and innovative advertisements on television ads, print ads but is it a just a tool to communicate to the customer? Or it really changes consumer mind to buy their product? Are consumer really would like to buy the product just because of it is endorsed by their favorite personality or it is just needy? Sometimes most of the swift from one brand to another brand so what makes them to change the brand? Hence, for the above all question we are going to get the answer by collecting response from the both marketers and consumers so that it would be easier for the further study.

### **Celebrity Endorser**

Brand ambassador is a marketing jargon for celebrity endorser or spokes model, a person employed by an organization or company to promote its products or services. The brand ambassador is meant to embody the corporate identity in appearance, demeanor, values and ethics. The key element of brand ambassadors lies in their ability to use promotional strategies that will strengthen the customer-product/service relationship and influence a large audience to buy and consume more. Predominantly, a brand ambassador is known as a positive spokesperson, an opinion leader or a community influencer, appointed as an internal or external agent to boost product/

service sales and create brand awareness. Today, brand ambassador as a term has expanded beyond celebrity branding to self branding or personal brand management. Professional figures such as goodwill and non-profit ambassadors, promotional models, testimonials and brand advocates have formed as an extension of the same concept, taking into account the requirements of every company.

### **Objectives of the Study**

- To examine whether the celebrity endorsement in soft drinks constitutes for brand recall and brand awareness among the consumers in Chennai city.
- To find out whether the celebrity endorsement has any impact to consume the soft drinks among the consumers in Chennai city.

### **Statement of Hypothesis**

1. The favorite brand ambassadors are not influencing the consumers to consume the soft drinks in Chennai city.
2. The consumers are detaching someone from buying the celebrity endorsed soft drinks in Chennai city.
3. The consumers are not able to recall the brand ambassador's advertisement towards soft drinks in Chennai city.
4. The Brand ambassadors are significant for soft drinks advertisements in Chennai city.

### **Research Methodology**

The present study's ultimate objective is to find out impact of celebrity endorsers towards the buying behavior of soft drinks among the consumers: A study with special reference to Chennai city. The data has been collected from both primary and secondary sources. Primary data is collected by the questionnaires and personal observation. Secondary data is collected by the referring to several journals, books, internet, magazines, etc. The data collection a thorough literature survey has been made in light of all the things surrounding the celebrity endorsement. Then a survey is taken among the general public with a sample to arrive at several conclusions regarding the influence of brand ambassadors on buying behavior of soft drinks. After the testing of its reliability, the revised questionnaire was administered for final study. The total of sample size is of 200 consumers of soft drinks. The data taken for study is a convenient sample representing the youth of soft drinks consumers, so that a proper conclusion can be reached. For the purpose of present research some of the famous soft drink brands are Coca-cola, Pepsi,

Fanta, Miranda, Thumsup, 7UP, Maaza and Sprite .The data was collected during a period of 5 months from January 2015 to May 2015.The analysis was conducted using the SPSS version 21.0 statistical package.

**Table 1 : Demographic profile of Respondents**

<b>Gender</b>	<b>Frequency</b>	<b>percent</b>
Male	131	65.5
Female	69	34.5
Total	200	100.0
<b>Age</b>		
Up to 25 years	80	40.0
26-30 years	60	30.0
31-35 years	40	20.0
Rs.35-40 years	20	10.0
Total	200	100.0
<b>Educational qualification</b>		
UG	120	60.0
PG	50	25.0
Professional	30	15.0
Total	200	100.0
<b>Monthly Income</b>		
Up to Rs. 15,000	83	41.5
Rs. 15,001-30,000	60	30.0
Rs. 30,001-45,000	34	17.0
Above Rs.45,000	23	11.5
Total	200	100.0

*Source: Primary data*

The above table explains that demographic profile of respondents in Chennai city. It is observed from the study majority 65.5% are male whereas 34.5% of respondents are female. In connection with age classification of respondents, majority 40% of respondents were in upto 25 years, followed by 30% of respondents were in the age group of 26-30 years, 20% of respondents were in the age group of 31-45 years and only 10% of respondents were in the age group of 35-40 years. Educational qualification wise, majority 60% of respondents were under graduates, followed by 25% of respondents were post-graduates and only 15% of respondents were professionally qualified. Monthly

income wise, majority 41.5% of respondents monthly income were up to Rs.15,000, followed by 30% of respondents monthly income were Rs.15,001-30,000, 17% of respondents monthly income were Rs.30,001-40,000 and 11.5% of respondents monthly income were above Rs.45,000.

**Table 2 : Brand Ambassador's influencing to consume the soft drinks among the consumers**

Opinion	Frequency	Percent
Very Less	12	6.0
Less	39	19.5
Neutral	11	5.5
High	92	46.0
Very High	46	23.0
Total	200	100.0

*Source: Primary data*

It is identified from the above table, majority 46% of respondents were opined that the brand ambassadors are influencing to consume the soft drinks are high, followed by 23% of respondents were opined that brand ambassadors are influencing to consume the soft drinks are very high, 19.5% of respondents were opined that brand ambassadors are influencing to consume the soft drinks are less impact and 6% of respondents were opined that brand ambassadors are influencing to consume the soft drinks are very less impact.

**Table 3 : Respondent's opinion towards the recall of brand ambassadors advertisements in soft drinks**

Opinion	Frequency	Percent
Very Less	17	8.5
Less	24	12.0
Neutral	13	6.5
High	104	52.0
Very High	42	21.0
Total	200	100.0

*Source: Primary data*

The above table reveals that respondent's opinion towards the recall of brand ambassador's advertisements in soft drinks. Majority 52% of respondents were speak out that brand ambassadors advertisement can easily recall the brand, followed by 21%

of respondents were speak out that brand ambassadors advertisement can easily recall the brand, 12% of respondents were speak out that that brand ambassadors advertisement recall was less and 8.5% of respondents were speak out that of that brand ambassadors advertisement can easily recall the brand.

**Table 4 : Respondent's opinion towards the significant of brand ambassadors in soft drinks advertisement**

Opinion	Frequency	Percent
Most unlikely	19	9.5
Unlikely	43	21.5
Neutral	11	5.5
Likely	77	38.5
Most likely	50	25.0
Total	200	100.0

Source: Primary data

The above table explains that Respondent's opinion towards the significant of brand ambassadors in soft drinks advertisements. Majority 63.5% of respondents were opined that brand ambassadors are very significant in soft drinks advertisements and 32% of respondents were opined that brand ambassadors' are not that much important in soft drinks in advertisements.

**Null Hypothesis 1**

The favorite brand ambassadors are not influencing the consumers to consume the soft drinks in Chennai city.

**Table 5 : One-sample t test for whether favorite brand ambassadors are influencing the consumers to consume the soft drinks in Chennai city**

	N	Mean	S.D	t value	p value
Favorite brand ambassadors are influencing the consumers to consume the soft drinks	200	3.61	1.207	7.090	0.000**

Source: Primary data

\*\*represents at 1% level of significant

The above table shows that One-sample t test for whether favorite brand ambassadors are influencing the consumers to consume the soft drinks in Chennai city.

. It is observed from the study, t value is 7.090 and corresponding p value is 0.000, which is less than 0.01. Therefore, the null hypothesis is rejected at 1% level of significant. Hence it is concluded that the favorite brand ambassadors are influencing the consumers to consume the soft drinks in Chennai city.

### Null Hypothesis 2

The consumers are detracting someone from buying the celebrity endorsed soft drinks in Chennai city.

**Table 6 : One-sample t test for whether Consumers are detracting someone from buying the celebrity endorsed soft drinks in Chennai city**

One-Sample Statistics					
Consumers are detracting someone from buying the celebrity endorsed soft drinks in Chennai city.	N	Mean	S.D	t value	P value
	200	3.64	1.232	7.346	0.000**

Source: Primary data

\*\*represents at 1% level of significant

One-sample t test for whether Consumers are detracting someone from buying the celebrity endorsed soft drinks in Chennai city highlighted the above table. The p value is 0.00, which is less than 0.01. Therefore, the null hypothesis is rejected at 1% level of significant. It is concluded that the consumers are not detracting someone from buying the celebrity endorsed soft drinks in Chennai city.

### Null Hypothesis 3

The consumers are not able to recall the brand ambassador's advertisement towards soft drinks in Chennai city.

**Table 7 : One-sample t test for whether the consumers are not able to recall the brand ambassador's advertisement towards soft drinks in Chennai city**

One-Sample Statistics					
	N	Mean	Std. Deviation	t value	p value
Recall the brand ambassador advertisement in soft drinks	200	3.65	1.185	7.756	0.000**

Source: Primary data

\*\*represents at 1% level of significant

The above table shows that One-sample t test for whether Consumers are not able to recall the brand ambassador's advertisement towards soft drinks in Chennai city. It is noted from the study, t value is 7.756 and corresponding p value is 0.000, which is less than 0.01. Therefore, the null hypothesis is rejected at 1% level of significant. Hence it is concluded that the consumers are easily to recall the brand ambassador's advertisement towards soft drinks in Chennai city.

**Null Hypothesis 4**

The Brand ambassadors are not significant for soft drinks advertisements in Chennai city.

**Table 8 : One-sample t test for whether The Brand ambassadors are significant for soft drinks advertisements in Chennai city**

One-Sample Statistics					
	N	Mean	Std. Deviation	t value	p value
Brand ambassadors are significant for soft drinks advertisements	200	3.48	1.326	5.119	0.000**

Source: Primary data

\*\*represents at 1% level of significant

The above table reveals that One-sample t test for whether The Brand ambassadors are significant for soft drinks advertisements in Chennai city. It is identified from the study, the t value is 5.119 and p value is 0.000, which is less than 0.01. Therefore, the null hypothesis is rejected at 1% level of significant. Hence it is concluded that The Brand ambassadors are significant for soft drinks advertisements in Chennai city.

