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Employment Performance of Indian it Sector

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ABSTRACT

The IT sector plays a significant role in providing productive and broad based employment to the Indian Educated and Uneducated classes and provides skilled and unskilled jobs of varied varieties. As per the latest data (2014-15) available from NASSCOM (National Association of Software and Services Companies), the sector provides 3.5 million direct jobs to Engineers, managers, accountants etc. and more than 10 million indirect jobs in the form of cab services, catering and so on. Many studies have recognized that one of the reasons for faster growth of Indian IT sector is availability of large pool of technically skilled and English speaking workforce which is available at a low cost. The paper aims analyse various facets of employment performance of Indian IT Sector taking secondary data from 1993 to 2015. The paper concurs with conclusion of the Nasscom that IT sector has the potential to become largest private sector employer in India by 2020.

Key words: IT sector, Employment Performance, Regression analysis, sources of talent pool, growth of higher education in India.

INTRODUCTION

IT sector in India is one of the fastest growing sectors and has grown exponentially during last three decades and continues to record dynamic growth rate even today. The role of IT sector in output growth, employment and export are well documented in theoretical and empirical studies (see for instance, Sen Pronab 1995 Heeks 1996, Joseph and Harilal 2001, Kumar 2001, Arora et al, 2001, Arora and Athreya 2002, Joseph 2002, D Costa 2003,Radha Krishanan and Sharma 2004, Arora Ashish and Badge Surendrakumar 2004, Bhatnagar and Dixit 2004, Sudersan 2004, Athreya S 2005, Illiyan 2008, MK Henttonen, 2011 etc.). As the focus of this paper is employment performance

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of Indian IT Industry, we concentrate on various facets of employment performance.

The IT sector plays a significant role in providing productive and broad based employment to the Indian Educated and Uneducated classes and provides skilled and unskilled jobs of varied varieties. As per the latest data (2014-15) available from NASSCOM (National Association of Software and Services Companies), the sector provides 3.5 million direct jobs to Engineers, managers, accountants etc. and more than 10 million indirect jobs in the form of cab services, catering and so on. Many studies have recognized that one of the reasons for faster growth of Indian IT sector is availability of large pool of technically skilled and English speaking workforce which is available at a low cost (Heeks, 1996, Arora and Arunachalam 2000, Singhal and Rogers 2002) But there is a danger of losing this comparative advantage over the years. It is argued that many countries such as Sri lanka, Philipines, South Africa etc. are emerging as competitors to Indian IT industry providing cheap and skilled human Resource. Hence, India has to focus on increasing productivity and moving up the value chain and adapting new technology. Table 1 reviews the performance of Indian IT sector in employment generation over the years.

EMPLOYMENT GROWTH IN INDIAN IT SECTOR

Table 1 highlights the employment potential of Indian IT Industry. It indicates that the jobs created in IT sector have significantly increased over the years. For example, there has been 35 fold increase in employment during this period from a mere 0.9 lakh (i.e 0.09 million) of employment in 1993-94 to a whooping 35.00 lakhs (i.e 3.5 million) employment in 2014-15.

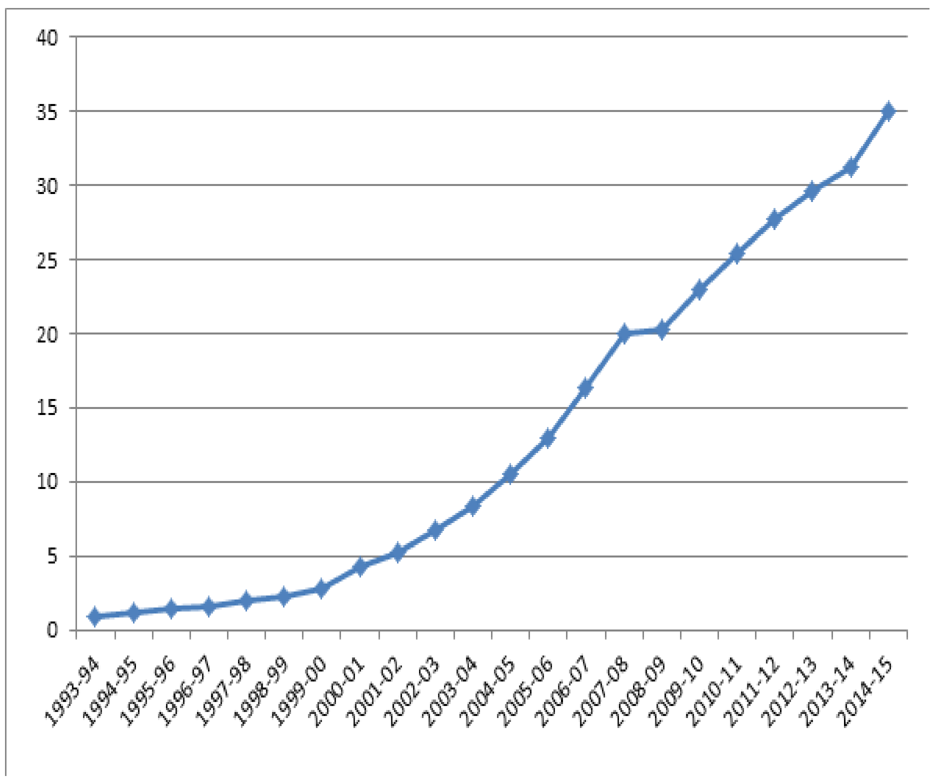
Table: 1 Employment Growth in IT Sector

S..No.	Year	People Employed (in Lakhs)	Annual Growth of Employment*
1	1993-94	0.9(0.09)	-
2	1994-95	1.18(.18)	28
3	1995-96	1.40 (.14)	18.6
4	1996-97	1.60(.16)	12.5
5	1997-98	1.9 (.19)	18.76
6	1998-99	2.3(.23)	21.05
7	1999-00	2.84(.28)	23.47
8	2000-01	4.3(.43)	51.4
9	2001-02	5.22(.52)	21.39
10	2002-03	6.7(.67)	28.35
11	2003-04	8.3(.83)	23.88
12	2004-05	10.58(1.05)	27.46
13	2005-06	12.93(1.29)	22.21
14	2006-07	16.3(1.63)	26.06

15	2007-08	20.00(2.00)	22.6
16	2008-09	20.21(2.21)	10.5
17	2009-10	23.00(2.30)	4.07
18	2010-11	25.40(2.54)	10.43
19	2011-12	27.76(2.77)	9.05
20	2012-13	29.64(2.96)	6.85
21	2013-14	31.30 (3.1)	5.60
22	2014-15	35.00(3.5)	12.90

Source: *compiled from Nasscom and Department of Information Technology Annual Reports*
** Calculated by the author on the basis of above data (figures in parenthesis show employment in millions). Figures from 1993-94 to 1996-97 is taken from Heeks 2015.*

Figure 1: Employment Growth in IT Sector



Source: ***Same as Table 1***

It is estimated that every one job creates additional 4 jobs in this industry. These additional jobs are in the form of catering, transportation, ancillary business etc. 'The indirect employment attributed by the sector is estimated to about 9.0 million in year 2010-11(DIT 2011) which further increased to 10 million in 2014-15 (Nasscom Strategic Review, 2014 and 2015)

AVERAGE ANNUAL GROWTH RATE OF EMPLOYMENT

Table 2 indicates that IT sector employment has registered a very strong annual average growth rate of 15.57 per cent during 1993- 98 and 29.13per cent during 1998- 2003 and 24.44 per cent during 2003 to 2008. Since 1993-94 onwards IT employment has been growing on double digit on an average at 27 per cent annually (excluding the post global financial crisis period). The phenomenal contribution of IT sector to employment generation has been noteworthy especially in the context of declining/slow employment growth in the organized sector in the post- reform phase in the Indian economy. However, one can notice a perceptible change- one digit growth in the employment growth from 2008 onwards (8.49 per cent) which was mainly due to global financial crisis that was underway since 2008.

Table 2: Average Annual Growth Rate

Period	Growth Percent
1993-98	15.57
1998-03	29.13
2003-08	24.44
1998-08	27.25
2008-15	8.49

Source: *Calculated by the author on the basis of Table 1*

a) Regression Analysis

In order to statistically cross check our growth rate and see if there any structural break in the data during this period due to global financial crisis we have run a dummy variable regression as follows.

$Y_t = B_1 + B_2 D_i + U_t$ Y= IT sector employment D= Dummy Variable. Dummy variable assume value one.

The estimated regression is statistically significant (as P values is closer to zero) implying that there is a structural break and the crisis had an impact on IT sector employment in the post- global financial crisis. The null hypothesis tested was that there is no structural break in the IT sector employment due to global financial crisis. See table 3for regression results.

Table 3: Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.24	1.28	4.08	0.006
DUMMY	20.60	2.27	9.05	0.000

R-squared 0.80 Adjusted R square 0 .79

Dependent Variable: Employment in IT sector Sample 1993- 2014

EMPLOYMENT BREAK UP IN INDIAN IT SECTOR

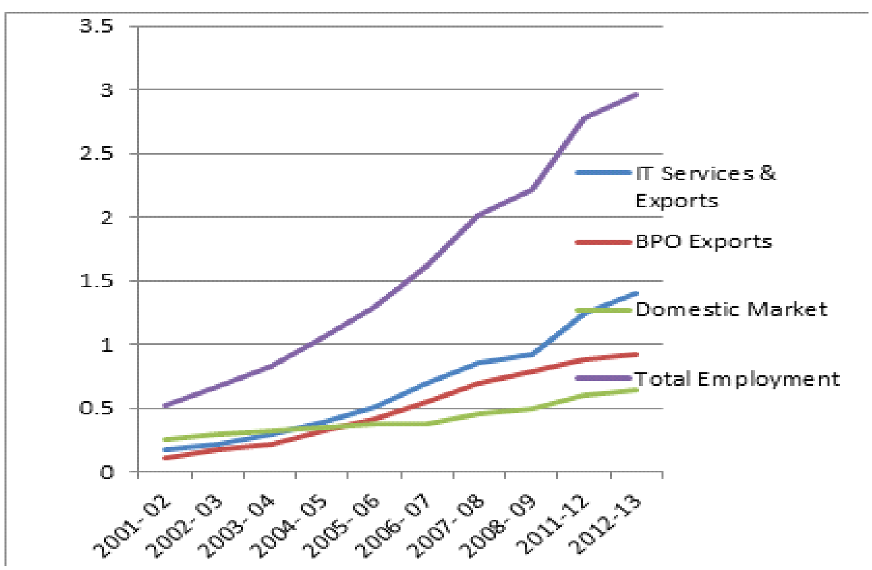
IT and ITeS (IT Enabled Services) can be broadly divided into three: 1) IT Services and Export 2) BPO Exports 3) Domestic Markets. Out of the Total IT industry IT-ITeS Exports constitute the major source of employment whose share has increased over the years. The share of IT-ITeS Exports segment in total employment of the IT Software & Services Industry has grown from 32.69% in 2001-02 to 47.466% in 2012-13 whereas, the share of domestic market in total employment of the IT Software & Services Industry has declined from 48.07% in 2001-02 to 21.59% in 2012-13

Table 4: Employment Break up in Indian IT Sector

Year/ Item	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2011-12	2012-13
IT Services & Exports	0.17	0.21	0.3	0.39	0.51	0.69	0.86	0.92	1.239	1.407
BPO Exports	0.11	0.18	0.22	0.32	0.42	0.55	0.7	0.79	.879	.917
Domestic Market	0.25	0.29	0.32	0.35	0.38	0.38	0.45	0.5	.601	.640
Total Employment	0.52	0.67	0.83	1.06	1.29	1.62	2.01	2.21	2.776	2.964

Source: ***2011-12 and 2012-13 Nasscom Strategic Review 2013, 2001-08 available at http://www. mit.gov.in/content/employment accessed on 9/4/11***

Figure 2: Employment Break up in Indian IT Sector (Figures in millions)



Source: ***Calculated on the basis of Table 4***

Thus the contribution of IT sector to employment has been significant. Our regression results also prove this as the t values are highly significant and hence our null hypothesis that global financial crisis had no impact on IT sector employment is rejected.

TOP 20 IT BPO EMPLOYERS 2014-15[1]

Which are the leading companies providing employment in Indian IT sector?. The ranking of top 20 employers in IT BPO sector are given in table 5. The table shows that Tata Consultancy Services Ltd is the largest employers in IT BPO sector followed by Infosys, Cognizant, Wipro and HCL Technologies and so on. TCS, the leader of IT-BPO sector and largest IT company has total workforce of 3.5 lakhs employees by 2015 and they make a net addition of 40000 every year.

Table 5: Top 20 IT BPO Employers 2014-15

S. No	Company Name
1	Tata Consultancy Services Ltd
2	Cognizant Technology Solutions India Pvt Ltd.
3	Infosys Limited
4	Wipro Ltd.
5	HCL Technologies Ltd
6	Tech Mahindra Ltd.
7	Cap Gemini India Pvt. Ltd.
8	Genpact Ltd.
9	Serco Global Services
10	Aegis Ltd.Mphasis Ltd.
11	Mphasis Ltd.
12	iGATE
13	WNS Global Services (P) Ltd*
14	L&T Infotech
15	CSC, India
16	Syntel Ltd
17	exl Services.com (India) Pvt. Ltd.
18	Hinduja Global Solutions Ltd*
19	Firstsource Solutions Ltd*
20	Mindtree Ltd

Source: ***Nasscom Website accessed on 16/4/15***

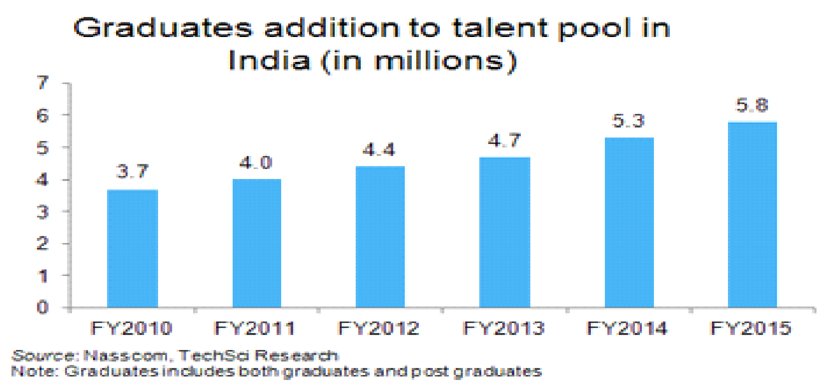
SOURCES OF TALENT POOL FOR INDIAN IT SECTOR

What are the major sources of talent pool for Indian IT industry? 'India can boast of the world's 2nd largest pool of scientific and skilled manpower which is also English speaking and computer savvy. This large pool of cost effective and technically competent professionals offers the state of the art quality software which is regarded as India's major advantage. Above all, India has been well positioned to reap the *demographic dividends* as it has more younger generation (working population i.e. those in the age group of 15-59 years) than dependent population i.e. below 14 years and 60 plus' (Illiyan, 2008).