**Summary and Findings**

The following are summary of findings from the analysis made on the response given by the respondents.

- The study found that majority 65.5% are male whereas 34.5% of respondents are female. In connection with age classification of respondents, majority 40% of respondents were in up to 25 years, followed by 30% of respondents were in the age group of 26-30 years.
- Educational qualification wise, majority 60% of respondents were under graduates, followed by 25% of respondents were post-graduates Monthly income wise, majority 41.5% of respondents monthly income were up to Rs.15,000, followed by 30% of respondents monthly income were Rs.15,001-30,000.

- Majority 46% of respondents were opined that the brand ambassador are influencing to consume the soft drinks are high.
- Majority 52% of respondents were speaking out that brand ambassadors advertisement can easily recall the brand.
- 63.5% of respondents were opined that brand ambassadors are very significant in soft drinks advertisements.
- The favorite brand ambassadors are influencing the consumers to consume the soft drinks in Chennai city significant at 1% level.
- It is concluded that the consumers are not detracting someone from buying the celebrity endorsed soft drinks in Chennai city.
- The consumers are easily to recall the brand ambassador's advertisement towards soft drinks in Chennai city significant at 1% level.
- The Brand ambassadors are significant for soft drinks advertisements in Chennai city.

## Conclusion

Celebrity endorsement has become a buzzword in Indian advertising industry today. The obvious reason for going in for celebrities is the fact that they have a mass appeal and once identified with a product, they can trigger an instant recall in the mind of the consumer. May be this is why both Indian corporate as well as MNC's are in race to sign up sportspersons and film stars to endorse their brands. The companies have started understanding that celebrities can catalyze brand acceptance and provide the enormous momentum that brands require. Celebrity endorsement also gives new opportunities for the brand. Finally, it can be concluding that brand ambassadors are creating Brand awareness, Brand image, and Brand recall among the consumers in Chennai city.

## References

1. Bradley, S. (1996, June). Marketers are always looking for Good Pitchers. *Brand Week*, pp. 63-68.
2. Caballero, M. J., Lumpkin, J. R., & Madden, C. S. (1989). Using Physical Attractiveness as an Advertising Tool. *Journal of Advertising*, 29, 16-22.
3. Debevec, K., & Iyer, E. (1986). The Influence of Spokespersons in Altering a Product's Gender Image: Implications for Advertising Effectiveness. *Journal of Advertising*, 15 (4), 12-19.

4. Dickenson, N. (1996, May 3). Can Celebrities Ruin a Launch? Campaign, p. 24.
5. Erdogan, B. Z., Baker, M. J., & Tagg, S. (2001, May-June). Selecting Celebrity Endorsers: The Practitioner's Perspective. *Journal of Advertising Research*, 39-44.
6. Friedman, H. H., & Friedman, L. (1978). Does the Celebrity Endorser's Image Spill Over the Product? *Journal of the Academy of Marketing Science*, 6 (Fall), 954-961.
7. Gail, T., Clark, R., Elmer, L., Grech, E., Masetti Jr., J., & Sandhar, H. (1992). The Use of Created versus Celebrity Spokespersons in Advertisements. *Journal of Consumer Marketing*, 9 (4), 45-51.
8. Joseph, W. (1982). The Credibility of Physically Attractive Communicators: A Review. *Journal of Advertising*, 11, 15-24.
9. Kambitsis, C., Harahousou, N. T., & Chatzibeis, G. (2002). Sports Advertising in Print Media: The Case of 2000 Olympic Games. *Corporate Communications: An International Journal*, 7 (3), 155-161.
10. Lynch, J., & Schuler, D. (1994). The Match-Up Effect of Spokesperson and Product Congruency: A Schema Theory Interpretation. *Psychology and Marketing*, 11 (5), 417-445.
11. McCracken, G. (1989). Who is the Celebrity Endorser? Cultural Foundation of the Endorsement Process. *Journal of Consumer Research*, 16, 310-321.
12. Mooij, M. d. (1994). *Advertising Worldwide: Concepts, Theories and Practice of International, Multinational and Global Advertising* (2nd ed.). London: Prentice-Hall International Inc.
13. Ohanian, R. (1990). Construction and Validation of a Scale to Measure Celebrity Endorser's Perceived Expertise, Trustworthiness and Attractiveness. *Journal of Advertising*, 19 (3), 39-52.
14. Ohanian, R. (1991). The Impact of Celebrity Spokesperson's Perceived Image on Consumer's Intention to Purchase. *Journal of Advertising Research*, 31 (1), 46- 52.
15. Schiffman, L., & Kanuk, L. (1997). *Consumer Behaviour*. New Delhi: Prentice Hall of India.

## **A Study on Role of SHG in Financial Inclusion and Poverty Eradication-With Reference to Mepayyur Village, Calicut District**

– Lakshmi Saju \*

---

### **Abstract**

*Poverty is a contaminated and dangerous disease which is spread in every socio – economic zone in India .Poverty is mostly rampant in rural as well as in urban areas . Rapid urbanization is the main culprit of creating poverty. The Indian governments have come up with many strategies in eradicating this dangerous disease. One of the strategies created is to attain hundred percent financial inclusion. One of the step to achieve financial inclusion is the formation of Self Help Groups .Self Help group Bank Linkage Program is sponsored by NABARD (National Bank of Agriculture and Rural development).It is a successful model striving towards upliftment of poor. Individuals with homogenous social and economic backgrounds voluntarily join together and form a group. They mutually agree to contribute to a common fund and float a small business. These people who pool their resources save small sums of money. They convert their savings into a common fund known as the group Corpus to be used through a common management scheme. The formation of SHGs have benefited its members in numerous ways, not only by eradicating poverty but also empowering the women folk.*

**Keywords:** *Financial Inclusion,Self Help Group*

### **Introduction**

*“Poverty is the Worst form of violence”*

**- Mahatma Gandhi**

Mahatma have led India to independence but the violence of poverty and unemployment is following even today. Poverty eradication and unemployment generation have been the two main objectives of India since independence. The

---

\* Chinmaya Institute of Technology, Govindagiri, Chala, Kannur, Kerala, Affiliated to Kannur University.  
Email : lakshmisaju@rediffmail.com, lakshmisaju80@gmail.com

government of India have formulated many strategies to eradicate poverty. The main reason of poverty is unemployment. The unemployment rate in India is 9.4% in the year 2009-2010. As Nehru has said "to build a strong nation we have to make the women of our country play a vital role in educational, technical and financial infrastructure." To develop our nation we have to eradicate unemployment and empower women. Many schemes were introduced by the government to solve these major issues. The biggest challenge of Indian banking system is attaining hundred percent financial inclusion in the country. Self Help Group is one such scheme. In SHG the female members in a village voluntarily form a group. They pool their resources and start a small business. They convert their savings into a common fund known as the group corpus. They organise a weekly meeting known as "Ayalkuttam". In the meeting they will collect the minimum savings amount from the members. With this fund they will repay the loan amount.

The study focuses on the functioning of SHG in Meppayur village in Calicut district.

### **Financial Inclusion**

Financial inclusion is defined as the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by main stream institutional players (Dr. K.C. Chakrabarty, deputy governor, RBI). In the past various steps like Cooperative movement, Setting up State Bank of India, Nationalisation of banks, Lead bank scheme, Regional Rural Banks, Service Area approach, formation of self help group etc. But many of them failed because of absence of good banking technology, absence of proper reach and coverage, not having proper business model. In 2004 Reserve Bank of India have set up the Khan Commission to look into the aspect of financial inclusion. RBI have initiated several measures like no frills account, Know Your Customer norms (KYC), Engagement of Business Consultants (Bcs), adoption of EBT, simplified branch authorization and opening of branches in unbanked rural centres.

### **Self Help Group**

Self Help group is a voluntary association of small and homogenous groups of 10-20 local women in a village. The members with common interest join together and form a group. There is no political interference in a self help group. These women members make small regular savings and raise the capital to start a business. The Self Help Group empowers the poor especially the women community. The main objectives of self help groups are to create employment opportunities, empower the women, to alleviate poverty, to mobilise and encourage savings.

## Objectives

Objectives of the study are

- To study the functions of SHG in Meppayur, Calicut District
- To understand the effectiveness of SHG in financial inclusion.
- To understand the reasons for joining SHG
- To study the income, savings pattern of the members

## Hypothesis

**H0:** There is no significant relationship between monthly income and increase in the women own income.

**H1:** There is significant relationship between monthly income and increase in the women's own income.

## Research Design

Descriptive research design is used for the study. The research design reveals the study of facts existing.

## Sources of Data

Both Primary data and secondary data were collected for the study. Primary data was collected by issuing the questionnaire and by direct interview of the members of SHG in Meppayur, Calicut District.

Secondary data were collected from the published records, journal and website.

## Sample Size

The data was collected from 150 respondents on random basis.

## Tools

For the analysis of the data tools like percentage analysis and chi square test were used.

## Analysis and Interpretation

**Table 1 Reason for Joining SHG**

Particulars	Number of Respondents	Percentage
Poverty	50	33
Unemployment	45	30
Mobilize Saving	35	23
Family Pressure	20	14
Total	150	100

*Source: Primary data*

Table 1 shows that poverty (33%) and unemployment (30%) are the major reasons why the members have joined SHG

**Table 2 : Monthly Income**

Income	Number of Respondents	Percentage
Upto Rs3000	50	33
Rs3000-4000	30	20
Rs 4000 – Rs 5000	40	27
Above Rs 5000	30	20
Total	150	100

From table 2 we can infer that 33% of the respondents are earning upto Rs3000 per month, 27% are earning between Rs4000-5000per month, 20% are earning Between Rs 3000- Rs 4000 per month and above Rs 5000.