For the uninterrupted supply of skilled manpower currently there are more than 740 universities and 39000 colleges which are delivering higher education to students and produces on an average 5 million graduates every year. The growth of talent pool over the last 5 years can be seen from figure 3.

- During FY08-15 number of graduate's addition to talent pool in India grew at a CAGR of 9.4 per cent
- India added around 5.8 million graduates to the talent pool during FY15
- Growing talent pool of India has the ability to drive the R&D and innovation business in the IT-BPM space (www.ibef.org)

Figure 3: Talent pool for the last 5 years



Source:http://www.ibef.org/industry/information-technology-india.aspx #sthash.sBAHkxuM.dpuf

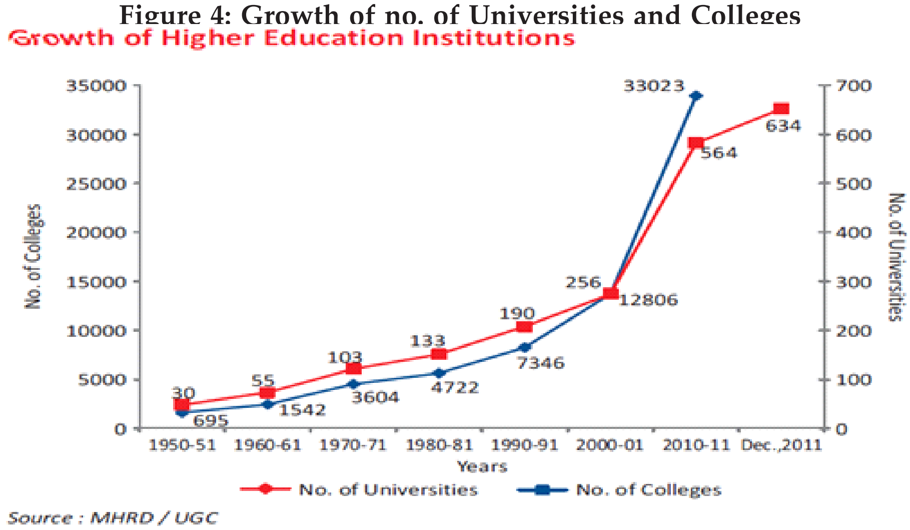
There has been phenomenal growth of higher educational institution in India over the last 60 years as evidenced by table 6. It can be seen that the no of universities has tremendously increased from mere 30 in 1950-51 to a whooping 634 by Dec 2011 and further to 740 by 2015. Similarly the number of colleges has increased from 695 in 1950-51 to 33032 by 2010-11 and further to 39000 by 2015. It is these burgeoning higher educational institutions that provide continued manpower to the IT industry.

Table 6: Growth of No. of Universities and Colleges 1950-2015

Year	No. of Universities	No. of Colleges
1950-51	30	695
1960-61	55	1542
1970-71	103	3604
1980-81	133	4722
1990-91	190	7346
2000-01	256	12806
2010-11	564	33023
Dec 2011	634	-
2014-15*	740	39000

Source: *Higher Education in India at a Glance UGC, 2012 *Centre for Education Growth and Research (CEGR)*

Figure 4: Growth of no. of Universities and Colleges



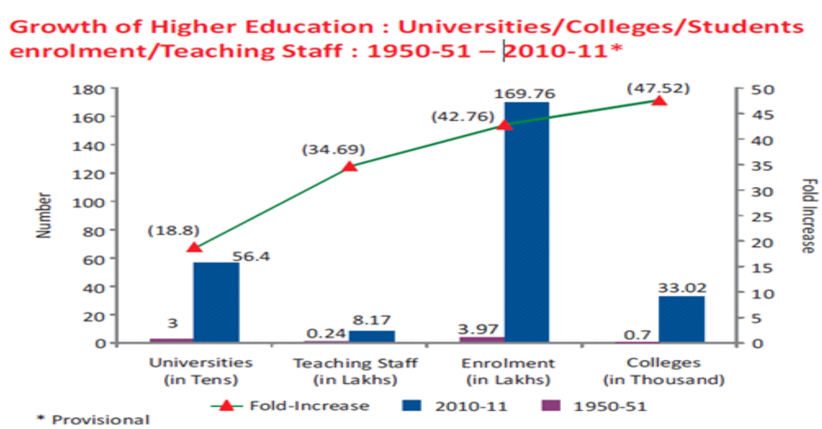
Source: *Higher Education at a Glance, UGC, 2012*

Table 7: Growth of Higher Education: Universities/Colleges/Students/ Enrolment/ Teaching Staff: 1950-51 to 2010-11

Year	Universities	Teaching Staff	Enrolment	Colleges
1950-51	30	24000	397,000	695
2010-11	564	8.17	16,976,000	33023
Fold Increase	18.80%	34.69%	42.76%	47.52%

Source: *Higher Education at a Glance, UGC, 2012*

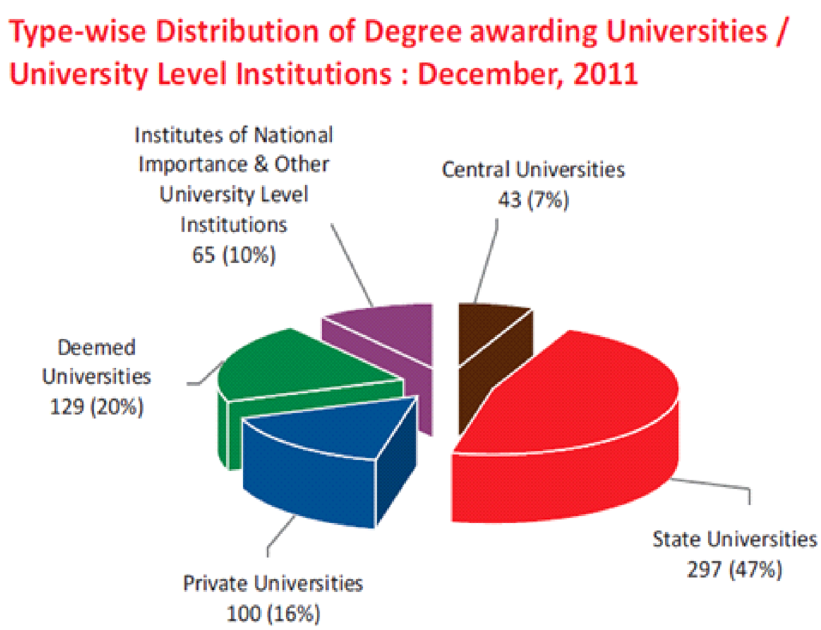
Figure 5: Growth of Student Enrolment/Teaching Staff



Source: *Higher Education at a Glance, UGC, 2012*

As evident from Table 7 and Figure 5 there has been 18 fold increase in number of universities, 34.69 in number of teaching staffs, 42.76 in Higher education enrolment, 47.52 fold increase in number of colleges between 1950-51 to 2010-11. This is a great achievement for a developing country like India. In India higher educational institutions are classified into (figure 6) Central Universities 43(7%), State Universities 297 (47%), the largest, Private Universities100 (16%), Deemed Universities 129(20%) and Institute of National Importance and Other University Level Institutions 65(10).

Figure 6: Classification of higher educational institutions



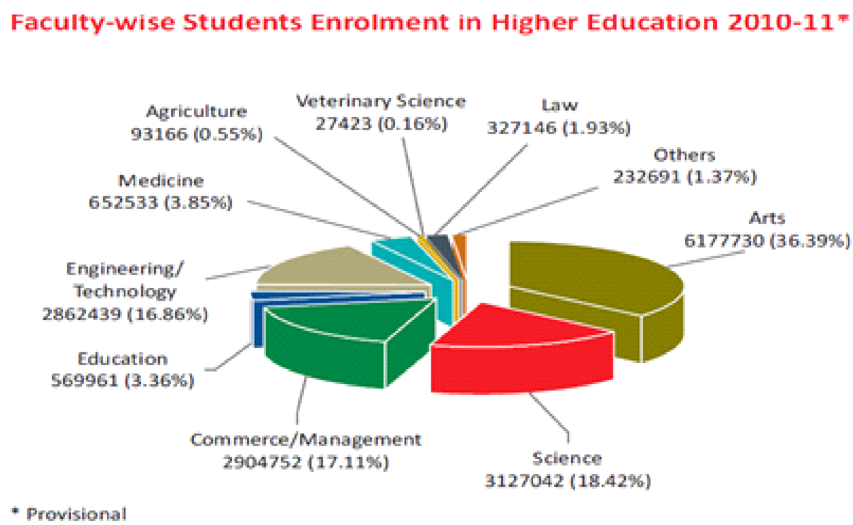
Source: *Higher Education at a Glance, UGC, 2012*

FACULTY WISE STUDENT ENROLMENT IN HIGHER EDUCATIONAL INSTITUTIONS

Of the total enrolment what is important is subject wise break up of student's enrolment (Figure 7). The largest enrolment is in Arts Subject (36.39%) followed by Science (18.42%), Commerce and Management (17.11%), Engineering and Technology (16.86%) Medicine (3.85%), Education (3.36%), Law (1.93%), Agriculture (0.55%), Veterinary Science (0.16%) . There can be contribution from the entire field to IT industry although Engineering and Technology and Science have the largest potential. A recent study shows that only 20% of the graduates are directly employable in Indian IT industry. Therefore, more finishing schools as well as specific curriculums should be introduced. Internship by students in industry and more practical orientation in curriculum through projects and dissertation on the basis of real live data is also needed.

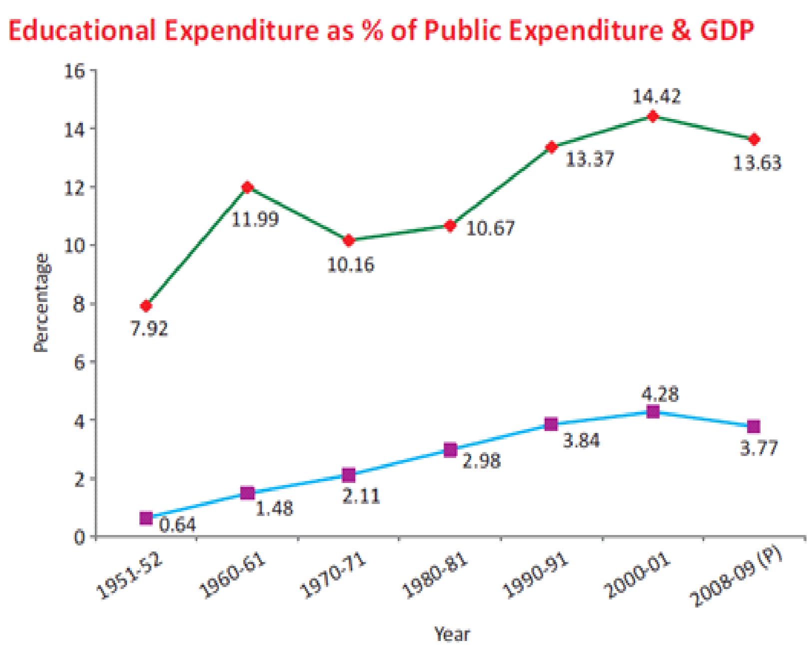
Industry- University linkage must also be promoted.

Figure 7: Faculty wise Student Enrolment



Source: *Higher Education at a Glance, UGC, 2012*

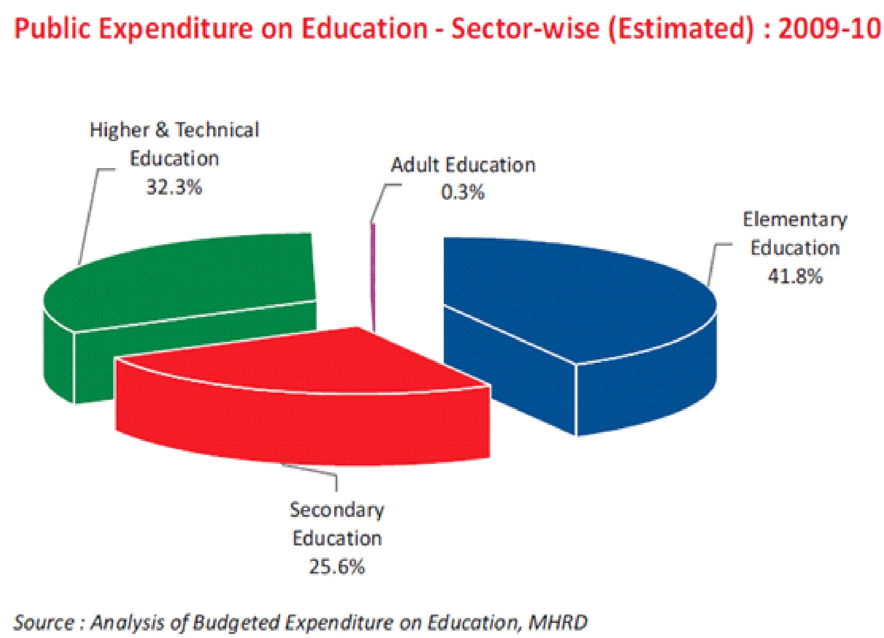
Figure 8: Education Expenditure as a Percentage of GDP



Source: *Higher Education at a Glance, UGC, 2012*

Government has recognized that Education is a critical input for the faster growth of the nation and hence there has been renewed thrust and increasing expenditure for education at different levels. Figure 8 shows that Educational Expenditure as a percentage of public expenditure has increased from 7.92% in 1951-52 to 13.63% by 2008-09. Similarly Education Expenditure as percentage of GDP has increased from meagre 0.64% in 1951-52 to a 3.77 % in 2008-09.This increased expenditure has helped the country in improving the intake capacity as well as educational infrastructure which is one the cheapest and with high quality in the world.

Figure 9: Sector-wise Public Expenditure on Education



of the total expenditure in education largest share goes to elementary education (41.8%), followed by higher education (32.3%), Secondary Education (25.6%), Adult Education 0.3%. Thus Technical and higher education is in the second position as evidenced in figure 9.