**Table 3 : Problems Faced by the members**

Particulars	Number of Respondents	Percentage
Formation of group members	30	20
Resistance from family	50	30
Raising Loan	40	20
Objection from the groupmembers	30	20
Total	150	100

From Table 3 it can be seen that resistance from the family members(30%) is the major problem the members are facing. Formation of group members (20%), Raising Loan(20%), and objection from the group(20%) are some of the other problems faced by the members.

**Table 4 : Association with Banks**

Particulars	Number of Respondents	Percentage
Cooperative Bank	80	53
State Bank of India	30	20
Gramin Bank	40	27
Other Banks	-	
Total	150	100

From Table 4 we can infer that majority of the members (53%) are maintaining transaction with the Cooperative bank, 20% of the members are maintaining with State Bank of India, and 27% of the members are maintaining accounts with the Gramin Bank.

**Table 5 : Type of Business**

Particulars	Number of Respondents	Percentage
Agriculture	60	40
Manufacturing food	60	40
Poultry farming	30	20
Total	150	100

From table 5 it can be inferred that 40% of the members are engaged in agriculture business and food manufacturing business. Only 20% of them are engaged in poultry farming.

**Table 6 : Frequency of conducting Meeting**

Particulars	Number of Respondents	Percentage
Weekly	150	100
Quarterly	-	
Monthly	-	
Total	150	100

Source: Primary Data

The members conduct meeting on weekly basis, and are known as "Ayalkuttam".

**Table 7 : Purpose of conducting Meeting**

Particulars	Number of Respondents	Percentage
To take decision	40	27
To collect savings amount and loan amount	70	47
To decide upon financial requirement	10	6
To maintain relationship	30	20
Total	150	100

Source: Primary Data

The table 7 reveals that 47% of the group conduct meeting to take to collect the savings amount and loan amount, 27% conduct meeting to take future business decision, 6% of them conduct meeting to decide upon the financial and loan requirement for the business and 20% of them conduct meeting to maintain good relationship with the members.

**Table 8 : Increase in Income**

Particulars	Number of Respondents	Percentage
Strongly Agree	70	47
Agree	50	33
Neither Agree nor Disagree	30	20
Disagree	-	-
Strongly Disagree	-	-
Total	150	100

Source: Primary Data

Table 8 reveals that 47% of the members strongly agree that their income have increased, 33% of them agree and 20% of them have no opinion since they are new members.

**Table 9 : Increase in Decision making skill**

Particulars	Number of Respondents	Percentage
Strongly Agree	75	50
Agree	75	50
Neither Agree nor Disagree	-	-
Disagree	-	-
Strongly Disagree	-	-
Total	150	100

Source: Primary Data

Table9 shows that the 50% of the members strongly agree and agree that their decision making power and skill have increased.

**Table 10 : Easy Access to Finance**

Particulars	Number of Respondents	Percentage
Strongly Agree	20	13
Agree	60	40
Neither Agree nor Disagree	5	3
Disagree	45	30
Strongly Disagree	20	14
Total	150	100

From table 10 it can be seen that 40% of the members agree that there is easy access to finance, 30% disagree that the loan is easily available, 13% strongly agree that loan is easily available ,and 14% strongly disagree that there is easy access to finance.

**Table 11 : Easy to follow Bank Procedure**

Particulars	Number of Respondents	Percentage	Fr
Strongly Agree	50	33	53
Agree	80	53	to
Neither Agree nor Disagree	20	14	th
Disagree	-	-	ha
Strongly Disagree	-	-	un
Total	150	100	

Source: Primary Data

From table 11 it can be inferred that 53% of the members agree that it is easy to follow the bank procedures, 33% of them strongly agree and 14 % of them have no opinion regarding the understanding of the bank procedure

### Chi Square

The Chi Square test is an important test among the several test of significance developed by statisticians. The Chi square value is often used to judge the significance of population variance.

It is an important non  $\chi^2$  parametric test. It is a technique through the use of which is possible to test the goodness of fit, test the significance of association between two attributes and test the homogeneity or the significance of the population.

$$\chi^2 = \frac{(O - E)^2}{E}$$

### Result

Ho : There is no significant relationship between monthly income and increase in the women's own income.

H1: There is significant relationship between monthly income and increase in the women's own income.

$$\chi^2 = \frac{(O - E)^2}{E} = 57.9$$

$$\text{Degree of freedom} = (c - 1) (r - 1) = (4 - 1)(5 - 1) = 12$$

Table value of chi- square for 12 degree of freedom at five percent level of significance is 21.0. The calculated value of Chi  $\chi^2$  Square is 57.59. The calculated value of Chi- square is higher than the table value and hence it is proved that there is significant relationship between monthly income and increase in the women's own income.

### Findings

- Poverty and unemployment are the major reasons why the members have joined SHG
- 33% of the members are earning upto Rs 3000 per month
- 30% of the members were resisted by their family for joining in SHG
- 40% members are engaged in manufacturing of food and agriculture

- Majority of the members strongly agree that their income have increased.
- 50% of the members strongly agree that their decision making skill have increased.

### **Suggestions**

- Awareness programme should be conducted among the younger generation to participate in SHG.
- More training programmes should be given to the members to increase their efficiency
- A session on awareness and importance of SHG should be given to the male members.

### **Conclusion**

The study was undertaken in SHG of Meppayur village in Calicut District. Many studies shows that men contribute 50 to 60% of their salaries to the collective household fund but women tend to keep nothing for themselves. This study shows that how women are efficient in saving and loan repayment. Presently the rate of saving have reduced due to increase in expenditure. But this factor is not affecting the loan repayment. Thus based on the above study we can conclude that SHG has helped in financial independence and social upliftment of women in Meppayur village in Calicut district.

### **References**

1. Kothari, CR Research Methodology, Wishwa prakasham, New Delhi- 2000
2. Gopalakrishnan B.K, "SHG and Social Defence" Social welfare January,1998, Pp 30
3. Aryun.Y.Pangannavur, "Rural development: Women Self Help Group", Sourthen Economist, March1, Pp:19
4. Krishna, Vijaya R. and Das , R Amarnath. "Self Help Groups" A study in AP District HRD times, May 2003
5. Narendra Kumar, A.C. Komala, "Performance Evaluation of SHGs In India", Southern Economist, November 1, 2008, Pp 14-16
6. V.S. Somanath, "Micro Finance Redefining the future", Excel Books ,2009, New Delhi.

### **Websites:**

[http://www.mededfund.org/NJgroups/SB-Understanding\\_SH.pdf](http://www.mededfund.org/NJgroups/SB-Understanding_SH.pdf)  
<http://www.psychologicalselfhelp.org/Chapter1.pdf>

## A Study on Merger of ICICI Bank and Bank of Rajasthan

– Achini Ambika\*

---

### Abstract

*The purpose of the present paper is to explore various reasons of merger of ICICI and Bank of Rajasthan. This includes various aspects of bank mergers. It also compares pre and post merger financial performance of merged banks with the help of financial parameters like, Credit to Deposit, Capital Adequacy and Return on Assets, Net Profit margin, Net worth, Ratio. Through literature Review it comes know that most of the work done high lightened the impact of merger and Acquisition on different companies. The data of Merger and Acquisitions since economic liberalization are collected for a set of various financial parameters. Paired T-test used for testing the statistical significance and this test is applied not only for ratio analysis but also effect of merger on the performance of banks. This performance being tested on the basis of two grounds i.e., Pre-merger and Post- merger. Finally the study indicates that the banks have been positively affected by the event of merger.*

**Keywords :** *Mergers & Acquisition, Banking, Financial Performance, Financial Parameters.*

### Introduction

The main roles of Banks are Economics growth, Expansion of the economy and provide funds for investment. The Indian banking sector can be divided into two eras, the liberalization era and the post liberalization era. In the pre liberalization era government of India nationalized 14 banks as 19th July 1965 and later on 6 more commercial Banks were nationalized as 15th April 1980. In the year 1993 government merged the new banks of India and Punjab National banks and this was the only merged between nationalized Banks after that the number of Nationalized Banks reduces from 20 to 19. In the post liberalization regime, government had initiated the policy of liberalization and licenses were issued to the private banks which lead to the growth of Indian banking sector. The Indian banking industry shows a sign of improvement in

---

\* Assistant Professor MBA Department CMR College of Engineering & Technology

performance and efficiently after the global crises in 2008-2009. In the Indian banking industry having far better position than it was at the time of crises. Government has taken various initiatives to strengthen the financial system. The economic recovery gained strength on the bank of a variety of monetary policy initiatives taken by the RBI. In the recent times banking sector has been undergoing a lot of changes in terms of regulation and effects of globalization. These changes have affected this sector both structurally and strategically. With the changing Environment many different strategies have been adopted by this sector to remain efficient and to surge ahead in the global arena. One such strategy is through the process of consolidation of banks emerged as one of the most profitable strategy. There are several ways to consolidate the banking industry; the most commonly adopted by banks is merger.

Merger of two weaker banks or merger of one health Bank with one weak bank can be treated as the faster and less costly way to improve profitability then spurring internal growth (Franz, H. Khan 2007).The main motive behind the merger and acquisition in the banking industry is to achieve economies of scale and scope. Mergers also help in the diversification of the products, which help to reduce the risk.

### **Review of Related Literature**

Several studies have been conducted to examine the impact of mergers and Acquisition.

Berger and Humphery (1997) in their study provide on extensive review on the efficiency of baking sector. They pointed out that majority of studies focused on the banking markets of well developed countries with particular emphasis on US market.