UGC INTERVENTION TOWARDS QUALITY ENHANCEMENT IN HIGHER EDUCATION

University Grants Commission makes some interventions for improving the quality of higher education. These are divided into three categories 1) Schemes meant exclusively for Universities 2) Schemes meant exclusively for Colleges and 3)Schemes meant for both Universities and Colleges and 4)Schemes meant for professional development of faculties of Universities and Colleges. The detailed discussion of them is beyond the scope of this paper (Higher Education at A Glance, UGC, 2012

CONCLUSION

In short, Indian IT sector has been a major source of employment in Indian economy for the last two decades or so. This is more relevant in the context of declining/ stagnant employment growth in the organized sector in India in the last one decade. At present IT sector generated 3.5 million direct jobs and 10 million indirect jobs and as per the prediction by Nasscom and Industry experts IT workforce will touch 30 million by 2020 becoming the highest sector employment in Indian Economy. The mushrooming growth of higher educational institutions provide assured supply of skilled labour to the industry. Care must be taken that industry specific skills along with practical orientation in curricula and university industry linkage are promoted so that educated youth become more industry ready and employable in corporate sector, inter alia.

END NOTES

1**.** www.nasscom.org NASSCOM since the past few years has been ranking the Top 20 IT-BPO Export Companies, top 15 BPO Export Companies and Top 20 IT-BPO Employers based on a survey conducted annually, which is open to all NASSCOM members. Through this survey NASSCOM collects financial and other information from its member companies and the participating companies are ranked based on the data submitted.

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Assessing The Operational Sustainability of Microfinance Institutions In India

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ABSTRACT

The paper uncovers the determinants of operational self-sustainability of microfinance institutions (MFIs), as they need to consider factors beyond profitability and management of the institution. The determinants of sustainability are analyzed using a data for 6 years. The results show that operational sustainability of MFIs is affected by several parameters other than profitability. The study is useful for policy makers to formulate effective policies to strengthen MFIs in India.

Key words: Microfinance, Microfinance Institutions, Sustainability, Determinants

INTRODUCTION

India is home to the largest concentration of impoverished people in the world. It is estimated to have one-third of the world's poor. Access to finance, especially by the poor and vulnerable groups is a prerequisite for employment, economic growth, poverty reduction and social cohesion.(Puhazhendi,2012) Given the abject poverty in India, Microfinance has been playing crucial role since its very inception in India.

Besides Self-help group Bank Linkage Model (SBLP), NGOs, Section 25 companies and NBFCs have emerged as prominent microfinance delivery models in India. Microfinance Institutions serves as conduits for providing financial services to the unbanked. Microfinance Institutions in India has made significant progress in the last two decades in terms of both outreach and profitability. They have been actively pursuing the government's financial inclusion programme,

which has today become indispensable for achieving inclusive growth.

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MICRO FINANCE INSTITUTIONS

serve households who do not have access to services from formal financial institutions. They come under the category of *"Alternate Financial Institutions".* They are mainly credit focused and have devised ways to recover tiny uncollateralized loans. They have been set up with the double bottom-line approach i.e. in addition to the financial objective; they also have some kind of social objective. The clients served by such institutions are economically active poor who have low incomes and assets. Average account and transaction sizes are smaller in such institutions compared to commercial banking network.

Periodic analysis of financial performance is a must for sustainable business operations. With an increase in competition and the emergence of an ability to compare the financial performance of MFIs with each other and to benchmarks has led to improvement in business practices. (Tucker, 1999) Sustainable microfinance is carried out by institutions that deliver financial services to the economically active poor at interest rates that enable the institutions to cover all costs and risks and generate a profit. It is the institutional profitability which makes large scale formal sector financial outreach possible. Subsidized MFIs have limited capital and thus do not have the capacity to reach low income households with wide access to credit. (Robinson, 2001) It is the financially self-sufficient MFIs that can meet the demand for microfinance on a global scale. The emphasis on outreach to poor borrowers is the hallmark of microfinance revolution which can only be achieved with profitable institutions whose lending interest rates are able to cover the costs and risks associated with large scale financial intermediation. Any MFI that does not cover costs may endanger its long run ability to reach out to the poor.

CONCEPTUAL FRAMEWORK

The financial and operational sustainability of microfinance institutions has gained paramount importance in recent years owing to the dependence of such institutions on grants and subsidies. It has increasingly being realized that MFIs fail to reach the poorest of the poor due to lack of financial sustainability. A number of studies have been done on the sustainability and outreach of microfinance institutions.

Hulme and Mosley (1996) provide alternative measures of financial performance of some microfinance institutions. Similarly, Yaron (1992) has used Subsidy Dependence Index to indicate how high the interest rates has to be charged from the borrowers to cover the operating costs. Morduch (1999) provides a similar work in the context of Grameen Bank. He shows that in order to become subsidy independent, Grameen Bank needs to increase the lending rates by some 75% between 1985 and 1996.

Sarma, G and Borbora, S. (2011) examines the outreach and sustainability of a microfinance institution based in Assam, Credit and Savings Programme –

RashtriyaGraminVikash Nidhi (CSP-RGVN). It was established in 1995. Although the MFI reaches a large number of clients, analysis indicates that MFI is still not financially self sufficient which is reflected by a number of calculated indicators such as FSS, SDI and SDR.

Babandi, G. (2011) in his study examines the outreach performance and sustainability of microfinance institutions in Nigeria. 400 samples have been used in the study. ANOVA, t-test and descriptive statistics has been employed in analyzing the data. The findings of the study indicate that microfinance services cover all forms of occupations. Gender is also not a significant factor in the provision of microfinance services.

Kereta, B. (2007) attempts to look at MFIs performance in Ethiopia from outreach and financial sustainability angles. 26 MFIs have been considered for the study. The study finds that MFIs are operationally sustainable as measured by the ROA and ROE. The profit margins are improving over time.

Cull, R., Demirguc – Kunt, A. and Morduch, J. (2005) explores patterns of profitability, loan repayment and cost reduction with unusually high quality data on 124 microfinance institutions in 49 countries. The paper finds that individual based lenders that charge higher interest rates are more profitable than others. However, beyond a point profitability suffers and evidence of greater loan delinquency is seen. In contrast, for solidarity group lenders, financial performance tends not to improve as yields increase.

Erasmus Fabian Kipesha (2013) evaluates the performance of MFIs in Tanzania by integrating financial and non-financial performance metrics. The study used a balanced scorecard approach with five dimensions financial, social, customer, learning and growth and internal business process. The findings of the study indicate low average financial performance among MFIs reviewed. On average, the institutions reviewed were not sustainable with low relative productivity and low profitability.

Since the 1990s there has been an increasing over emphasis on assessing the performance of MFIs both in terms of financial and social parameters. Various frameworks have been developed worldwide to monitor and manage financial performance including financial risk. These frameworks contribute to raising the level of transparency in the system through information sharing and reporting mechanisms thus, integrating microfinance institutions into the overall financial system. The second reason for the importance of standards comes from the institutional level. There exists a wide gap between the number of clients served by MFIs and the potential market of poor people lacking access to credit, savings and other financial services. In order to fill this gap, MFIs must optimally use the resources at hand to become efficient and reach more people with the same amount of resources. Besides, MFIs need not rely on grants and subsidies, they need to be self-sustaining to expand outreach. Review of studies reveal that the primary models cover both financial and social aspects. Commonly used frameworks include ACCION's CAMEL, PEARLS Model by WOCCU, SMART GIRAFE Rating by PlaNet, SEEP

Network's Microfinance Financial Reporting (MFRS) and Micro Rate Rating as provided by CGAP. Each of them has a core set of ratios to analyze the financial and social performance of MFIs. The indicators are similar and fall broadly under six heads namely: Efficiency, Productivity, Profitability, Asset Quality, Capital Adequacy and Liquidity.

The CAMEL system as proposed by ACCION analyzes the five traditional aspects considered to be the most important in the operation of a financial intermediary. It includes Capital Adequacy, Asset Quality, General Management of the institution, Earnings as reflected by ROE, ROA or OSS and Liquidity of the institution.

The SEEP has set a framework for analyzing the financial condition of an MFI. The framework is divided into three groups, each of which comprises a set of ratios. The first group of ratios analyzes the financial sustainability of the MFI. It includes ratios like Return on Performing Assets, Financial Cost Ratio, Loan Loss Provision Ratio, Operating Cost Ratio, Adjusted Cost of Capital, Donations and Grants Ratio, Operating Self Sufficiency and Financial Self Sufficiency. The second group of ratios analyzes financial efficiency. It includes ratios like Cost per unit of money lent, Cost per loan made, Number of Active borrowers per credit officer and Portfolio per credit officer. The third group of ratios helps MFIs monitor their portfolio quality. It includes Portfolio in arrears, Portfolio at risk, Loan Loss ratio and Reserve Ratio (SEEP Network, 1995).

OBJECTIVES

This paper is an attempt to analyze the factors affecting the sustainability of MFIs in India. The study aims to understand the relationship between operational self sustainability and various performance indicators of microfinance institutions.

HYPOTHESES

Financial Indicators

1. Ho: Capital/Assets Ratio does not affect OSS of Indian MFIs.
2. Ho: Return on Assets does not affect OSS of Indian MFIs
3. Ho: Yield on Gross Loan Portfolio does not affect OSS of Indian MFIs.
4. Ho: Operating Expense/Loan Portfolio does not affect OSS of Indian MFIs.
5. Ho: Average Borrowers Per Loan Officer does not affect OSS of Indian MFIs.

Outreach Indicators

6. Ho: Number of Active Borrowers does not affect OSS of Indian MFIs.
7. Ho: Average Loan Balance Per Borrower does not affect OSS of Indian MFIs.

METHODOLOGY

Since the objective aims to understand the relationship of OSS with other financial performance indicators, a comprehensive financial performance indicators model as designed by MIX have been chosen after doing a comparative analysis of different models used worldwide.

Panel data has been collected from 96 purposely selected MFIs in India for a period of six years from 2008-09 to 2013-14. Yearly microfinance data has been extracted to assess the determinants of operational self-sufficiency of microfinance institutions from Microfinance Information Exchange (MIX), income statement and balance sheet of individual microfinance institutions.

Multiple Regression Analysis has been used to study the role of each determinant of operational self-sufficiency or sustainability of microfinance institutions. Multiple Regression is a powerful technique which is used to describe the relationship between the dependent/criterion variable 'Y' and more than one independent/predictor variable (X_1, X_2, X_3 …X_n).

The key dependent variable in our analysis is Operational Self Sufficiency (OSS). It measures the extent to which an MFI is considered to be sustainable in the long run. Determination of the dependent variable, operational self-sufficiency, for this study is guided by the current conventions in the industry.

The independent variables in our analysis includes Average number of borrowers per loan officer, Number of active borrowers, Average Loan Balance per borrower, Capital Adequacy, Return on Assets, Yield and Operating Expense over Loan Portfolio. The first two variables are considered as proxy indicators for outreach.

A general econometric model used in the study and the expected factors that determine operational self-sufficiency takes the form:

$$\hat{Y}_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} + \beta_6 X_{6it} + \beta_7 X_{7it}$$

where

$\hat{Y}$ = predicted value for the dependent/criterion variable Y of MFI i for period t.α = value of the Y intercept

β_1 = Regression Coefficient of Average borrowers per loan officer (ABLO). Increase in the number of borrowers per loan officer raises the productivity of officers. Therefore, the sign of the coefficient should be positive.

X_{1it} = Independent Variable ABLO for firm 'i' during time period 't'.

β_2 = Regression Coefficient of Number of Active Borrowers. Increase in the number of active borrowers enhances the sustainability of MFIs. The sign of the regression coefficient should therefore be positive.

X_{2it} = Independent Variable ACTBO (Number of Active Borrowers) for firm 'i' during time period‘t’.

β_3 = Regression Coefficient of ALB (Average Loan Balance Per Borrower). Higher values of ALB indicate less depth of outreach since the MFI is expected to provide smaller loans to poor borrowers.

X_{3it} = Independent Variable ALB (Average Loan Balance Per Borrower) for firm ‘i’ during time period ‘t’.

β_4 = Regression Coefficient of CAR (Capital Adequacy Ratio). Capital Adequacy means that there is a sufficient level of capital required to absorb potential losses while providing financial sustainability. High CARs generally signify more capital which means an institution is better positioned to meet its financial obligations and address unexpected losses. High CAR indicates that an institution can lend more which will increase its outstanding loan size and profitability. The sign of the coefficient should be positive. CAR is directly proportional to operational self-sufficiency of MFIs.

X_{4it} = Independent Variable CAR (Capital Adequacy Ratio) for firm ‘i’ during time period‘t’.

β_5 = Regression Coefficient of ROA (Return on Assets). It measures the return on funds owned by the MFI. It is positively correlated with the self sufficiency of MFIs.

X_{5it} = Independent Variable ROA for firm ‘i’ during time period ‘t’.

β_6 = Regression Coefficient of Yield on gross portfolio. It reflects the ability of an MFI to generate its revenue. Higher revenue is certainly an indication of sustainable organizations. Yield is the real gross portfolio yield, a measure of interest charges faced by customers. The coefficient of yield indicates the effect of yields on OSS. A positive and significant coefficient for real portfolio yield indicates that lenders tend to be more profitable when their average interest rates are higher.Thus, the sign of the coefficient should be positive.

X_{6it} = Independent Variable Yield on gross portfolio for firm ‘i’ during time period ‘t’.

β_7 = Regression Coefficient of Operating Expense over Loan Portfolio (OER). OER is also called as an efficiency indicator. Lesser the operational expenses of an MFI, better is the financial position of an institution. Therefore, the lower ratio would mean high OSS. So, the coefficient should be negative.

X_{7it} = Independent Variable Operating Expense over Loan Portfolio (OER) for firm ‘i’ during time period ‘t’.

DATA ANALYSIS

This part analyzes the financial performance regression analysis. The outcome variable in the study is Operational Self-Sufficiency while the predictor variables are Average Borrowers per Loan Officer, Number of Active Borrowers, Average Loan Balance, Capital Adequacy Ratio, Return on Assets, Yield on the portfolio and Operating Expenses Ratio.

Table 1: Regression Analysis- Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.869[a]	.755	.735	11.14112	.755	37.513	7	85	.000	2.261

a. Predictors: (Constant), ABLO, ACTBO, ALB, CAR, ROA, YIELD, OER

b. Dependent Variable: OSS

In the Model Summary (Table 1), the R Square is 0.755 meaning that approximately 75.5% of the variability of OSS is accounted for by the variables in the model. The adjusted R Square gives the idea that how well the model generalizes and ideally its value should be close to the value of R Square. In the present model, the difference between R Square and Adjusted R Square is 0.02 or 2% (0.755 – 0.735). The shrinkage means that if the model were derived from the population rather than a sample, it would account for approximately 2% less variance in the outcome.

Linear Regression assumes that there should be independence of observations. Autocorrelation occurs when the residuals are not independent from each other. Linear autocorrelation can be tested using Durbin-Watson statistic. The null hypothesis is that the residuals are not linearly autocorrelated. The Durbin-Watson statistic in our case comes out to be 2.261 as shown in the last column of the Table 1. The value is very close to 2. So, the assumption has almost certainly met and the null hypothesis is accepted that residuals are not linearly auto-correlated.

Table 2: Regression Analysis - ANOVA

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	32593.593	7	4656.228	37.513	.000[b]
	Residual	10550.594	85	124.125		
	Total	43144.187	92			

a. Dependent Variable: OSS

b. Predictors: (Constant), ABLO, ACTBO, ALB, CAR, ROA, YIELD, OER

Since the value of F (Table 2) in our case is 37.513 which is greater than 1, it is concluded that improvement due to fitting the regression model is much greater than the inaccuracy within the model. The model is highly significant in predicting the outcome variable as the p value is less than the significance level of 0.05.

The next part of the output is concerned with the parameters of the model. The coefficient of each of the variables indicates the amount of change one could expect in OSS given a one unit change in the value of the predictor variables, given that all the other variables in the model are held constant. The b values are positive in the case of Average Loan Balance per borrower, Capital Adequacy Ratio, Return on Assets, Yield, Number of active borrowers and Average Loan Balance per borrower signifying a positive relationship between OSS and the above-mentioned predictors. As interpreted from the table, there exists a negative relationship between OSS and Operating Expenses Ratio since the b value is negative.

The following predictors are making a significant contribution to the model namely Average Loan Balance per borrower (b=0.001; p = 0.021), Capital Adequacy Ratio (b=0.344; p=0.000), Return on Assets (b=2.627; p=0.000), Operating Expenses Ratio (b=-0.509; p=0.043) and Number of Active Borrowers (b= 0.002; p=0.002) are significant predictors of Operating Self-Sufficiency since the Sig. value is less than 0.05.

The effect of OER is significant and coefficient is negative indicating that greater the OER, lower is the OSS of an institution.

The independent variables – Yield on the loan portfolio and Average Borrowers per Loan officer are not making significant contribution to the model as the sig. value is more than 0.05.

Table 3: Regression Analysis - Coefficients

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
(Constant)	93.729	7.897		11.869	.000	78.028	109.430					
ALB	.001	.000	.131	2.350	.021	.000	.002	.242	.247	.126	.930	1.075
CAR	.344	.077	.277	4.477	.000	.191	.496	.272	.437	.240	.749	1.335
ROA	2.627	.368	.652	7.146	.000	1.896	3.358	.790	.613	.383	.345	2.898
YIELD	.239	.323	.053	.739	.462	-.404	.881	.086	.080	.040	.555	1.802
OER	-.509	.247	-.203	-2.057	.043	-1.001	-.017	-.550	-.218	-.110	.297	3.370
ACTBO	5.517E-006	.000	.187	3.211	.002	.000	.000	.053	.329	.172	.844	1.185
ABLO	.002	.002	.059	1.042	.301	-.002	.006	.120	.112	.056	.898	1.114

a. Dependent Variable: OSS

The b values and their significance are important statistics to look at. However, the standardized coefficients of b values are easier to interpret, as they are independent on the units of measurement of the variables. In our study, ROA has the largest beta coefficient of 0.652 and yield has the smallest beta coefficient of 0.053. While a one standard deviation increase in ROA leads to a 0.652 standard deviation increase in OSS, a one standard deviation increase in yield leads to just 0.053 standard deviation increase in OSS with the other variables held constant.

The tolerance values are above 0.2 indicating that there is no multicollinearity and predictor variables are independent from each other. Similarly, all values of VIF are less than 10 in our case validating no presence of multicollinearity in the data. The higher the collinearity, the greater is the discrepancy between bivariate and multivariate contributions of variables.

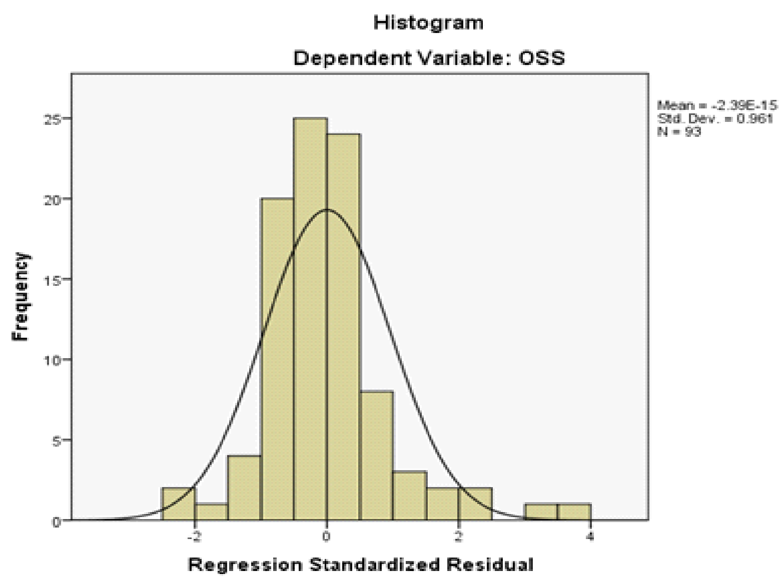

Figure 1: Multiple Regression - Histogram

The dependent variable is normally distributed as seen from the histogram which is one of the assumptions of the multiple regression analysis. Its skewness and kurtosis are near 0 (which would be normal). Similarly, data has also been checked for homoscedasticity using scatter plots.

Multiple regression analysis also assumes that there should be no significant outliers, high leverage points or highly influential points, which may distort the results. To identify the influential cases with large Cook's Distances, data has been sorted by the Cook's distance variable. The influential cases having value of more than 1 have been removed as they affect the results. Similarly, outliers have also been chucked off using Standardized Residuals.

Thus, from the above analysis, we reject the null hypothesis that Average

Loan Balance per borrower, Capital Adequacy Ratio, Return on Assets, Operating Expenses Ratio and Number of Active Borrowers do not significantly affect the Operating Self-Sufficiency. At the same time, we accept the null hypothesis that Yield and Average Borrowers per Loan Officer do not significantly affect OSS.

CONCLUSION AND SCOPE FOR FUTURE WORK

With an empirical analysis, this research work identifies the determinants of Indian MFI's OSS. It has been found that the main determinants of the operational self-sufficiency of Indian MFIs are Average Loan Balance per Borrower, Capital Adequacy Ratio, Return on Assets, Operating Expenses Ratio and Number of Active Borrowers. Yield and Average Number of Borrowers per loan officer do not significantly affect OSS.

The various financial and operational performance parameters of microfinance institutions in the study makes it possible to suggest ways to increase MFIs ability to cover costs, improve profitability and sustainability.MFIs must ensure sustainability through financial performance while keeping the pro-poor focus as none of the MFIs can end poverty by becoming bankrupt. MFIs must achieve the holistic goal of profitability and at the same time ensure measurable improvements in the socio-economic conditions of its clients.

MFIs most valuable assets are not their loan portfolio but their high quality relationships with the poor. They must conduct many marginally profitable transactions rather than few highly profitable ones. (Microcredit Summit Campaign Report, 2009)

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Economic Significance and Challenges in Entrepreneurial Innovation

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ABSTRACT

In the present scenario of globalization and intense competition, policy makers are pooling efforts to revive the growth and overcome the financial and economic problems. In this endeavor, Innovative Entrepreneurship has gained focus as it can promote the economic growth as well as contribute in poverty alleviation and addressing the unemployment issues and other social challenges. Today, not only innovative element has become a crucial partner of survival for the businesses but also it has become an integral part of business strategy. In this paper, the Economic aspects of Innovation and problems & challenges in the path of Business Innovation are presented. Primary research with a sample of 30 entrepreneurs is conducted to explore the challenges in being Innovative in Business operation.

INTRODUCTION

The Countries which produce innovative products and services can tap a premium share in global markets and that will enable them to pay high wages. Innovation is an act of making changes. It involves introducing new ideas and new ways of doing things. As per Peter Drucker, innovation consists of the purposeful search for changes and the opportunities that such changes might offer. India, as a subsistence economy, is still under pressure to provide even the most basic necessities of life to a majority of its population.

Entrepreneurs are widely understood for their important contributions towards economic growth and general welfare. Innovation, creativity and an idea that can be developed further in harmony with societal values to gain competitive advantages over rival players for economic prosperity, is a true essence of entrepreneurship than mere self-employment.

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In India, not only innovation is needed for the encouragement of economic prosperity but also the execution of the known innovations is immensely required. The Indian economy needs more of execution of known innovations more than innovations itself. As there is a large pool of unmet needs waiting to be addressed and imitation of innovation has all potential to do that. This execution of known innovations through business activities address the societal problems that India face today.

OBJECTIVES OF THE STUDY

1. To explore the economic significance of entrepreneurial innovation in India
2. To identify impeding factors in the promotion of innovative entrepreneurship.

ECONOMIC SIGNIFICANCE OF INNOVATION IN INDIA

Innovation is the specific instrument of entrepreneurship. Innovation is the process of finding novel ideas and realizing those ideas on a large scale to transform life for betterment. Peter Drucker (Innovation and Entrepreneurship, 1993) said Innovation is a specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service. It is capable of being presented as a discipline, capable of being learned, capable of being practiced.

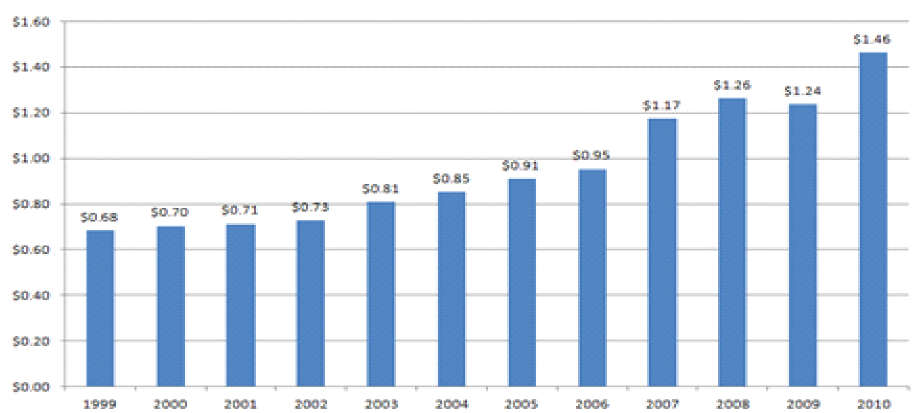
Innovation has become key determinant of competitiveness and national progress. Not only innovation is important to aid address global issues like climate change and sustainable development but also small and large entrepreneurs can achieve economic prosperity by being innovative in their business activities.

Indian economy through development of automobiles and highways, airplanes, telecommunications, and the internet, have made easier for businesses to market their products globally and connect their best workers to one another. Innovation like these drives the economic growth has decreased the transportation, information and communication costs etc., aiding business enterprise to grow by increasing its productivity. When business becomes more productive with lesser inputs, the prices of goods and services fall and worker's wages rise improving our standard of living.

(A) As Productivity increased – worker's wages have increased

Average Hourly Compensation Costs for all Employees in Indian Manufacturing Industry 1999-2010

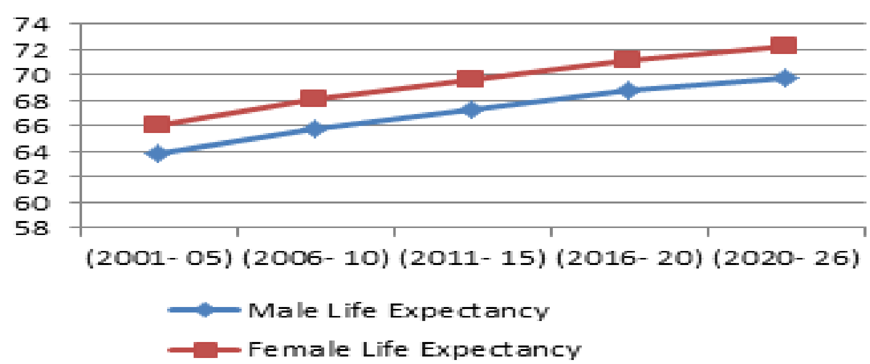
Hourly compensation costs have grown steadily in both rupees and in U.S. dollars. According to a report of the International Labor Office, India has found a place among the industrialized economies, including US and EU. New York based, 'The Conference Board', says India and China remain the largest and most dynamic economies with 8.7% and 5.4% growth in labor productivity in 2010.



Source: U.S. Bureau of Labor Statistics

(B) Life Expectancy has increased due to better

Statistics released by the Union ministry of health and family welfare show that life expectancy in India has gone up by five years, from 62.3 years for males and 63.9 years for females in 2001-2005 to 67.3 years and 69.6 years respectively in 2011-2015. Experts attribute this jump — higher than that in the previous decade — to better immunization and nutrition, coupled with prevention and treatment of infectious diseases.



Source: Union Ministry of Health and Family Welfare

As per Dr S Balasubramanian, joint director of Tamil Nadu public health, Childhood vaccination has checked epidemics and saved lives. Life-threatening diseases like diphtheria, tetanus and whooping cough have been eliminated completely. India has also been recently declared a polio free nation. Reduction in the incidence of mortality from infectious diseases is achieved by development and dissemination by vaccines and antibiotics.

The increase in life expectancy is brought about by medical innovations and improvements in public health practices.

(C) New organizational structures lead to rising standards of living.

The innovations that improve our daily lives are not just new inventions or technological discoveries. They also include ideas about how to reorganize businesses to make them more productive and efficient. In the last twenty years, organizational innovations—from Big Bazaar to internet retailers like Flipkart, Snapdeal etc have allowed delivering more output with less work.

E commerce, m commerce, information and communication technology (ICT) enables practices which provide multiple benefits in terms of improvement of quality, efficiency, cost saving, time saving for business organizations, society and government. Just-in-Time manufacturing way, and easily reaching to a fast growing online community, merging the global geographical and time zone boundaries and helping to reach national and international markets at low operating costs. Business are taking advantages of connected customers, building brand digitally, increasing quantity of output by using e-commerce and mobile- based practices. Providing better way of comparing prices of goods and services and enabling the access to rural areas as well which were otherwise not available to them earlier, have definitely raised the standard of living.

(D) Innovation made Technology Affordable:

Consumer technologies like personal computers and mobile gadgets have made all our lives easier, making us to promptly connect with people across the globe and retrieve information irrespective of our location. The price of such technologies has come down rapidly. An affordable X Ray system with outstanding diagnostic precision developed by GE for poor. Automated Teller machines that use a thumbprint recognition system by Citibank originally intended for the illiterate slum dwellers, low cost cell phones with longer battery life that assume illiterate users developed by Motorola.