Müslümov Alövsat (2002) examined that synergy is one of the main factor behind the merger

and took 56 mergers from US industry, and the cash flows improvement in the productive usage of assets and increasing the sales and showed the surviving firm improvement in operating cash flows. The post merger create additional value and shows the improvement of bidder firm with price to book ratio, used non-parametric test as most suitable method of testing post merger performance.

Coming down on the various motives for Merger and Acquisitions, Mehta Jay & Kakani Ram

Kumar (2006) stated that there were multiple reasons for Merger and Acquisitions in the Indian Banking Sector and still contains to capture the interest of a research and it simply because of after the strict control regulations had led to a wave of merger and Acquisitions in the Banking industry and states many reason for merger in the Indian

Banking sector. While a fragmented Indian banking structure may be very well beneficial to the customer because of competition in banks, but at the same time not to the level of global Banking Industry, and concluded that merger and Acquisition is an imperative for the state to create few large Banks.

Mantravadi Pramod & Reddy A Vidyadhar (2007) evaluated that the impact of merger on the operating performance of acquiring firms in different industries by using pre and post financial ratio to examine the effect of merger on firms. They selected all mergers involved in public limited and traded companies in India between 1991 and 2003, result suggested that there were little variation in terms of impact as operating performance after mergers. In different industries in India particularly banking and finance industry had a slightly positive impact of profitability on pharmaceutical, textiles and electrical equipments sector and showed the marginal negative impact on operative performance. Some of the industries had a significant decline both in terms of profitability and return on investment and assets after merger.

Anand Manoj & Singh Jagandeep (2008) studied the impact of merger announcements of five banks in the Indian Banking Sector on the share holder bank. These mergers were the Times Bank merged with the HDFC Bank, the Bank of Madurai with the ICICI Bank, the ICICI Ltd with the ICICI Bank, the Global Trust Bank merged with the Oriental Bank of commerce and the Bank of Punjab merged with the centurion Bank. The announcement of merger of Bank had positive and significant impact on share holder's wealth. The effect on both the acquiring and the target banks, the result showed that the agreement with the European and the US Banks Merger and Acquisitions except for the facts the value of share holder of bidder Banks have been destroyed in the US context, the market value of weighted Capital Adequacy Ratio of the combined Bank portfolio as a result of merger announcement is 4.29% in a three day period (-1, 1) window and 9.71 % in a Eleven days period (-5, 5) event window. The event study is used for proving the positive impact of merger on the bidder Banks.

Lehto Eero & Bockerman Petri (2008) evaluated the employment effects of Merger and Acquisitions on target by using match establishment level data from Finland over the period of 1989-2003. They focused cross border Merger and Acquisitions as well as domestic Merger and Acquisitions and analyzed the effect of employment of several different types of Merger and Acquisitions. They evaluated that the cross border Merger and Acquisitions lead to downsizing the manufacturing employment and the effects of cross border Merger and Acquisitions on employment in non- manufacturing are much weaker and change in ownership associated with domestic Merger and Acquisitions and internally restructuring also typically causes employment losses.

To look the effects of cross border Merger and Acquisitions (M&As) Hijzen Alexander et al., (2008) studied the impact of cross border Merger and Acquisitions (M&As) and analyzed the role of trade cost, and explained the increased in the number of cross border Merger and Acquisitions (M&As) and used industry data of 23 countries over a period of 1990 -2001. The result suggested that aggregate trade cost affects cross border merger activity negatively, its impact differ importantly across horizontal and non-horizontal mergers. They also indicated that the less negative effects on horizontal merger, which is consistent with the tariff jumping agreement, put forward in literature on the determinant of horizontal FDI.

R. Srivassan et al., (2009) gave the views on financial implications and problem occurring in Merger and Acquisitions (M&As) highlighted the cases for consolidation and discussed the synergy based merger which emphasized that merger is for making large size of the firm but no guarantee to maximize profitability on a sustained business and there is always the risk of improving performance after merger.

Kuriakose Sony et al., (2009), focused on the valuation practices and adequacy of swap ratio fixed in voluntary amalgamation in the Indian Banking Sector and used swap ratio for valuation of banks, but in most of the cases the final swap ratio is not justified to their financials.

Aharon David Y et al., (2010), analyzed the stock market bubble effect on Merger and Acquisitions and followed by the reduction of pre bubble and subsequent, the bursting of bubble seems to have led to further consciousness by the investors and provide evidence which suggests that during the euphoric bubble period investor take more risk. Merger of banks through consolidation is the significant force of change took place in the Indian Banking sector.

Sinha Pankaj & Gupta Sushant (2011) studied a pre and post analysis of firms and concluded that it had positive effect as their profitability, in most of the cases deteriorated liquidity. After the period of few years of Merger and Acquisitions(M&As) it came to the point that companies may have been able to leverage the synergies arising out of the merger and Acquisition that have not been able to manage their liquidity. Study showed the comparison of pre and post analysis of the firms. It also indicated the positive effects on the basis of some financial parameter like Earnings before Interest and Tax (EBIT), Return on share holder funds, Profit margin, Interest Coverage, Current Ratio and Cost Efficiency etc.

Devarajappa S (2012) titled "Mergers in Indian Banks: A study on Mergers of HDFC bank and Centurion Bank of Punjab". He studied a comparison between pre & post financial performance of HDFC and concluded that it had positive effect as their financial performance is increased.

### **Objectives of the Study**

- To know the reasons of merge of ICICI & Bank of Rajasthan
- To examine the financial performance of ICICI post merger

### **Hypotheses of the Study**

**H1** = There is no significant difference between the Credit to Deposit Ratio of ICICI Bank

**H2** = There is no significant difference between the Capital Adequacy Ratio of ICICI Bank

**H3** = There is no significant difference between the Return on Assets Ratio of ICICI Bank

**H4** = There is no significant difference between the Net Profit Margin Ratio of ICICI Bank

**H5** = There is no significant difference between the Net Worth Ratio of ICICI Bank

### **RESEARCH METHODOLOGY**

Research has taken one case of merger as Sample i.e., merger of ICICI & Bank of Rajasthan. The pre merger (FY: 2006 to 2009) and post merger (2011 to 2014) of the financial ratios being compared. The year of merger is considered as base year (2010) and denoted as 0 and it is excluded from the evaluation. The study financial and accounting data of banks is collected from banks annual reports to examine the impact of merger on financial performance of the banks. To test the prediction, methodology of comparing the pre and post performance of the banks after the merger has been adopted by using following financial parameters such as Net Profit margin, Net worth, Credit Deposit, Capital Adequacy and Return on Assets Ratio. Keeping in view the purpose and objective of the study Paired T-test being employed under this study.

### **MERGER OF BANK OF RAJASTHAN WITH ICICI BANK**

The board of both the banks on May 23rd, 2010 approved the merger. On 12th August, 2010, Alpana Killawala, CGM, department of communication, RBI has published a press release that:

- " All branches of bank of Rajasthan Ltd will function as branches of ICICI bank Ltd with effect from August 13th, 2010.
- " RBI was critical of BOR's promoters not reducing their holdings in the company.

- The Reserve Bank of India approved the merger of bank of Rajasthan with ICICI bank Ltd, India's largest private sector bank.
- Each 118 shares of BOR will be converted into 25 shares of ICICI bank.
- All customers will be extended similar services as per existing bank of Rajasthan procedures.
- All existing BOR products will continue with current features and charges. Customers can continue to transact using their current check books, ATM cards, lockers etc.
- The minimum balance requirements and service charges on all types of accounts will remain unchanged.
- Post the system integration customers can benefit from ICICI banks enhanced branch network of over 2500 branches and over 5600 ATM's spread across 1400 locations in the country.

### **Reasons for Merger**

- The Bank of Rajasthan with the asset base of Rs. 16904.89, incurred the net loss after provisions and taxes remained at Rs.102.13 Cr. for the year ended 31st March 2010.
- ICICIC bank is learnt to have indicated that its willing to pay more than BOR's present market valuation
- According to banking circles, the Tayalas, who acquired BOR's a decade ago, have been under pressure to sell the old private bank which is grappling with directives from SEBI and RBI.
- In March SEBI banned 100 entities allegedly holding BOR's shares on behalf of the promoters from all stock market activates.
- RBI had slapped a penalty of Rs.25 lakh on the bank for a string of violation like deletion of records in the bank IT system, irregular property deals and lapses in the accounts of a corporate group.

### **Analysis & Interpretation**

Credit to deposit ratio (CD ratio): This ratio indicates how much of the advances lent by banks is done through deposits. It is the proportion of loan-assets created by banks from the deposits received. The higher the ratio, the higher the loan-assets created from deposits. Deposits would be in the form of current and saving account as well as

term deposits. The outcome of this ratio reflects the ability of the bank to make optimal use of the available resources.

H0 = There is no significant difference between the Credit to Deposit Ratio of ICICI Bank.

Ha = There is significant difference between the Credit to Deposit Ratio of ICICI Bank.

**Table-1: Credit to Deposit**

	Pre		Post	
	Year	%	Year	%
1	2006	91.44	2011	90.45
2	2007	84.99	2012	97.71
3	2008	83.83	2013	99.25
4	2009	87.59	2014	100.71

Secondary Source: [www.moneycontrol.com](http://www.moneycontrol.com)

**Table-2: t-Test: Paired Two Sample for Means**

	Variable 1	Variable 2
Mean	86.9625	97.03
Variance	11.38169	20.7432
Observations	4	4
Pearson Correlation	-0.76901	
Hypothesized Mean Difference	0	
df	3	
t Stat	-2.69651	
P(T<=t) two-tail	0.074005	
t Critical two-tail	3.182446	

From table-2 we can observe that mean value of credit to deposit ratio had increased. As computed t-test value (0.0740) is less than tabulated t (3.1824), there is not enough evidence to reject H0. Therefore, there is no significant difference between the Credit to Deposit Ratio of ICICI Bank.

Capital Adequacy ratio (CAR): A bank's capital ratio is the ratio of qualifying capital to risk adjusted (or weighted) assets. The RBI has set the minimum capital adequacy ratio at 9% for all banks. A ratio below the minimum indicates that the bank is not

adequately capitalized to expand its operations. The ratio ensures that the bank do not expand their business without having adequate capital.

H0 = There is no significant difference between the Capital Adequacy Ratio of ICICI Bank

H1 = There is significant difference between the Capital Adequacy Ratio of ICICI Bank

**Table-3: Capital Adequacy Ratio**

Year	Pre		Post	
	Year	%	Year	%
1	2006	15.53	2011	19.54
2	2007	13.97	2012	18.52
3	2008	11.69	2013	18.74
4	2009	13.35	2014	17.7

Secondary Source: [www.moneycontrol.com](http://www.moneycontrol.com)

**Table-4: t-Test: Paired Two Sample for Means**

	Variable 1	Variable 2
Mean	13.635	18.625
Variance	2.5225	0.572367
Observations	4	4
Pearson Correlation	0.482337	
Hypothesized Mean Difference	0	
df	3	
t Stat	-7.17311	
P(T<=t) two-tail	0.005582	
t Critical two-tail	3.182446	

From table-4 we can observe that mean value of Capital Adequacy ratio had increased. As computed t-test value (0.0056) is less than tabulated t (3.1824), there is not enough evidence to reject H0. Therefore, there is no significant difference between the Capital Adequacy Ratio of ICICI Bank

**Return on Assets (ROA):** Returns on asset ratio is the net income (profits) generated by the bank on its total assets (including fixed assets). The higher the proportion of average earnings assets, the better would be the resulting returns on total assets.

Similarly, ROE (returns on equity) indicates returns earned by the bank on its total net worth.

H<sub>0</sub> = There is no significant difference between the Return on Assets Ratio of ICICI Bank

H<sub>a</sub> = There is no significant difference between the Return on Assets Ratio of ICICI Bank

**Table-5: Return on Assets Ratio**

Year	Pre		Post	
	Year	%	Year	%
1	2006	444.94	2011	478.31
2	2007	417.64	2012	524.01
3	2008	270.37	2013	578.21
4	2009	249.55	2014	633.92

Secondary Source: [www.moneycontrol.com](http://www.moneycontrol.com)

**Table-6: t-Test: Paired Two Sample for Means**

	Variable 1	Variable 2
Mean	345.625	553.6125
Variance	9981.117	4533.702
Observations	4	4
Pearson Correlation	-0.95027	
Hypothesized Mean Difference	0	
df	3	
t Stat	-2.51762	
P(T<=t) two-tail	0.086357	
t Critical two-tail	3.182446	

From table-6 we can observe that mean value of Return on Assets ratio had increased. As computed t-test value (0.08636) is less than tabulated t (3.1824), there is not enough evidence to reject H<sub>0</sub>. Therefore, there is no significant difference between the Return on Assets Ratio of ICICI Bank.

Net profit margin is the percentage of revenue remaining after all operating expenses, interest, taxes and preferred stock dividends (but not common stock dividends) have been deducted from a company's total revenue.

H0 = There is no significant difference between the Net Profit Margin Ratio of ICICI Bank

H1 = There is no significant difference between the Net Profit Margin Ratio of ICICI Bank

**Table-7: Net Profit Margin Ratio**

	Pre		Post	
	Year	%	Year	%
1	2006	9.74	2011	19.83
2	2007	10.51	2012	19.27
3	2008	10.81	2013	20.77
4	2009	14.12	2014	22.2

Secondary Source: [www.moneycontrol.com](http://www.moneycontrol.com)

**Table-8: t-Test: Paired Two Sample for Means**

	Variable 1	Variable 2
Mean	11.295	20.5175
Variance	3.750033	1.641158
Observations	4	4
Pearson Correlation	0.897417	
Hypothesized Mean Difference	0	
df	3	
t Stat	-19.0392	
P(T<=t) two-tail	0.000316	
t Critical two-tail	3.182446	

From table-8 we can observe that mean value of credit to deposit ratio had increased. As computed t-test value (0.0740) is less than tabulated t (3.1824), there is not enough evidence to reject H0. Therefore, there is no significant difference between the Net Profit Margin Ratio of ICICI Bank

Net Worth The amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

H0 = There is no significant difference between the Net Worth Ratio of ICICI Bank

Ha = There is no significant difference between the Net Worth Ratio of ICICI Bank

**Table-9: Net Worth Ratio**

	pre		post	
	Year	%	Year	%
1	2006	7.58	2011	9.35
2	2007	8.94	2012	10.7
3	2008	13.17	2013	12.48
4	2009	14.33	2014	13.4

Secondary Source: [www.moneycontrol.com](http://www.moneycontrol.com)

**Table-10: t-Test: Paired Two Sample for Means**

	Variable 1	Variable 2
Mean	11.005	11.4825
Variance	10.57923	3.277225
Observations	4	4
Pearson Correlation	0.988137	
Hypothesized Mean Difference	0	
df	3	
t Stat	-0.64098	
P(T<=t) two-tail	0.567141	
t Critical two-tail	3.182446	

From table-10 we can observe that mean value of credit to deposit ratio had increased. As computed t-test value (0.5671) is less than tabulated t (3.1824), there is not enough evidence to reject H<sub>0</sub>. Therefore, there is no significant difference between the Net Worth Ratio of ICICI Bank.

## Findings

This study found that Bank of Rajasthan did many mistakes and manipulation in their transactions. Tayalas have been under pressure to sell this bank due to all these it had merged with ICICI which is ranking second place in Indian banking sector. The ICICI bank financial performance had increased but not significantly.

## Conclusion

Merger is helpful for survival of weaker banks by merging into larger bank. This study shows the financial performance of ICICI post merger with Bank of Rajasthan in

terms of Credit to Deposit, Capital Adequacy, Return on Assets, Net Profit Margin and Return on networth ratios mean values had increased. The Paired t-test values are less than tabulated t vale, hence it concluded that there is no significant difference in financial performance.

## References

1. P. M. Healy, K.G. Palepu, and R. S. Ruback, (1992): "Does Corporate Performance Improve After Mergers?", *Journal of Financial Economics*, Vol 31, pp 135- 175
2. Ghosh, A., (2001): "Does operating performance really improve following corporate acquisitions?? *Journal of Corporate Finance* 7 pp 151-178.
3. Weston, J.F., and S.K. Mansinghka, (1971): "Tests of the Efficiency Performance of Conglomerate Firms?", *Journal of Finance*, September, pp 919-936
4. Marina Martynova, Sjoerd Oosting and Luc Renneboog, (2007): "The long-term operating performance of European Acquisitions, International Mergers and Acquisitions Activity since 1990: Quantitative Analysis and Recent Research?", G. Gregoriou and L. Renneboog (eds.), Massachusetts: Elsevier, pp 1-40.
5. Katsuhiko Ikeda and Noriyuki Doi (1983): "The Performances of Merging Firms in Japanese Manufacturing Industry: 1964-75?", *The Journal of Industrial Economics*, Vol. 31, No. 3, March, pp 257-266.
6. Timothy A. Kruse, Hun Y. Park, Kwangwoo Park, and Kazunori Suzuki, (2003): "Longterm Performance following Mergers of Japanese Companies: The Effect of Diversification and Affiliation?", presented at American Finance Association meetings in Washington D.C, pp 1-40
7. Surjit Kaur (2002): PhD Thesis Abstract, "A study of corporate takeovers in India?", submitted to University of Delhi, pp 1-11
8. P. L. Beena, (2004): "Towards understanding the merger wave in the Indian corporate sector - a comparative perspective?", working paper 355, February, CDS, Trivandrum, pp 1-44
9. V. Pawaskar (2001): "Effect of Mergers on Corporate Performance in India?", *Vikalpa*, Vol.26, No.1, January - March, pp 19-32
10. John B Kusewitt (1985): "An Exploratory Study of Strategic Acquisition Factors Relating to Performance?", *Strategic Management Journal*, Vol 6, pp 151-69.
11. John, Kitching (1967): "Why Do Mergers Miscarry", *Harvard Business Review*, Vol 45, pp 84-101.
12. Loderer, C. and Martin K, (1992): "Post-Acquisition Performance of Acquiring Firms?", *Financial Management*, Vol 21, No 3, pp 69-79
13. Devarajappa S. (2012): "Mergers in Indian Banks: A study on mergers of HDFC Bank LTD and Centurion Bank of Rajasthan" in *International Journal of Marketing, Financial Services & Management Research*, Vol.1 issue 9, September 2012, pp: 33-42.