Innovations in the area of mobile phones have become so affordable that according to a U.N. report, "Six of the world's seven billion people have mobile phones – but only 4.5 billion have a toilet.

The rapid increase of using technology has evidence about its affordability, both in rural and urban sectors of the country. Technology has penetrated deep at the grass root and has made things simpler and efficient, both at the consumer's end and business operations.

Strength of Internet Mobile Users – Rural & Urban

Source: IAMAI, Feb 2016

(E) New Household Technologies allow more time for family and leisure

The advent of household appliances made it easier to complete household daily chores such as cooking food and cleaning. As such work was predominantly done by women, the number of hours spent on household work by women declined substantially.

Leisure increases also come about because of rising wages; as basic needs are met, individuals are more likely to choose leisure over work. According to a study, 'India leisure and entertainment trends 2008', from 15 to 55, everyone is spending on leisure and entertainment these days. And the repertoire is wide, from TV to music, cinema to reading, outings to retail therapy, fitness and even religion. This also includes new age engagements like gaming and net-based activities.

CHALLENGES FACED BY ENTREPRENEURS IN BUSINESS INNOVATION

Innovation & Entrepreneurship go hand in hand and have the potential of creating value for people and their lives. The later is the force that derives the former. To quote the economist, T. N. Srinivasan, 'Innovation and Entrepreneurship is a two-way relationship. In one sense, in innovation, someone finds something but that somebody may not be equipped to translate that something into a commercial proposition. That is where Entrepreneurship comes in.' Innovation has gained importance as being critical to growth and competitiveness since the start of economic liberalization in India.

According to FICCI MSME summit (2012) report, 'It is essential not only for developed but also developing countries including India to foster innovation, especially at the firm level, since firms, not countries, are the ones that have to compete internationally.'

At the Global Innovation Index (2014), India slipped 10 notches down. India fell from the 66th position to the 76th on the index. India became the only one among the BRICS economies that fell in the rankings of countries based on their innovation capabilities. The divergence of India from the rest of the BRICS economies is the result of the challenges it faces in integrating its efforts along the different dimensions of innovation to sustain a high level of innovation success.

As per Gunter Faltin (1999), 'An entrepreneur does not necessarily need to be an inventor but should be an innovator. To enter the market requires innovative ideas. Lacking this means that existing businesses already have customers, experience with suppliers, knowledge about the product and their environment - will have a competitive edge. Innovation is an important ingredient for success and survival. Statistics show that, at least in developed countries, about 50-80 % of all new start-ups do not survive more than five years.'

W. Chan Kim & Renee Mouborgne (1997) clearly found in their research that entrepreneurs and managers of high revenues and high profit companies, irrespective of the industry, are ones who have come with the logic of value innovation in their business.

Steven C Michael & John A Pearce II (2009) offered a model of government support for entrepreneurship to yield innovation that is grounded in theory yet rich in practical implications. Their analysis suggests aiding entrepreneurship without a commitment to innovation, is unlikely to be as successful.

(A) Primary Research of 30 Entrepreneur

During the three years 2012 to 2014, how important were the following factors for hampering your innovation activities/ projects or influencing the decision not to innovate:

Summary of the Responses Received:

COST FACTOR	Medium + High	Percentage %
(i) Lack of Fund within your Enterprise or group	24/30	80%
(ii)Lack of finance from sources outside your enterprise	23/30	76.6%
(iii)Innovation costs too high	22/30	73.3%

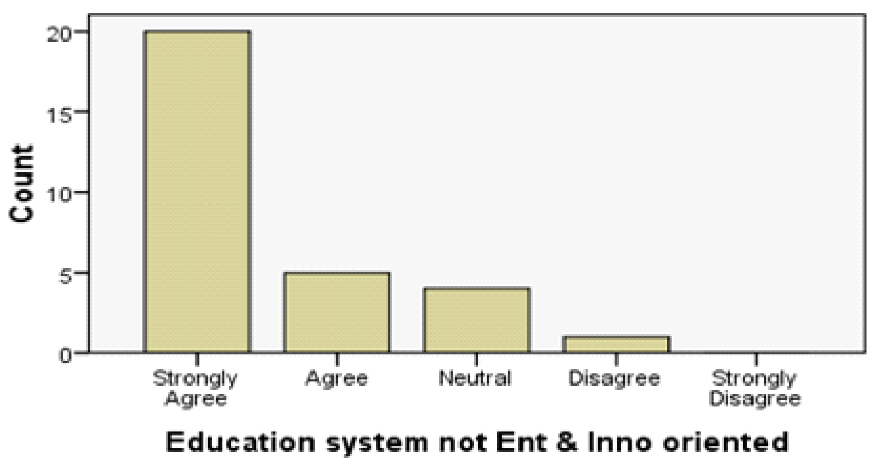
KNOWLEDGE FACTOR	Medium + High	Percentage %
Lack of Qualified Personnel	17/30	56.6%
Lack of information on technology	12/30	40%
Lack of information on markets	20/30	66.6%
Difficulty in finding cooperation partners for innovation	26/30	86.6%

MARKET FACTOR	Medium + High	Percentage %
Market dominated by established enterprises	16/30	53.3%
Uncertain demand for innovative goods/services	20/30	66.6%

REASONS NOT TO INNOVATE	Medium + High	Percentage %
No need due to prior innovation	11/30	36.6%
No need because of no demand for innovations	6/30	20%

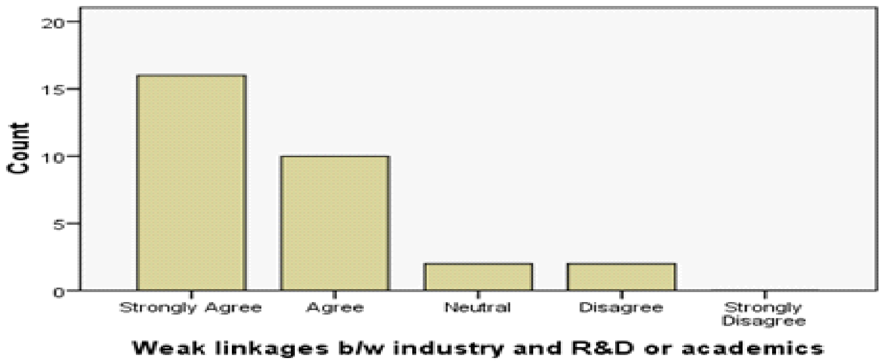
(I)The general education system is still too focused on grades and careers and is not oriented towards innovation and Entrepreneurship.

83.3% entrepreneurs Agree & Strongly agree to the about non-conducive education system in India. Problems like lack of infrastructure and good facilities in the educational institutions are highly recommended.



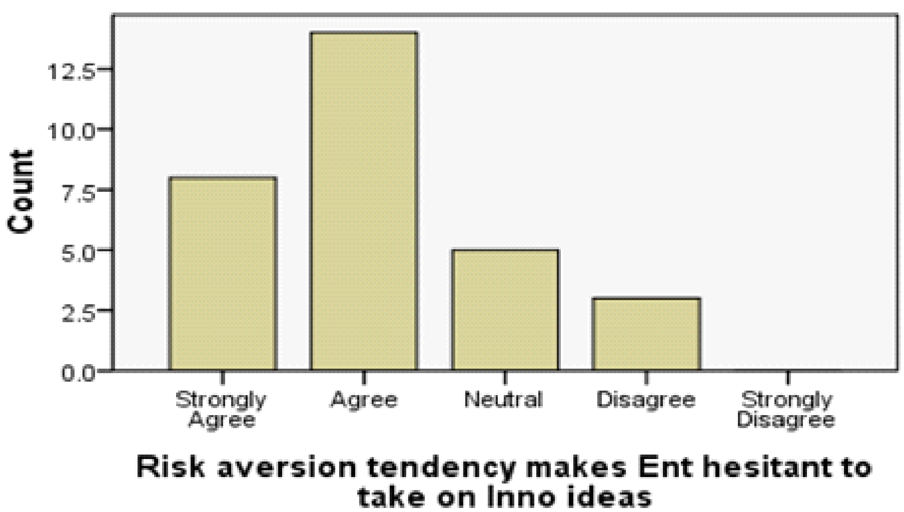
(II) The linkages between industry, especially medium and small-scale enterprises and R&D or academic institutions are weak.

86.6% entrepreneurs Agree & Strongly agree about weak linkages between industry and R&D and academics. Exchange of manpower between Industries and Academia or R&D is recommended for mutual understanding and technology transfer.



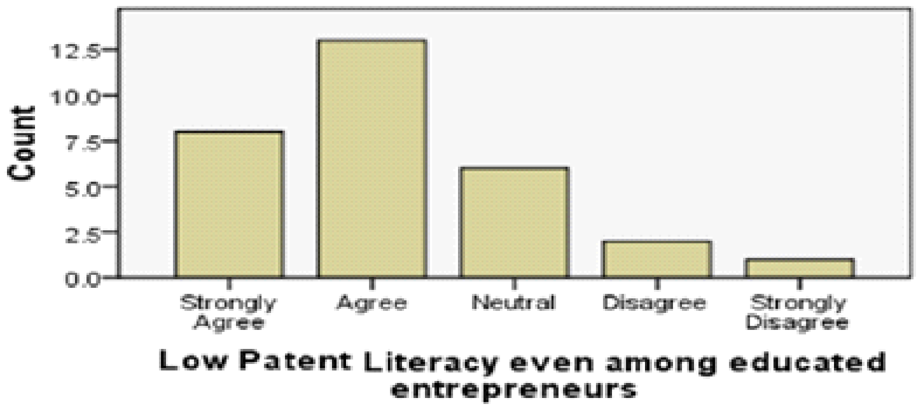
(III) Risk aversion tendency among entrepreneurs makes them hesitant to take on innovative ideas

60% of the entrepreneurs Agree & Strongly agree about the risk aversion tendency among entrepreneurs make them hesitant to take on innovative ideas. To innovate, Entrepreneurs are advised to take calculated risk and not always prefer quick returns.



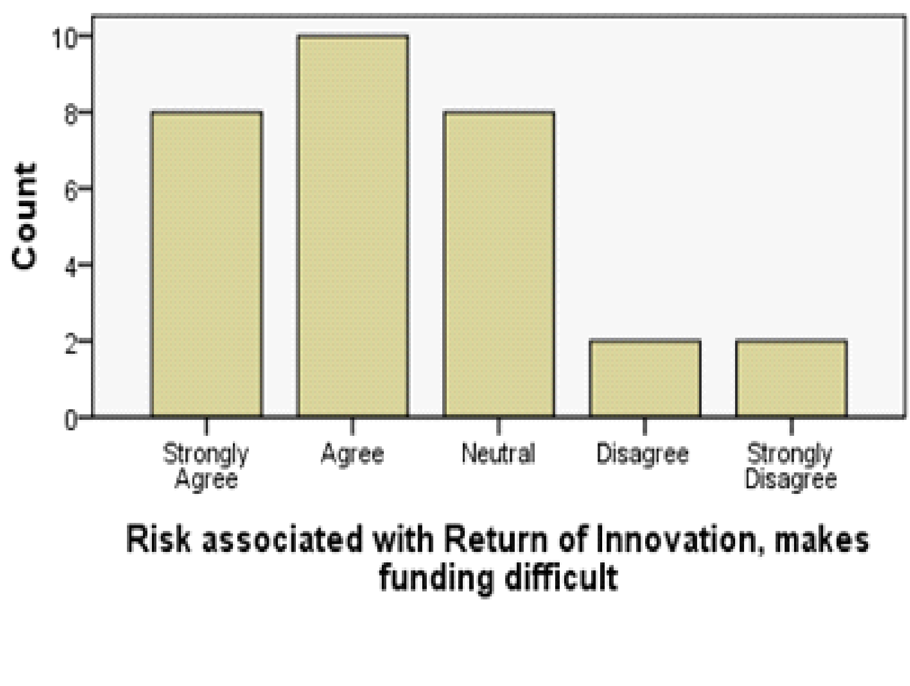
(IV) Patent literacy is very low, even among educated innovators

70% Entrepreneurs Agree & Strongly agree about the weak regime of Intellectual Property Right. A serious work is required in this area of patenting and other forms of protection



(V) The risk associated with the return of innovation, make funding difficult and frugal

73.3% of the entrepreneurs Agree & Strongly agree to the fact that the risk associated with the return of innovation, make funding difficult. Angel, Venture capital and seed funding are recommended to be gracious for innovative projects



DISCUSSIONS AND SUGGESTIONS

Keeping in view the Economics aspects of Innovation and the role Innovation plays in the economic growth of the nation, it is high time to realize the need of efforts in the direction to promote it. Innovation and Entrepreneurship are taken as two sides of the same coin. To support innovation at the firm level that comes up with innovative new ideas of meeting needs in a better and efficient way is the need of the hour. From increasing GDP at the national level to the productivity at the business level to the improved standard of living of the masses, Innovation has a major role to play. Challenges faced by Entrepreneurs in being innovative at the firm's level which has become apparent from the primary survey, should be given attention and all appropriate interventions be considered by the Policy makers to address their problems in order to make a conducive Innovation-ecosystem in India, to further the economic development

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The Role of SMEs towards Employment Generation and Economic Development in India

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ABSTRACT

Small and Medium Enterprises (SMEs) are two economic legs of industrialization process of any country of world. SMEs play a catalytic role in the development process of most economies in the world. The importance of the SME sector is well-recognized the world over using to its significant contribution in achieving various socio-economic objectives such as employment generation, contribution to national output and exports, fostering new entrepreneurship and providing volume to the industrial base of the economy. SME has emerged as a dynamic and vibrant sector of the economy in any country. The SMEs today constitutes a very important segment of the Indian economy. SMEs have now emerged as a dynamic and vibrant sector for the Indian economy in the recent years as well as in future. However, in order to develop this sector properly, it is necessary and urgent for government agencies, regulators and financing agencies to come hand in hand. SMEs also play a key role in the development of economies with their effective, efficient, flexible and innovative entrepreneurial spirit in any country. This sector contributes and supports a lot to Indian economy. The existing study is based upon the published data available from government records, reports, books, journals and websites. The study also explains the main contribution of MSMEs with regard to vital role they play by generating employment, gross domestic production and equitable distribution of national income.

Key Words: *SME,* MSMEs, economy, sustainable development, GDP

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) sector has emerged as a highly vibrant and dynamic sector of the Indian economy since its economic journey. MSMEs not only play vital role in providing large employment opportunities

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at comparatively lower capital cost than large industries but also helping in industrialization process in rural and backward areas.