14. HR Machiraju, Mergers, Acquisitions & Takeovers, New age international publishers, first edition 2007.
15. Prasad G. Godbole, Mergers, Acquisition & Corporate Restructuring, Vikas Publishing House Pvt. Ltd., 2009.
16. WEBSITES
  - Search Engine - Google.com
  - [http://www.moneycontrol.com/stocks / company\\_info/main.php](http://www.moneycontrol.com/stocks / company_info/main.php)
  - <http://www.money control.com/financials/icici bank/ ratios>
  - <http://www.icicibank.com/aboutus>
  - <http:// www.bank of rajasthan.com>
  - [http:// www.slideshare.net/jangid14/merger\\_of\\_icici\\_bank\\_and\\_bank\\_of\\_rajasthan](http:// www.slideshare.net/jangid14/merger_of_icici_bank_and_bank_of_rajasthan)

## Corporate Social Responsibility: Practices and Challenges in Indian Prospective

– Dr. K. V. Siva Prasad \*

---

### **Abstract**

*The Corporate Social Responsibility (CSR) as conducting business in ways that provide social, environmental and economic benefits for the communities and geographies where we operate. CSR should bolster a corporate status and contribute lasting value to its shareholders as well as to society at large. Corporate Responsibility is about how companies conduct their business in a way that is ethical. This means taking account of their impact socially, environmentally, economically and in terms of human rights. The present paper focused on the present position and corporate participation in corporate social responsibility and also aims the key challenges on implementation of corporate social responsibility of Indian corporate and its importance of present context of the society.*

**Keywords:** *Corporate Social Responsibility, shareholders, environmental and ethical.*

### **Introduction**

The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations of the society that have the organizations at a given point in time. The concept of (Corporate Social Responsibility) CSR originated in the 1950s in USA. CSR became a matter of almost importance of diverse groups demanding change in business. It is voluntary assumptions of responsibilities that go beyond the economic and legal responsibilities of corporations. The ethical responsibilities are the additional behaviours and activities that are not necessarily codified into law but nevertheless are expected by society. We define Corporate Social Responsibility (CSR) as conducting business in ways that provide social, environmental and economic benefits for the communities and geographies where we operate.

---

\* Post Doctoral Fellow (UGC), Department of commerce and Management studies Andhra University Visakhapatnam  
Email: kandi.vsp@gmail.com

The term 'corporate social responsibility' (CSR) refers to ethical, legal and philanthropic behaviour in the workplace, market and community. The respect for employees, the community and environment is thus central to CSR. However this is always observed with corporate profitability as the overriding objective. At its best, CSR should bolster a corporate's status and contribute lasting value to its shareholders as well as to society at large.

As Mahatma Gandhi said "*It is bad economics under which wealth accumulates and men decay.*"

### **Social responsibility of Corporate Sector**

Much has been said and written about the ethical and social responsibility of the business community in general and the corporate leaders in particular. Most recently, particularly in response to the sincere call by the Hon. Minister of Finance, we have been witnessed a number of corporations demonstrating genuine gestures of social responsibility by extending huge financial assistance to the destitute and the poor as well as to the educational institutions. Such philanthropic acts are highly commendable and will perpetually remain in the minds of the recipients and the public. We earnestly hope that more corporations will emulate the same gesture from time to time.

### **Company Benefits**

- Improved financial performance;
- Lower operating costs;
- Enhanced brand image and reputation;
- Increased sales and customer loyalty;
- Greater productivity and quality;
- More ability to attract and retain employees;
- Reduced regulatory oversight;
- Access to capital;
- Workforce diversity;
- Product safety and decreased liability.

### **Benefits to the Community and the General Public**

- Charitable contributions;
- Employee volunteer programs;

- Corporate involvement in community education, employment and homelessness programs;
- Product safety and quality.

#### Environmental Benefits

- Greater material recyclability;
- Better product durability and functionality;
- Greater use of renewable resources;
- Integration of environmental management tools into business plans, including life-cycle assessment and costing, environmental management standards, and eco-labeling.

### **Corporate Sector and the Society**

A contemporary discussion on the subject of social responsibility seems to have a slightly different emphasis. It is on what business should or might do to tackle and solve problems of the society. Problems such as the restoration of physical environment, social integration, national unity, are being emphasized. The main explanation offered for this new emphasis is the success of the business system itself.

It is in this light that the private sector, especially the corporation, is expected to increase its contribution towards the enhancement of the society's quality of life. We still have pockets of poor and destitute in our midst that are obviously in need of better shelter, employment, education, health facilities, etc.

### **Services to Stakeholders**

The stakeholders include the owners or shareholders who must be given fair amount of returns to their investments, assurances that their investments are optimally utilised and that the corporations they invest in are sound and healthy today, this view of business has changed the idea of optimization came into force. It is now recognized that there are many stakeholders and there is need to have a proper balancing in the interest of various stakeholders. Each stakeholder has his own requirements. Their happiness comes from satisfaction of their needs. In the following table, parameters of happiness are mentioned.

Table 1

Stakeholders	Parameters of happiness
Customer	Quality, reasonable price, good service, complaint handling methods.
Employees	Job satisfaction, higher salary, career opportunities, fringe benefits, better working conditions
Suppliers	In-time payment, transparency, efforts taken to prevent pollution.
Society	Eco-friendly organization, efforts taken to prevent pollution
Government	Payment of taxes honestly
Shareholders	Fare return on the capital invested.

### Review of Literature

Yoon et al (2006) found that, CSR activities improve a company's image when consumers attribute sincere motives, are ineffective when sincerity of motives is ambiguous, and hurt the company's image when motives are perceived as insincere. Denis et al (2012) argues that, the factors, community, policy, mission and vision, workforce, and environment have critical role in making CSR a very successful execution. Among these factors, environment and mission and vision had the strongest predictive power in people's preference to stay, willingness to pay, perception of service quality, and brand image and Wad dock (1997) found that, CSR results in an improvement in firm performance in all levels. According to Francesco et al (2008) the companies use different strategies as well as diverse management systems and tools to address Corporate Social Responsibility (CSR) issues along their supply chains (SCs). According to Kabir (2011) the major reasons for involving CSR practices by companies are to create and maintain a favorable corporate image where companies should be viewed as social organizations and in terms of CSR practices, community involvement is higher than the other categories of CSR. Brooks (2012) suggests that, corporate responsibility (CR) has to do with how a corporation respects the interests of its stakeholders and reflects those interests in its actions and accountability. According to Shrivastava (1995) Industrial and environmental crises pose major threats to human survival. These crises are rooted in corporate activities, products, and production systems. For corporations to meaningfully respond to such crises, we need a more adequate conception of corporate social responsibility (CSR). McWilliams (2002) supports that, CSR strategies, when supported by political strategies, can be used to create sustainable competitive advantage firm. Aupperle et al (1985) found that there is a neutral relation between CSR and profitability and according to Russo (1997) there is a positive relation between environmental performance and financial performance. According to Baron (2001) the

use of CSR to attract socially responsible consumers is referred to as strategic CSR, in the sense that firms provide a public good in conjunction with their marketing/business strategy. Friedman (1970) found that CSR is indicative of self-serving behaviour on the part of managers, and thus, reduces shareholder wealth.

### Objectives of the Study

The study mainly focused on

1. To study the corporate participation in Corporate Social Responsibility program in India
2. To study the challenges in execution of Corporate Social Responsibility

### Ethical and CSR Projects

The concept of social responsibility is very old in India. The corporate sectors in India have realizing their responsibility towards society, but the member of such units is very limited. The social activities undertaken by some co companies are as follows.

**Table 2 : Social Activities of Indian Companies**

Sl.No	Company/Groups	Major Institutions Established
01	Tata Group	<ul style="list-style-type: none"> <li>• Indian Institute of Science</li> <li>• Tata Institute of Social sciences</li> <li>• Tata Memorial Rural Cancer Project</li> <li>• Tata Agriculture and Rural Training Centre for the blind, Gujarat</li> <li>• Tata Energy Research Institute</li> <li>• National Institute of Advanced Studies</li> <li>• Management Centre for Human Values</li> </ul>
02	Birla (All Groups)	<ul style="list-style-type: none"> <li>• Birla Institutes of Technology Pilani and Ranchi</li> <li>• Birla Institute of Scientific Research</li> <li>• Birla Eco. Research Foundation</li> <li>• BM Birla Heart Research Centre</li> <li>• Birla Academy of Arts and Culture</li> <li>• Temples-Venkateshwara, Lakshmi Narayan, Kali, Hanuman, Nataraj, Govind Deoji.</li> <li>• Sanskrit Kala Mandir, Varanasi</li> <li>• JD Birla Institute of Home Science</li> <li>• Schools and Colleges</li> </ul>

Sl.No	Company/Groups	Major Institutions Established
03	Singhania	<ul style="list-style-type: none"> <li>• Institute of Applied Physics and Technology, Allahabad</li> <li>• JK Institute of Sociology and Human Relations, Lucknow</li> <li>• Institute of Radiology and Cancer Research Centre</li> <li>• Institute of Cardiology</li> <li>• Laksmipat Singhania Academy</li> <li>• Kamlapat Memorial Hospital, Kanpur</li> <li>• Sunitidevi Singhania Hospital and Memorial Research Centre</li> <li>• Pushhmipat Singhania Research Institute for Liver and Renal and Digestive Diseases</li> </ul>
04	L&T	<ul style="list-style-type: none"> <li>• L&amp;T Institute of Technology, Bombay</li> <li>• Eco Friendly approach.</li> <li>• Create awareness on HIV/AIDS and waste minimization.</li> <li>• Health one of the corporate to launch HIV/AIDS program</li> </ul>
05	Mod is All Groups	<ul style="list-style-type: none"> <li>• Shri Modi Eye Hospital and Ophthalmic Research Centre</li> <li>• MM Modi Degree College</li> <li>• Sanskrit Pathshala</li> <li>• Sainik Bhawan</li> </ul>
06	Godrej	<ul style="list-style-type: none"> <li>• Dr. BP Godrej Students Centre</li> <li>• Foundation for Memorial Research</li> <li>• Naoroj Pirojsha Godrej Boating Station</li> <li>• Godrej Technical Institute</li> <li>• Soodabai Godrej Dance Academy</li> <li>• Pirojsha Godrej National Conservation centre</li> </ul>
07	Hero Honda	<ul style="list-style-type: none"> <li>• Through Integrated Rural Development Centers Including: Hospitals, Schools, sports complex, vocational Training center, Adult Literacy Mission</li> <li>• Marriages of underprivileged girl</li> <li>• Rural health care</li> </ul>
08	MRF	MRF Football Academy
09	RAMCO	<ul style="list-style-type: none"> <li>• PAC Ramaswamay Raja Polytechnic</li> <li>• PA Chinnaiha Raj Memorial High School</li> <li>• Chinmaya Vidyalaya</li> <li>• TAKM Tamammal Elementary School</li> <li>• RAMCO Industrial Training Institute</li> <li>• PAC Ramaswamay Raja Hospital</li> <li>• Temples</li> <li>• Sri Sarda College for Women</li> <li>• Sri Sankara College</li> </ul>

SI.No	Company/Groups	Major Institutions Established
10	Bajaj	<ul style="list-style-type: none"> <li>• Institute of Gandhian Studies</li> <li>• Gandhi Centre for Science and Human Values</li> <li>• Jamanalal Bajaj Institute of Management Studies</li> <li>• Shiksha Mansal</li> <li>• Gita Pratishthan</li> <li>• Gandhi Gysn Msndir</li> <li>• Gitai Mandir</li> </ul>
11	ITC	<ul style="list-style-type: none"> <li>• ITC Sangeet Research Academy</li> <li>• Through “e-choupal” organizing formers into water user groups that plan and build water harvesting structures.</li> <li>• Primary education</li> <li>• Livestock development</li> <li>• Social forestry</li> <li>• Integrated watershed development</li> <li>• First to be certified SA 8000 standard</li> </ul>
12	Mafatlal Group Arvind Mafatlal Group	<ul style="list-style-type: none"> <li>• Shri Ram Mitra Mandal</li> <li>• Sri Ram Sanskrit Maha Vidyalay</li> <li>• Dr. Manibhai Desai Management Training Centre</li> </ul>
13	Murugappa Chettiar Group	<ul style="list-style-type: none"> <li>• AMM Education Society</li> <li>• Vellayan Chettiar Higher Secondary School</li> <li>• AMM Matriculation School</li> <li>• Murugappa Polytechnic, Acadi</li> <li>• AMM Medical Society</li> <li>• AMM Hospital</li> <li>• Vallimmai Achi Hospital</li> <li>• Sir Ivan steadforth Hospital, Ambattur</li> <li>• AMM Murugappa Chettiar Research Centre</li> <li>• Temples</li> </ul>
14	Sri Ram DCM Group	<ul style="list-style-type: none"> <li>• Shri Ram College of Commerce</li> <li>• Lady Sri Ram College for Women</li> <li>• Shri Ram Bharatiya Kala Kendra</li> <li>• Shri Ram Centre for Performing Arts</li> <li>• Shri Ram Institute of Industrial Research</li> </ul>
15	Castrol India	<ul style="list-style-type: none"> <li>• Rehabilitation of earthquake affected victims in Gujarat.</li> <li>• Castrol Drive for safety Initiative</li> </ul>
16	Mahindra & Mahindra	<ul style="list-style-type: none"> <li>• College establishments Nanhi kali ( under privileged girl child) 1% profit after tax for CSR activities</li> <li>• Free education for Girls</li> <li>• Lifeline express : Medical Facility free surgeries</li> </ul>

Sl.No	Company/Groups	Major Institutions Established
17	Infosys	<ul style="list-style-type: none"> <li>Infosys Foundation provides medical facilities to remote rural areas.</li> <li>Organizing novel pension schemes and aiding orphans and street children and rural education program titled "A library for every school", human Capital Education Index for employees.</li> </ul>
18	BHEL	<ul style="list-style-type: none"> <li>Adopted 56 villages</li> <li>Provided infrastructure schools for physically challenged children near its units launched wind electric generators.</li> <li>Solar heating system, solar photovoltaic system, solar lanterns and battery powered road vehicles.</li> </ul>
19	Dabur India	<ul style="list-style-type: none"> <li>Establishment of sundesh, NGO program for ecological regeneration &amp; protection of endangered plant species.</li> <li>Promoting health and hygiene amongst the underprivileged through Trust and Create environment awareness amongst young minds.</li> </ul>
20	Wipro	<ul style="list-style-type: none"> <li>Provide rehabilitation to survivors of natural calamities and Enhancing learning abilities of children from underprivileged sections.</li> </ul>
21	Nestle India	<ul style="list-style-type: none"> <li>Through water conservation, Natural refrigerants replaced ozone depleting.</li> <li>Nutrition &amp; Health Projects</li> <li>Agricultural assistance, education and training arts and culture</li> <li>HIV/AIDS prevention and donations</li> </ul>
22	Colgate Palmolive	<ul style="list-style-type: none"> <li>Free oral care education through different community programs</li> </ul>
23	Britannia Industries	<ul style="list-style-type: none"> <li>Welfare of its workers through trust Health care facilities</li> </ul>
24	BPCL	<ul style="list-style-type: none"> <li>Health, rain water harvesting, Infrastructure development.</li> <li>Education</li> <li>HIV Health care and prevention</li> </ul>
25	Cipla	<ul style="list-style-type: none"> <li>Cipla foundation through Dr.K.A.Hammied Institute</li> <li>Cipla Cancer Palliative care center</li> </ul>
26	Johnson & Johnson	<ul style="list-style-type: none"> <li>Donation time, money and goods</li> <li>Women's and Children's health community responsibility</li> <li>Access to care Advancing Health Care Knowledge, Global public health</li> </ul>

Sl.No	Company/Groups	Major Institutions Established
27	NIIT	<ul style="list-style-type: none"> <li>• Through launch of International Women's month uplifting Indian women,</li> <li>• Computer Literacy</li> <li>• Developed I-Learn</li> <li>• Create awareness about AIDS</li> </ul>
28	ZEE Tele Films	<ul style="list-style-type: none"> <li>• Public Service ads/ Filters telecast to date are: Campaigns on TV</li> </ul>
29	Dr Reddy's Lab	<ul style="list-style-type: none"> <li>• Water usage</li> <li>• Energy usage</li> <li>• Waste water Discharge</li> <li>• COD &amp; TDS Load Discharge</li> <li>• HW-Hazarous waste disposal GHG emissions</li> </ul>
30	Citi Group	<ul style="list-style-type: none"> <li>• Rehabilitation Education Health</li> </ul>
31	NTPC	<ul style="list-style-type: none"> <li>• Founded Global Compact Society for India in 2003</li> </ul>
32	SAIL	<ul style="list-style-type: none"> <li>• AIDS awareness education</li> <li>• Medical facilities and health development of small scale /ancillary industries agriculture, poultry and fisheries</li> </ul>
33	Hindalco	<ul style="list-style-type: none"> <li>• Asian CSR award for Integrated Rural Poverty Alleviation Program</li> </ul>
34	ICICI	<ul style="list-style-type: none"> <li>• Through initiatives give India; shop; Volunteer and info change</li> </ul>

Source: Rosy Joshi and Sangam Kapoor, *Busines Environment*, Kalyani Publishers, 2006, Pp.290-293. & Rich Gautam and anju singh, *GBMR Vol.2, No.1.2010, Pp.41-56.*

Corporate no doubt have made significant contributions towards the sustainable development of our country. Considering the limitations of the corporate in their CSR activities, some recommendations which can be used towards satisfaction like companies should extend their CSR activities in less privileged states rather than concentrate in resource rich states. It is essential that companies develop an effective value chain system of their products through their CSR activities, which is essential for competing in the global market. It will give better results if activities are based on a more practical & participatory approach and touch the grassroots level. Voluntarism among employees should be encouraged and institutionalized through recognition and incentives. There is also need for public-private partnership with well-defined controls and process for the best use of resources for social change. Special training needs to be given to business managers in working with social issues. Participation of small and medium business should be encouraged. Experience has shown that working with NGOs is more worthwhile and result-oriented. Joining hands with related NGOs is therefore advisable.

## Key Challenges and Implementation

Corporate Social responsibility is a concept that seeks to bring together the apparently exclusive worlds of the corporate and the society. Society here means all the stakeholders in the firm. CSR implies that it is the duty of the corporate to ensure the safety of all the stakeholders. It is closely linked with the concept of sustainable development whereby not only financial concerns should drive the decisions of a firm but also concerns of the society, environment, etc.

1. **Lack of Community Participation in CSR Activities:** There is a lack of interest of the local community in participating and contributing to CSR activities of companies. This is largely attributable to the fact that there exists little or no knowledge about CSR within the local communities as no serious efforts have been made to spread awareness about CSR and instill confidence in the local communities about such initiatives. The situation is further aggravated by a lack of communication between the company and the community at the grassroots.
2. **Need to Build Local Capacities:** There is a need for capacity building of the local non-governmental organizations as there is serious dearth of trained and efficient organizations that can effectively contribute to the ongoing CSR activities initiated by companies. This seriously compromises scaling up of CSR initiatives and subsequently limits the scope of such activities.
3. **Issues of Transparency:** Lack of transparency is one of the key issues brought forth by the survey. There is an expression by the companies that there exists lack of transparency on the part of the local implementing agencies as they do not make adequate efforts to disclose information on their programs, audit issues, impact assessment and utilization of funds. This reported lack of transparency negatively impacts the process of trust building between companies and local communities, which is a key to the success of any CSR initiative at the local level.
4. **Non-availability of Well Organized Non-governmental Organizations:** It is also reported that there is non-availability of well organized nongovernmental organizations in remote and rural areas that can assess and identify real needs of the community and work along with companies to ensure successful implementation of CSR activities. This also builds the case for investing in local communities by way of building their capacities to undertake development projects at local levels.
5. **Visibility Factor:** The role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitizes the local population about various ongoing CSR initiatives of companies. This apparent influence of

gaining visibility and branding exercise often leads many nongovernmental organizations to involve themselves in event-based programs; in the process, they often miss out on meaningful grassroots interventions.