MSMEs are reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are economically complementary and supplementary to large industries as ancillary units. These sectors contribute largely to the socio-economic development of the country. SMEs have been widely acknowledged as the launch pad for sustaining economic development. Presently, SMEs have emerged as strong economic agents of economic growth and sustainable development through the provision of employment. The socio-economic policies adopted by India since the Industries (Development and Regulation) Act, 1951 have laid stress on MSMEs as a means to improve the country's economic conditions. MSMEs have registered a remarkable growth in 1980-81 from 8.74 lakh units to an estimated lakh 298.08 units in 2009-10. The "Service Sector" has been introduced through Micro, Small, and Medium Enterprises Development Act, 2006. MSMEs are credited with generating the highest rates of employment growth, account for a major share of industrial production and exports. The development of this sector came about primarily due to the vision of our late Prime Minister Jawaharlal Nehru who sought to develop core industry and have a supporting sector in the form of SMEs. SMEs have been given a distinct identity. The Government of India has accorded high priority to these sectors on account of the vital role which play in balanced and sustainable economic growth in India. SMEs are considered a growth engine of Indian economy and play a crucial role in the process of economic development. These sectors' contribution to employment is next only to agriculture in India. Therefore, SMEs are excellent sectors of economy for investment. Currently SMEs account for 95 per cent of industrial units, 46 per cent of the industrial production and 43 per cent of the country's total exports. SMEs are the biggest employment providers with approximately six crores of the population depending on them for their livelihood. Hence, the survivals of SMEs are vital importance to the people.

DEFINITION OF MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA

The definition of SMEs varies from country to country in the world, depending on yardsticks considered the best suitable to promote the sub-sector in each country. In most developing countries, the promotion of small and medium enterprises has become an important part of the process of reform and restructuring that are inevitable in large scale industries. MSMEs as per MSMED Act, 2006 are defined based on their investments in plant and machinery (for manufacturing enterprise) and on equipment for enterprises providing or rendering services. The present ceilings on investment of MSMEs are mentioned in the Table-1.

Table-1 Definition of Micro, Small and Medium Enterprises in India

Table-1 Definition of Micro, Small and Medium Enterprises in India

Classification	Manufacturing Enterprises*	Service Enterprises**
Micro	Rs. 2.5 million / Rs. 25 lakh (US$ 50,000)	Rs. 1 million / Rs. 10 lakh (US$ 20000)
Small	Rs.50 million / Rs. 5 crore (US$ 1 million)	Rs. 20 million / Rs 2 crore (US$ 0.4 million)
Medium	Rs 100 million / Rs 10 crore (US$ 2 million)	Rs. 50 million / Rs 5 crore (US$ 1 million)

* Investment limit in Plant & Machinery, ** Investment limit in equipment, *** Rs 50 = 1 US$

Source: Annual Report, 2013-14 Ministry of Micro, Small and Medium Enterprises, Govt. of India

Vision and vision Statement Ministry of Micro, Small and Medium Enterprises

The vision statement Ministry of Micro, Small and Medium Enterprises is "to ensure an orderly and robust growth and development of MSMEs and through this, continue and strengthen the role of MSMEs as an engine of growth for the Indian Economy". Similarly, mission statement of this Ministry is to " promote growth and development of globally competitive MSMEs, including Khadi, Village and Coir industries, in cooperation with concerned Ministries/ departments, State Governments and other stakeholders by providing support to existing enterprises and encouraging creation of new enterprises. The endeavor is to achieve a cumulative growth of 40 percent - 50 percent in the number of registered enterprises and enhance this sector's contribution to GDP from the present 8 percent to 10 percent by the end of 12th Plan".

Function of Ministry of Micro, Small and Medium Enterprises, Government of India

The followings are the main functions of this Ministry, Govt. of India.

1. Growth and development of existing MSMEs,
2. Creation of new enterprises,
3. Growth and development of Khadi, Village and Coir industries,
4. Skill and entrepreneurship development for MSMEs,
5. Improving performance of PSU and Responsibility Centres, etc.

OBJECTIVE OF THE STUDY

The main objectives of the study are as follows:

1. To examine the changing pattern of definition of the MSMEs and critically analyze the impact of Micro, Small and Medium Enterprise Development (MSMED) Act, 2006.
2. To find out the employment generation of MSMEs during the study period.
3. To find out GDP contribution and investment to Indian economy.
4. To know the performance registered and non-registered of MSME sector in India.

5. To recommend a few suggestions.

SMALL AND MEDIUM SCALE ENTERPRISES VERSUS ENTREPRENEURSHIP

The term 'entrepreneurship' is a buzzword and is quite different SMEs. Entrepreneurship is used to describe to creative, innovative, risk taking and organizational process and functions of individuals who initiate, run and nurture a business venture. It involves of identifying opportunities, creating/ improving a new/existing technologies, products, bearing the accompanied risk and receiving resultant rewards. According to Drucker, entrepreneurship is all about creating a new thing with added value and it involves a great deal of innovation. To be entrepreneurial, a business must apply unique management concepts and practices. Also, products are developed, standardized processed and tools are designed based on training analysis of work to be done. The process also involves the setting of required standards and controls and creating new demands, a market and customers. Thus, an entrepreneur may start as a SME, s/he may not remain in that category for long, but all SME owners are not necessarily entrepreneurs.

As per the results of 4th All India Census of MSME, the sector contributes significantly to the number of enterprises, employment and output of the country. Based on the data of Third and Fourth All India Census of SSI/ MSMEs, augmented with data of EC, 2005 and growth rate observed during 4th (1998) and 5th (2005) Economic Census, the performance of SSI/MSME sector has been presented in the Table-2.

Table-2 Performance of SSI / MSME: Employment and Investments

Table-2 Performance of SSI / MSME: Employment and Investments			
Year	**Total Working Enterprises**(in Lakh)	**Employment** (in Lakh)	**Market Value of Fixed Assets** (Rs. in crore)
2001-02	105.21	249.33	154,349.00
2002-03	109.49	260.21	162,317.00
2003-04	113.95	271.42	170,219.00
2004-05	118.59	282.57	178,699.00
2005-06	123.42	294.91	188,113.00
2006-07	361.76	805.23	868,543.79
2007-08#	377.36	842.00	920,459.84
2008-09#	393.70	880.84	977,114.72
2009-10#	410.80	921.79	1,038,546.08
2010-11#	428.73	965.15	1,105,934.09
2011-12#	447.66	1,011.80	1,183,332.00
2012-13#	467.56	1,061.52	1,269,338.02

Source: Annual Report, 2013-14 Ministry of Micro, Small and Medium Enterprises, Govt. of India

· Including activities of wholesale/retail trade, legal, education & social services, hotel & restaurants, transport and storage & warehousing (except cold storage) for which data was extracted from Economic Census 2005, Central Statistics Office, MOSPI.

· Estimated on the basis of per enterprises value obtained from sample survey of unregistered sector for activities of wholesale/retail trade, legal, education & social services, hotel & restaurants, transports and storage & warehousing(except cold storage) which were excluded from Fourth All India Census of MSMEs, unregistered sector

. # Projected

Contribution of MSME (Manufacturing Sector) to Gross Domestic Product (GDP)

Based on the results of 3rd and 4th All India Census of SSIs/MSMEs, it has been estimated the share of MSME Sectors in manufacturing output and GDP revising the existing ratio-based estimation procedure adopted by the Planning Commission in 1992. The Table-3 shows the estimated value of manufacturing output of MSME Sector and its share in total manufacturing output and GDP.

Table-3 Contribution of MSME (Manufacturing Sector) to Gross Domestic Product (GDP)

Year	Gross Value of Output (Rs. in Crore)	Share of MSME (%)	
		Total Manufacturing Output	GDP
2006-07	1198817.55	42.02	7.73
2007-08	1322960.41	41.98	7.81
2008-09	1375698.60	40.79	7.52
2009-10	1488390.23	39.63	7.49
2010-11	1655580.60	38.48	7.42
2011-12*	1790804.67	37.52	7.28

Source: Annual Report, 2013-14 Ministry of Micro, Small and Medium Enterprises, Govt. of India
Note: - Provisional.

State Wise Details of Number of Enterprises and Employment

Table-4 shows the State/UT wise details of MSMEs and employment both from registered and unregistered segments in India.

Table-4 State Wise Details of Number of Enterprises and Employment

Sl. No.	State/UT	Number of Enterprises (Lakh)				Employment (Lakh)			
		Registered Sector	Unregistered Sector			Registered Sector	Unregistered Sector		
			Sample	EC 2005*	Total		Sample	EC 2005*	Total
1	Jammu & Kashmir	0.15	1.18	1.68	3.01	0.90	2.17	2.68	5.75
2	Himachal Pradesh	0.12	1.60	1.16	2.87	0.65	2.27	1.76	4.68
3	Punjab	0.48	9.66	4.32	14.46	4.16	14.16	8.48	26.79
4	Chandigarh	0.01	0.28	0.20	0.49	0.12	0.58	0.53	1.23
5	Uttarakhand	0.24	2.00	1.51	3.74	0.80	3.62	2.54	6.96
6	Haryana	0.33	4.87	3.46	8.66	3.82	8.41	6.61	18.84
7	Delhi	0.04	1.75	3.74	5.52	0.58	5.94	13.29	19.81
8	Rajasthan	0.55	9.14	6.96	16.64	3.42	15.00	12.37	30.79
9	Uttar Pradesh	1.88	22.34	19.82	44.03	7.55	51.76	33.06	92.36
10	Bihar	0.50	7.48	6.72	14.70	1.48	15.97	10.81	28.26
11	Sikkim	0.00	0.06	0.10	0.17	0.01	0.56	0.22	0.79
12	Arunachal Pradesh	0.00	0.25	0.15	0.41	0.05	0.82	0.31	1.19
13	Nagaland	0.01	0.16	0.21	0.39	0.16	1.00	0.54	1.71
14	Manipur	0.04	0.44	0.43	0.91	0.20	1.38	0.78	2.36
15	Mizoram	0.04	0.10	0.16	0.29	0.26	0.30	0.25	0.81
16	Tripura	0.01	0.26	0.70	0.98	0.23	0.53	0.99	1.75
17	Meghalaya	0.03	0.47	0.38	0.88	0.13	1.04	0.75	1.92
18	Assam	0.20	2.14	4.28	6.62	2.11	4.48	7.66	14.25
19	West Bengal	0.43	20.80	13.41	34.64	3.60	54.93	27.24	85.78
20	Jharkhand	0.18	4.25	2.32	6.75	0.75	8.24	3.92	12.91
21	Odisha	0.20	9.77	5.76	15.73	1.73	21.94	9.57	33.24
22	Chhattisgarh	0.23	2.78	2.19	5.20	0.75	4.68	4.09	9.52
23	Madhya Pradesh	1.07	11.50	6.76	19.33	2.98	17.32	13.36	33.66
24	Gujarat	2.30	13.03	6.46	21.78	12.45	21.97	13.31	47.73
25	Daman & Diu	0.01	0.01	0.04	0.06	0.26	0.03	0.09	0.37
26	Dadra & Nagar Haveli	0.02	0.02	0.04	0.03	0.09	0.26	0.07	0.41
27	Maharashtra	0.87	14.45	15.31	30.63	10.89	24.72	34.43	70.04
28	Andhra Pradesh	0.46	14.90	10.60	25.96	3.83	35.15	31.71	70.69
29	Karnataka	1.36	11.12	7.70	20.19	7.89	22.58	16.24	46.72
30	Goa	0.03	0.56	0.27	0.86	0.33	0.87	0.68	1.88
31	Lakshadweep	0.00	0.01	0.01	0.02	0.00	0.05	0.02	0.06
32	Kerala	1.50	12.94	7.69	22.13	6.21	26.98	16.42	49.62
33	Tamil Nadu	2.34	18.21	12.58	33.13	14.26	38.89	27.82	80.98
34	Puducherry	0.01	0.13	0.21	0.35	0.21	0.25	0.55	1.01
35	And & Nico Islands	0.01	0.07	0.07	0.14	0.06	0.18	0.15	0.38
All India		15.64	198.74	147.38	361.76	93.09	408.84	303.31	805.24

Source: Annual Report, 2013-14 Ministry of Micro, Small and Medium Enterprises, Govt. of India

For activities under wholesale/retail trade, legal, education & social services, hotel & restaurants, transport and storage &warehousing (except cold storage) excluded from the Sample survey of Fourth All India Census of MSME Unregistered Sector, data were extracted from Economic Census 2005 (EC, 2005), conducted by Central Statistics office of Ministry of Statistics &Programme Implementation.

State/UT wise Distribution of Principal Characteristics of MSME Sector

Table-5 shows the total enterprises, employment and market value of fixed assets in various states and union territories in India

Sl. No.	**State/UT**	**Enterprises** (in Lakh)	**Employment** (in Lakh)	**Market Value of Fixed Assets**(Rs. in crore)
1	Jammu & Kashmir	1.33	3.07	8475.28
2	Himachal Pradesh	1.72	2.92	5599.25
3	Punjab	10.14	18.31	37126.69
4	Chandigarh	0.29	0.70	607.05
5	Uttarakhand	2.23	4.42	6014.98
6	Haryana	5.20	12.23	25998.80
7	Delhi	1.78	6.52	10164.54
8	Rajasthan	9.68	18.42	25452.90
9	Uttar Pradesh	24.21	59.30	56161.03
10	Bihar	7.98	17.45	8405.45
11	Sikkim	0.07	0.57	72.1
12	Arunachal Pradesh	0.25	0.88	937.48
13	Nagaland	0.18	1.17	1273.67
14	Manipur	0.49	1.58	646.03
15	Mizoram	0.13	0.56	403.14
16	Tripura	0.28	0.76	661.73
17	Meghalaya	0.50	1.17	468.55
18	Assam	2.34	6.58	6941.15
19	West Bengal	21.23	58.53	39433.22
20	Jharkhand	4.43	8.99	5020.72
21	Odisha	9.97	23.67	12284.89
22	Chhattisgarh	3.01	5.43	3303.41
23	Madhya Pradesh	12.57	20.30	10530.40
24	Gujarat	15.32	34.42	166753.68
25	Daman & Diu	0.02	0.28	1881.53
26	Dadra & Nagar Haveli	0.06	0.34	229.58
27	Maharashtra	15.32	35.61	67941.24
28	Andhra Pradesh	15.36	38.98	32757.63
29	Karnataka	12.49	30.48	27161.11
30	Goa	0.59	1.20	3820.19
31	Lakshadweep	0.01	0.05	17.30
32	Kerala	14.44	33.20	44353.53
33	Tamil Nadu	20.55	53.16	77824.34
34	Puducherry	0.14	0.46	1135.29
35	Andaman & Nicobar Islands	0.07	0.23	96.95
All India		214.38	501.93	689954.86

Source:Annual Report, 2013-14 Ministry of Micro, Small and Medium Enterprises, Govt. of India

Excluded activities under wholesale/retail trade, legal, educational & social services, hotel & restaurants, transports and storage & warehousing (except cold storage).