6. **Narrow Perception towards CSR Initiatives:** Non-governmental organizations and Government agencies usually possess a narrow outlook towards the CSR initiatives of companies, often defining CSR initiatives more donor-driven than local in approach. As a result, they find it hard to decide whether they should participate in such activities at all in medium and long run.
7. **Non-availability of Clear CSR Guidelines:** There are no clear cut statutory guidelines or policy directives to give a definitive direction to CSR initiatives of companies. It is found that the scale of CSR initiatives of companies should depend upon their business size and profile. In other words, the bigger the company, the bigger is its CSR program.
8. **Lack of Consensus on Implementing CSR Issues:** There is a lack of consensus amongst local agencies regarding CSR projects. This lack of consensus often results in duplication of activities by corporate houses in areas of their intervention. This results in a competitive spirit between local implementing agencies rather than building collaborative approaches on issues. This factor limits company's abilities to undertake impact assessment of their initiatives from time to time.

### **How companies benefit from the Corporate Social Responsibility concept?**

Across the globe, the concept of CSR has been accepted as an element for success and survival of business along with fulfilling social objectives. Demands for CSR may be viewed in the context of four major arguments (Porter and Kramer, 2006):

- 1) Moral obligation to "do the right thing";
- 2) Sustainability, focused on environmental and community stewardship;
- 3) License to operate, since corporations need approval to do business; and
- 4) Reputation in terms of the company's image, brand, morale, or stock value.

No matter the size of an organization or the level of its involvement with Corporate Social Responsibility every contribution is important and provides a number of benefits to both the community and business. Contributing to and supporting Corporate Social Responsibility does not have to be costly or time consuming and more and more businesses active in their local communities are seeing significant benefits from their involvement:

- Reduced costs
- Increased business leads
- Increased reputation
- Increased staff morale and skills development
- Improved relationships with the local community, partners and clients
- Innovation in processes, products and services
- Managing the risks a company faces

The advantages of implementing CSR in a firm from a government's perspective

- Ensuring that labour and environment standards are met.
- Enhancement of poverty reduction strategies.
- Leveraging the competitiveness of the country by making it attractive to investors.

A government can help the firms in participating in an active manner by:

- Developing the CSR code based on the laws and regulations of the country.
- Leveraging capacity building so that the standards are implemented by the local businessmen
- Ensuring that the reporting systems are accountable and transparent.

Corporate Social responsibility has manifested itself in various forms. Some of the survey reports indicate that:

- " 200 institutional investors who controlled \$3 trillion assets of McKinsey were interviewed. The results showed that 80% of them would rather invest in a company that was well governed even if the financials did show dig money, that in a company with poor governance and higher stock price.
- " In a survey done by CLSA they found that average return for corporate with good governance was 267% while for the others it was only 127%.
- " A Harvard-Wharton study of 1500 US firms showed that a firm with better CSR had a stock price that was consistent and stable.

### Recent Trends

The much awaited Companies Bill, 2012 was passed by the upper house of Parliament on 8 August 2013 and received president's assent on 29th Aug, 2013. From

April 1, 2014, it has become legally binding for companies in India to be "socially responsible". Section 135 of the new Companies Act 2013, reads with the CSR Rules makes it mandatory for companies, meeting certain criteria, to set aside two per cent of their net profits for undertaking and promoting socially beneficial activities and projects in India. To implement this, the Ministry of Corporate Affairs (MCA) recently issued the CSR Rules, 2014, to implement this legislative mandate, which came into effect on April 1, 2014.

### **Entities Covered by the CSR Obligations**

The threshold coverage levels for CSR are low. Companies are subject to the CSR requirements if they have, for any financial year:

- A net worth of at least Rs. 5 billion (approximately U.S.\$80 million);
- A turnover of at least Rs. 10 billion (approximately U.S.\$160 million); or
- Net profits of at least Rs. 50 million (approximately U.S. [\$800,000]).

Companies meeting these thresholds are required to develop a CSR policy, spend a minimum amount on CSR activities and report on these activities, or prepare to explain why they didn't. It is estimated that a total of 8,000 companies in India would be required to meet the CSR requirements among the 9 lakh active companies in India and the 2% CSR expenditure would translate to companies' spending around Rs 12,000 crore to 15,000 crores annually.

In a World Bank study, It was found that the three key challenges to the implementation of CSR were:

1. Generation of inefficiency and confusion in the buyer CSR codes
2. Traditional implementation of CSR strategies not achieving the desired results
3. Insufficient information about the business benefits of CSR implementation

The World Bank then proposed some solutions to go forward

1. Effective implementation of CSR involves active engagement of the public sector, capacity building, empowerment of the workers, development of standards and harmonizing them with the firm's objectives and goals, ongoing research, removal of economic barriers to CSR, etc.
2. Public sectors engagement involves host government actions as well as home country government.

## Conclusion

Business ethics and CSR is the recognisational of thee fact the organizations have significant influence of the social system and that this influence must be properly considered and balanced in all organizational actions. These imply that the companies have an important social role in various segments of the society, particularly those who are directly affected by it. This enlightens on the thought that the corporate entities must not exist only for the sole motive of the profits but have to devote some of their precious resources for retaining its employees. BE and CSR are the business capacities to respond to the crisis of recession. The real test of treatment to human resource is during such down trends. CSR implies that it is the duty of the corporate to ensure the safety of all the stakeholders. Apart from the stakeholders, the corporate leaders of today, by virtue of their power, wealth and influence, are increasingly expected to contribute towards community's "culture".

## References

1. Aupperle, K., Carroll, A. and Hatfield, J. (1985). 'An empirical examination of the relationship bet weens corporate social responsibility and profitability. *Academy of Management Journal*, 28, 446-63
2. Baron, D. (2001). 'Private politics, corporate social responsibility and integrated strategy. *Journal of Economics and Management Strategy*, 10, 7-45
3. Deniz Kucukusta ,Amy Mak, Xavier Chan,Corporate social responsibility practices in four and five-star hotels: Perspectives from Hong Kong visitors, *International Journal of Hospitality Management*, Volume 34, September 2013, Pages 19-30
4. Francesco Ciliberti, Pierpaolo Pontrandolfo, Barbara Scozzi Investigating corporate social responsibility in supply chains: a SME perspective *Journal of Cleaner Production*, Volume 16, Issue 15, October 2008, Pages 1579-1588.
5. Friedman, M. (1970). 'The social responsibility of business is to increase its profits. *New York Times Magazine*, September, 13.
6. Kothari C.R. (1985),*Quantitative Techniques*, ,Vikas Publishing House Pvt Ltd; 3rd edition, New Delhi
7. L.J. Brooks , *Corporate Responsibility*,*Encyclopedia of Applied Ethics (Second Edition)*,2012, Pages 645-655
8. McWilliams, A., Van Fleet, D. D. and Cory, K. (2002). 'Raising rivals' costs through political strategy: an extension of the resource-based theory. *Journal of Management Studies*, 39, 707-23.
9. Md. Humayun Kabir,Corporate social responsibility by Swaziland hotel industry,*Procedia - Social and Behavioral Sciences*, Volume 25, 2011, Pages 73-79

10. Paul Shrivastava, Industrial/environmental crises and corporate social responsibility, *The Journal of Socio-Economics*, Volume 24, Issue 1, Spring 1995, Pages 211-227
11. Rich Gautam and anju singh, Corporate Social responsibility practices in India: A study of top 500 companies, *GBMR Vol.2, No.1.2010*, Pp.41-56.
12. Russo, M. and Fouts, P. (1997). 'A resource-based perspective on corporate environmental performance and profitability. *Academy of Management Journal*, 40, 534-59.
13. Uvais.m and Hafeefa Cholasseri. Corporate Social responsibility: Dimensions and Challenges in India , *International Journal of Engineering Science Invention*, Volume 2 issue 3 March 2013, PP 27-32
14. Waddock, S. and Graves, S. (1997). 'The corporate social performance - financial performance link. *Strategic Management Journal*, 18, 303-19.
15. Yeosun Yoon, Zeynep Gürhan-Canli, Norbert Schwarz, The Effect of Corporate Social Responsibility (CSR) Activities on Companies With Bad Reputations, *Journal of Consumer Psychology*, Volume 16, Issue 4, 2006, Pages 377-390





# SUMEDHA

## Journal of Management

### SUBSCRIPTION FORM

Make the payment through (Please tick)

Crossed Cheque (    )

Demand Draft (    )

Enclosing in favour of "**Principal, CMR College of Engineering & Technology**"  
for payable at Hyderabad

#### Name and Address of the Subscriber

Name and Office Address

---

---

---

Mobile : \_\_\_\_\_

E-Mail : \_\_\_\_\_

DD Details: \_\_\_\_\_

Amount Rs: \_\_\_\_\_ DD Number: \_\_\_\_\_

DD Date: \_\_\_\_\_ Banker's Name: \_\_\_\_\_

#### Subscription Rates

Annual - Rs 2,000

Life Time Rs 10,000

Send to the following address

**A Kotishwar**

(Editor-In-Chief: SUMEDHA Journal of Management)

Associate Professor and Head, Department of Master in Business Administration

CMR College of Engineering & Technology

Medhchal Road, Kandlakoya (V), Hyderabad Andhra Pradesh – 501 401,

Mobile : 9248727208