DISTRIBUTION OF WORKING ENTERPRISES

Rural areas with 200.19 lakh of working enterprises accounted for 55.34 percent of the total working enterprises in MSME sector whereas urban area located 161.57 lakh working enterprises accounted for 44.66 percent of the working enterprises of MSME Sector.

Table-6 Summary Results: 4th All India Census of MSMEs

Sl. No.	Characteristics	Registered Sector	Unregistered Sector	EC-2005*	Total
1	Size of Sector (in Lakh)	15.64	198.74	147.38	361.76
2	No. of Rural Units (in Lakh)	7.07 (45.20%)	119.68 (60.22%)	73.43 (49.82%)	200.18 (55.34%)
3	No. of Women Enterprises (in Lakh)	2.15 (13.72%)	18.06 (9.09%)	6.40 (4.34%)	26.61 (7.36%)
4	Total Employment (in Lakh)	93.09	408.84	303.31	805.24
5	Per Unit Employment	5.95	2.06	2.06	2.23
6	Total original value of Plant & Machinery (Rs. in Lakh)	10502461	9463960	-	19966421
7	Per unit original value of Plant & Machinery (Rs. in Lakh)	6.72	0.48	-	-
8	Total Fixed Investment (Rs. in Lakh)	44913840	24081646	-	68995486
9	Per Unit Fixed Investment (Rs. in Lakh)	28.72	1.21	-	-
10	Total Gross Output (Rs. in Lakh)	70751027	36970259		107721286

Source: Annual Report, 2013-14 Ministry of Micro, Small and Medium Enterprises, Govt. of India

* Economic Census 2005

Table-7 State-Wise Details: Units Assisted, Margin Money Utilized and Estimated Employment Generation during 2013-14 under PMEGP

Sr. No	State/UT	ACHIEVEMENT		
		No. of Project Assisted	M.M (Rs. in lakhs)	Employment (in numbers)
1	UT Chandigarh	55	59.11	385
2	Delhi	142	164.75	1136
3	Haryana	939	2074.98	6352
4	Him. Pradesh	1112	1613.86	5307
5	Jammu & Kashmir	1849	3221.92	11818
6	Punjab	942	2472.08	7536
7	Rajasthan	1278	4056.87	13280
8	A & N Islands	237	172.59	887
9	Bihar	3121	7725.19	20043
10	Jharkhand	2612	4533.09	13060
11	Orissa	2222	4231.41	20482
12	West Bangal	3273	5596.67	24189
13	Aru. Pradesh	657	889.42	6570
14	Assam	8279	7397.4	24555
15	Manipur	15 733	1591.34	5277
16	Meghalaya	414	571.46	1037
17	Mizoram	777	886.4	5050
18	Nagaland	419	1125.76	4365
19	Tripura	1307	2227.4	9175
20	Sikkim	66	108.09	255
21	Andhra Pradesh	1453	4610.54	18170
22	Karnataka	2760	7837.31	25261
23	Kerala	1505	2756.94	11507
24	Lakshadweep	0	0	0
25	Pondicherry	43	43.17	181
26	Tamilnadu	2269	5287.64	29496
27	Goa	42	89.64	214
28	Gujarat *	914	4401.8	13420
29	Maharashtra **	2116	4737.63	14869
30	Chhattisgarh	867	1891.21	4435
31	Madhya Pradesh	2463	7981.76	19449
32	Uttarakhand	1236	2099.99	7335
33	Uttar Pradesh	4358	15117.55	43449
G.TOTAL		50460	107574.97	368545

Source:Annual Report, 2013-14 Ministry of Micro, Small and Medium Enterprises, Govt. of India

TYPE OF ORGANIZATION

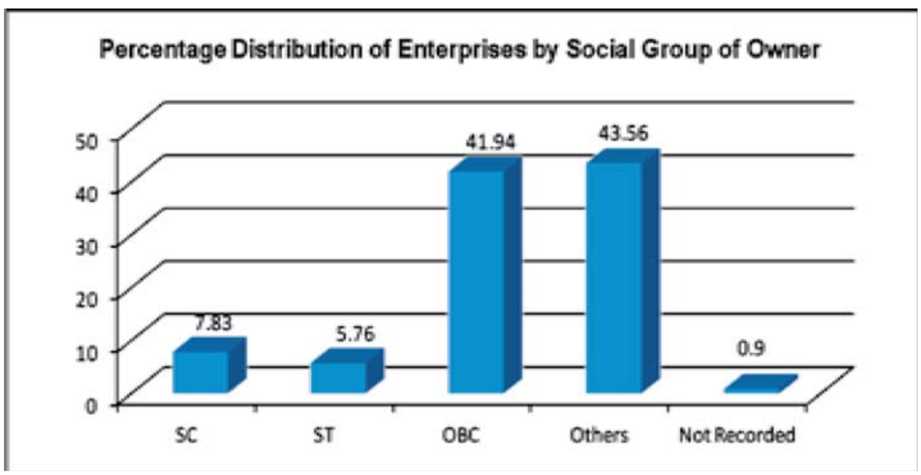
There are 94.41 percent of the proprietary enterprises. About 1.18 percent of the enterprises are operated by partnerships and 0.14 percent of the enterprises are operated by private companies. The rest are owned by co-operatives/ trusts or others in various parts of India.

NATURE OF ACTIVITY

31.79 percent of the enterprises in the MSME sector are engaged by manufacturing organization whereas 68.21 percent of the enterprises are engaged by service organizations in India.

OWNERSHIP BY SOCIAL CATEGORY

According to social group category, 7.83 percent of the enterprises were owned by scheduled caste entrepreneurs, 5.76 percent by scheduled tribe entrepreneurs and 41.94 percent by entrepreneurs of other backward classes in India, figure shown given below.



Building towards a Formidable Small and Medium Scale Enterprises in India

For SMEs to boom, favourable institutional frameworks and planning are needed. Unfortunately, their needs are often overlooked by policy-makers and legislators, who tend to mark into larger corporations. Also, they are usually left out when it comes to tax benefits or business subsidies. Only few SMEs are having with the required financial or human resources in India. Therefore, government should assist more to SMEs through implementing inclusive reform process at the government level. It is the need of the hour; governments may create the necessary enterprising steps and reduce the burden of regulatory mechanisms. Further, they can simplify business registration procedures and paperwork of SMEs to make them into cheaper, simpler and speedier.

1. Providing Financial and Tax Incentives: To motivate SMEs, government should provide tax incentives for SMEs and subsidies which are available to large corporations or micro-entrepreneurs, as well as make provisions for start-up funds for SMEs.

2. Encouraging Friendly Regulatory Environments: Governments should promote public-private partnerships to attract venture capital funds and higher levels of investment and put in place measures to create investor-friendly environments.

3. Involving Business in Identifying Necessary Reforms: Increasingly, the business voice is being listened to in decisions aimed at effecting change. The culture of bureaucrats telling bureaucrats what's good for business is gradually disappearing.

4. Export Potential: SMEs contribute a large share of manufactured exports in most industrialized world economies. There is, therefore, the need to focus on policies that will promote the SMEs export potential to boost economic growth and development. Apart from government, large corporations can also support the development of a strong and reliable SME sector by:

I. **Building supply chain capacity:** The many large corporations that source their supplies from developing countries require reliable suppliers. Large corporations can help SMEs become more viable business partners by providing training in basic skills such as management, book keeping, business planning, marketing, distribution, and quality control. They can assist through technology transfers, direct investment in infrastructure, and the sharing of knowledge. These make SMEs more competitive, as well as facilitate their access to credit.

II. **Rationalizing Procurement Procedures:** Many global companies use intermediaries to identify local suppliers. This can add an extra layer of cost to the operation, a financial outlay that rarely goes to the originator of the goods. This helps drive down costs, hastens delivery and improves quality.

III. **Strengthening Local Distribution Networks:** SMEs have local knowledge, understand domestic consumer demands, and have access to remote regions. By contracting local SMEs to sell and distribute their products in these markets, large corporations can help strengthen the sales capacity and income of local SMEs.

IV. **Improving Standards:** Large corporations can help their SME suppliers to comply with international standards such as ISO 14001. Such compliance can enable SMEs to compete in international markets while at the same time improving the overall quality of suppliers to large corporations.

5. Improving Environmental Performance: SMEs have considerable environmental impact. By engaging with SMEs, assisting them with capacity building, and aiding them with compliance, particularly with environmental standards, large corporations can help SMEs integrate sustainable development thinking into their production processes and operations.

6. **Providing Access to Financial Services**

SMEs require greater access to financial services and investment capital. Many financial institutions in these developing societies are reluctant to fund SMEs because of perceived risks, high transaction costs and similar challenges. Thus, loans to SMEs, when they are able to obtain them, tend to carry higher interest rates and shorter pay-back times. Many large banks are now partnering with development agencies and NGOs to serve the SME market.

CONCLUSION

In the present era of liberalization, privatization and globalization of world economy, competition has increased and changed the business environment. Given the emphasis on, and the increasing number of SMEs in India, there is need to review the effectiveness of existing policies and institutional framework with the aim of developing guidelines for future utilization of these SMEs sector to compete with the global players. There should be a shift to promote SMEs development by creating an enabling policy environment, which fosters SMEs competitiveness and reduces the transaction costs for smaller companies. Undoubtedly, a dynamic and sound SMEs sub-sector is vital and imperative for the overall economic development of India. There should be measures to facilitate commercial bank lending to SMEs; like tackling inherent collateral and information problems and introducing improved lending policies, systems and procedures for SME clients, credit scoring modes, credit information services and credit guarantee fund that minimize moral hazard by sharing risks with banks. SMEs have significant roles to play in the Indian economy, via generating employment for the teeming population of unemployed youths; alleviating poverty through incomes to poor household; participating in the global economy and partnering with larger corporations and so on. In fact the benefits of SMEs are almost in exhaustive. There has been a definite change in attitude of the Govt. from protection to promotion of the MSMEs. However, to achieve greater growth, it needs to achieve technological excellence and increase its competencies in the areas of finance management, business management and labour management. It needs to improve its product and service quality to global standards and seek ways of innovation. Last but not the least, the government should create a facilitating environment such as improved connectivity by roads, railways and airways, improved availability of electricity and water supply.

LIMITATIONS OF THE STUDY

The study is based on secondary data collected from books, articles in newspapers, journals and websites only.

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A Study of Trends in Priority Sector Lending with Reference to Nationalised Banks in India

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ABSTRACT

In order to encourage banks to lend more to neglected areas of the economy the concept of priority sector was introduced. Sectors covered under priority sector lending contribute significantly to the GDP, but do not receive adequate institutional finance. Definition of priority sector was formalised in 1972 in a report of informal study group on statistics relating to the priority sector, by the Reserve Bank of India (RBI) .But priority sector lending has been seen as a necessary burden by banks in India. Due to reluctance of banks in extending the credit to sectors like agriculture and MSME, on which majority of the population is dependent, these sectors are still fund starved .This paper provides an overview of the performance of priority sector lending by nationalised banks in India. The paper analyses the trends in priority sector lending for the period 2005-06 to 2013-14. It has been observed that the credit given by nationalised banks under the priority sector is increasing over the years. For nationalised banks, however, priority sector lending remains costly and risky and they prefer to issue larger credit to corporate operating in urban industries. The study concludes that priority sector advances of nationalised banks are increasing. But inspite of increasing advances, nationalised banks have not achieved some targets fixed by RBI. Many problems are created because of priority sector lending by nationalised banks. These problems are low profitability, high NPAs, transaction cost etc. Need of the hour is to find out solutions for these problems otherwise progress of the nationalised banks will cease.

Key words: Nationalised Banks , Priority Sector Lending.

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INTRODUCTION

One of the remarkable features of credit deployment in the post nationalization era is the diversification of a large fraction of bank credit from the traditional sector to the priority sector. The concept of priority sector lending basically originated in order to ensure that assistance from Reinvestment Act, (CRA) has been enacted by the most developed nation in the world viz. USA , under which banks are required to invest/utilize a certain amount of their deposits in poor areas. Some guidelines have been stipulated by, RBI and Government of India to increase financing of the Priority Sector by deploying more credit to the backward regions; ensuring smooth flow of credit to weaker sections to ensure a balanced social and economic growth.

But credibility of Priority Sector Lending is questionable. Targets and sub-targets have not been met in many cases. Credit and demand constraint is still faced by many small entrepreneurs and farmers. It has been seen that the constraints faced by the banker's with regard to deployment of credit to priority sector are lack of viable credit products. Also on the other hand there exists an informal sector deploying credit to priority sector, particularly agricultural credit at higher rates of interest, which indicates that there are no demand constraints. Thus there is a clear indication that there is an enormous demand of funds from the priority sector. This paper will attempt to study the trends in priority sector lending in order to diagnose empirically the various lacunas of priority sector advances by nationalized banks.

EVOLUTION OF PRIORITY SECTOR LENDING IN INDIA

In July 1968 a meeting of National Credit Council was held, where commercial banks were advised to increase the flow of credit to priority sectors i.e. agriculture and small scale industries in order to focus attention on the need to ensure adequate credit facilities to certain neglected sectors of the economy.

Next major step took place with nationalization of major banks in 1969 in order to increase the involvement in the financing of priority sectors, such as agriculture, exports, and small-scale industry.

Initially only public sector banks were directed to lend to priority sectors at its inception. But in the late 1970s, that private sector banks were also directed to lend to priority sector on a mandatory basis, at par with the public sector banks.

Definition of Priority Sector was formalized in 1972 on the basis of report submitted by Informal Study Group on Statistics relating to advances to Priority Sector.

Initially no target was set up with respect to Priority Sector Lending. In November 1974 banks were advised to achieve a target of 33 1/3 % of their aggregate advances to Priority Sector by March 1979.

Further in 1978 ,all domestic commercial banks, public or private, have been mandated to lend 40 percent of their adjusted net bank credit (ANBC) or credit equivalent amount of their off balance sheet exposure—whichever is higher—to the priority sectors.

Furthermore, a sub-targeted lending of 18 percent to agriculture has been advised in 1989.

In 1988-89 it became mandatory for foreign banks operating in India to lend to the priority sector. Advances to export sector by foreign banks operating in India are treated as priority sector advances which is not applicable in the case of public sector banks.

Guidelines with respect to lending to priority sector have been revised from time to time. Broadly, the categories of bank advances included under priority sector are: (a) Agriculture (b) SSI (c) Small road and water transport operators, retail traders, small business operators, professionals and self employed persons, SHGs and NGOs, (self help groups and Non- Government organizations) state sponsored SC\ST organizations, education, housing and consumption loans for weaker sections.

The definition of priority sector advances has also been widened to cover commercial banks' investment in special bonds issued by certain financial institutions like National Housing Bank for exclusive financing of priority sector.

Since its inception, banks have increased their involvement in priority sector lending along with the extension of the branch network of banks into the rural areas with special emphasis on opening branches in unbanked areas.

BROAD CATEGORIES UNDER PRIORITY SECTOR LENDING

The broad categories of priority sector for all scheduled commercial banks are as under:

1. Agriculture (Direct and Indirect finance)

The lending to agriculture sector has been defined to include

- (i) Farm Credit
- (ii) Agriculture Infrastructure
- (iii) Ancillary Activities:

2. Micro and Small Enterprise

Bank loans to Micro, Small and Medium Enterprises, for both manufacturing and service sectors are eligible to be classified under the priority sector as per the following categories:

- (i) Manufacturing Enterprises
- (ii) Service Enterprises
- (iii) Khadi and Village Industries Sector
- (iv) Other Finance to MSMEs:

3. Education loans

4. Housing loans

5. Export Credit

6. Social infrastructure

7. Renewable Energy

8. Others

LITERATURE REVIEW

Suraj Chatrath and Dr. Gourav Vallabh (2006) stated that to achieve the ambitious average GDP growth of 8 per cent per annum in the tenth plan we need to agriculture sector and rural financial institutions need to be revitalized. They observed that most of the commercial banks are achieving the target of 40 per cent for directed lending to the priority sector by subscribing to other eligible instruments that .As a result aid has been received by large farmers and agri-businesses. However, small and marginal farmers continue to depend, largely, on indigenous money-lenders. Thus there was a need for banks to strengthen their credit delivery system in rural areas and focusing on people at the bottom of the pyramid and align all sections with the systems.

Jaynal Ud-din Ahmed (2009) in his research paper on the priority sector lending in Barak Valley from 1998 to 2007, observed that the percentage share of priority sector advances of banks in the region is much higher than the national level and the banks could achieve the priority sector lending targets of 40% as per the RBI norms. Whereas it has been observed that the small scale industries and agriculture sectors have received comparatively less attention than that of trade and services under reference period. He also suggested that necessary steps should be taken for financing priority sectors in the backward areas.

Raman P. and DR. Thangavel N (2011) in their research article observed lives of millions have been served by the national objectives of development of agriculture, small industries and exports, rising of literacy rate, encouraging new entrepreneurs and development of backward areas. Priority sector lending scheme is one of the main part of social banking. Poverty in India has been reduced by the branch expansion in unbanked areas and priority sector lending by facilitating the uniform development, particularly in rural areas.

Dr. Jasmindeep Kaur and Silony (2011) in their research article "performance review of commercial banks in India with special reference to priority sector lending - a study of post reforms era" concluded there has been a manifold improvement in the priority sector advances and agricultural advances of public sector banks and private sector banks over the study period from 1990-91 to 2007-08. Priority sector advances of private sector banks grew faster than that of public sector banks during the post reforms. It has been found that public sector banks concentrated more on agriculture sector than on other sectors of the economy.

OBJECTIVES OF THE STUDY

1. To study the trends in priority sectors lending of Indian nationalized banks.

3. To study the issues and prepare strategies to develop the priority sector lending.

RESEARCH METHODOLOGY

A sample of 19 nationalized banks has been selected for the purpose of study .Data has been analyzed for a period of nine years i.e. from 2005-06 to 2013-14.Secondary data has been collected from RBI trends, reports and annual reports for the purpose of study. Banks selected for study are:

Trend analysis has been performed to study the trend in priority sector lending by nationalised banks.

Table 1: List of nationalised banks

S. No.	Name of Bank
1	Allahabad Bank
2	Andhra Bank
3	Bank of Baroda
4	Bank of India
5	Bank of Maharashtra
6	Canara Bank
7	Central Bank of India
8	Corporation Bank
9	Dena Bank
10	Indian Bank
11	Indian Overseas Bank
12	Oriental Bank of Commerce
13	Punjab and Sind Bank
14	Punjab National Bank
15	Syndicate Bank
16	UCO Bank
17	Union Bank of India
18	United Bank of India
19	Vijaya Bank

TREND ANALYSIS

The trend analysis is done on the annual time series data of outstanding advances to priority sector of selected nationalised banks for ten years. Trend has been also studied for outstanding advances to agriculture sector and small scale industries. The trend analysis is done with the help of applying regression model considering the outstanding advances of priority sector as dependent variable and time as independent variable. Mathematically the regression model applied for long run analysis is shown below:

$$y=a+bx$$

Where y is dependent variable (outstanding advances of priority sector) and x is time (in years) which is an independent variable. Equation represents the long term trend, if any, presents in priority sector lending of nationalised banks. The t-statistics test the null hypothesis that there exists no significant trend in the dependent variable. With the 95 percentage confidence if probability value of t-statistics is found to be less than 5 percentage of significance then null hypothesis cannot be accepted. In this case it can be concluded that there exists significant trend in long behavior of dependent variable.

In the research study, the trend analysis is done on total outstanding advances of priority sector of the banks along with outstanding advances to agriculture sector and small scale industries and the result of the analysis are shown in the following section.

Trend Analysis of Total PSL

PSL which involves giving to loans to neglected sectors of an economy on preferential terms and conditions is an important tool of development policy.There have been several changes in the scope and extent of priority sector since its inception in early 1970s. Since then several new areas and sectors being brought within the purview of this sector. As per the latest guidelines, total PSL of a nationalised bank is a combination of PSL in different areas such as agriculture, micro and small enterprises and others including education, housing, social infrastructure, renewable energy, export credit and loans to weaker section. The descriptive analysis (mean, maximum, minimum, standard deviation) of total PSL is done. The results of descriptive analysis are shown below in table 2.

Table 2: Descriptive Analysis of Total Priority Sector Lending

S. No	Name of Bank	Mean (` Crores)	Standard Deviation	Minimum	Maximum
1	Allahabad Bank	29939.06	13942.44	12453	53909
2	Andhra Bank	23787.09	13046.12	8924	45507
3	Bank of Baroda	56637.97	29156.80	18740	103342
4	Bank of India	54182.81	23794.57	22611	94572
5	Bank of Maharashtra	18612.43	10974.23	7206	39094
6	Canara Bank	65703.70	28031.00	30937	118234
7	Central Bank of India	40490.02	19531.53	17897	75997
8	Corporation Bank	26460.97	17243.68	9044	56603
9	Dena Bank	14907.72	7788.58	6074	28454
10	Indian Bank	23498.70	10617.55	10675	41274
11	Indian Overseas Bank	35117.54	17796.38	14114	63635
12	Oriental Bank of Commerce	33464.86	16477.17	13399	57428
13	Punjab and Sind Bank	10793.48	5473.15	3994	20233
14	Punjab National Bank	66616.77	39624.31	13100	135812
15	Syndicate Bank	34819.74	14475.10	14627	57281
16	UCO Bank	29808.38	13425.93	13643	53278
17	Union Bank of India	47228.71	21874.18	22232	87387
18	United Bank of India	17527.00	8243.60	7109	28950
19	Vijaya Bank	16497.10	7204.151	7361	30714

The results indicate that average total PSL is found to be highest in the case of Punjab National Bank (‘66616.77Crores), followed by Canara Bank (‘65703.70 Crores). However minimum average PSL is found in the case of Punjab and Sind Bank (‘10793.48 Crores), Dena Bank (‘14907.72Crores) and Vijaya Bank (‘16497.10 Crores). One of the important factorsaffecting the capacity to generate loans in priority sector is capital which is equally essential for balance sheet expansion. Punjab National Bank has been consistent in exceeding the national goals with respect to priority sector lending because of its large presence throughout the country. A vast network of Regional Rural Banks (RRBs) of Punjab National Bank has helped in strengthening the rural credit delivery system. Bank’s motto “Banking for the Unbanked” is itself a reflection of bank’s role in ensuring financial inclusion. Canara Bank is also a consistent player in the case of PSL. During study period a hat-trick has been achieved by the bank under total priority sector, total agriculture, direct agriculture and weaker section advances by crossing the targets for the financial years 2008 09, 2009 10 and 2010 11. Despite challenging economic and banking environment during the study period Canara Bank has fared well in fulfilling its social responsibility. On the other hand, Vijaya Bank and Punjab& Sind Bank have emerged as weak nationalized banks when assessed in terms of performance parameters such as credit-deposit ratio, investment-deposit ratio, ratio of demand deposits to total liabilities, ratio of priority sector advances to total advances. This is very well reflected in their ability to channelize credit to priority sector. Figure 1 represents the average PSL of nationalised banks.

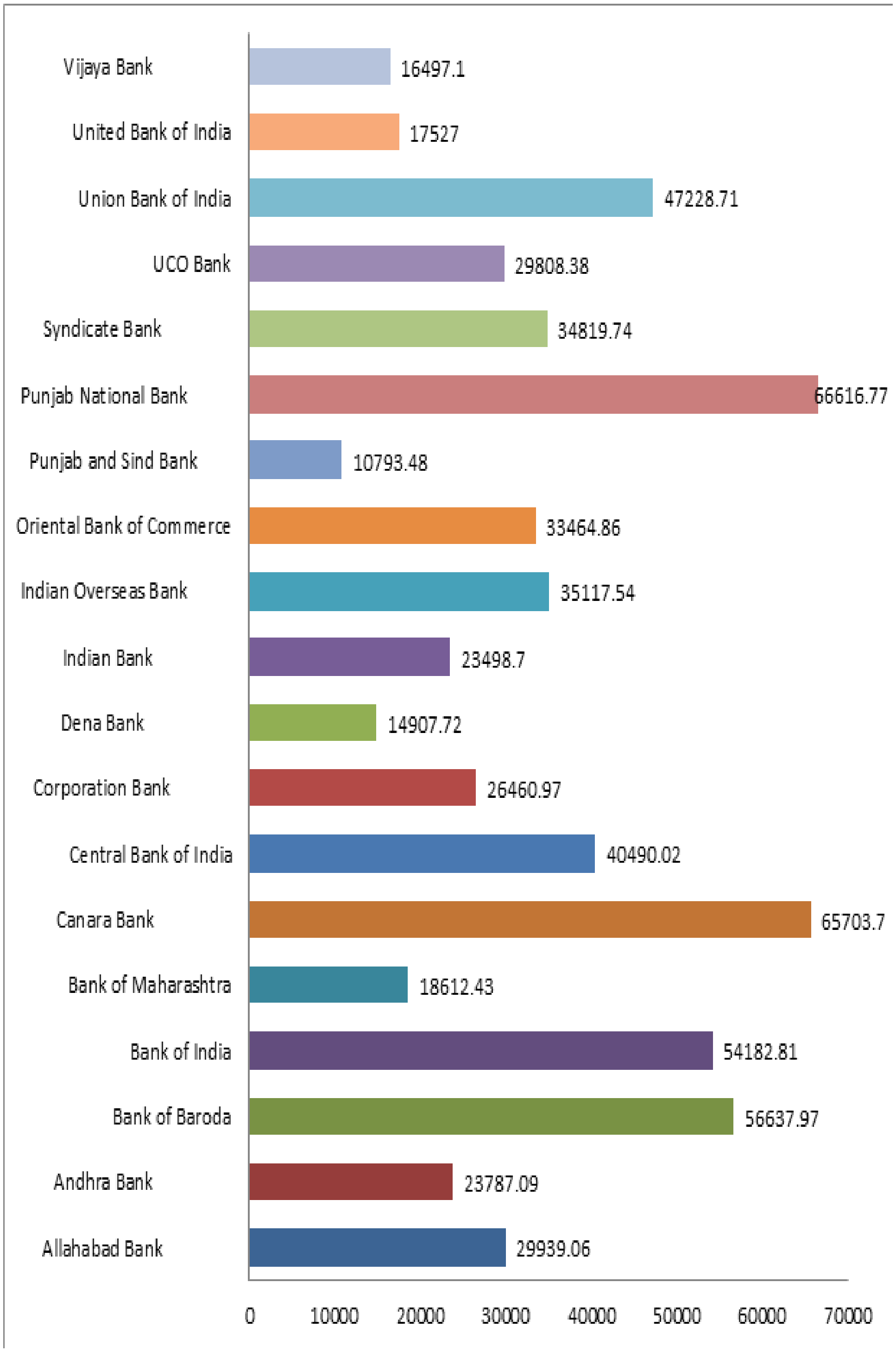
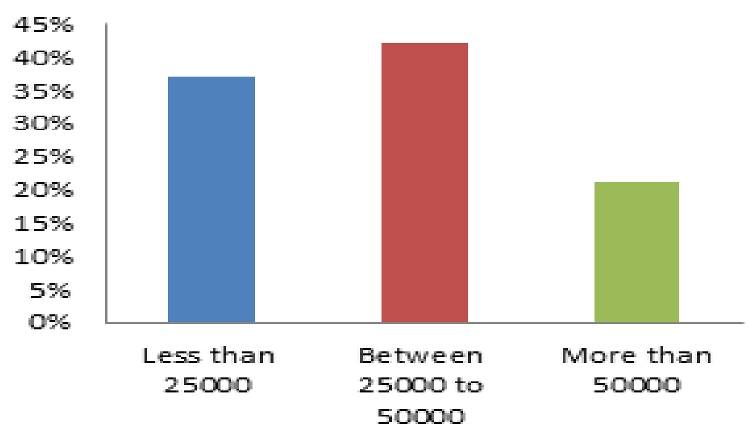


Figure 1: Average PSL of Nationalised Banks

On the basis of average PSL banks are divided into three groups. These groups are banks with average PSL less than '25000 Crores, average PSL between '25000 to '50000 Crores and banks with average PSL more than '50000 Crores. The frequency distribution of nationalized banks is shown in table 3 below and figure 2.

Table 3 and Figure 2: Distribution of Average Total PSL by Nationalised Banks

Average Total PSL	Frequency	Percent
Less than '25000 Crores	7	37%
'25000 to '50000 Crores	8	42%
More than '50000 Crores	4	21%
Total	19	100%



The results indicate that 7 out of 19nationalisedbanks (37 percent) have the average PSL less than '25000 Crores per annum, whereas 8 banks (44 percent) have average PSL between '25000 to '50000 Crores per annum and only 4 banks (21percent) have average PSL more than '50000 Crores per annum. It is surprising to note that only 21percent nationalized banks have lend more than '50000 Crores annually on an average to priority sector during the study period. This raises the point for a need for serious reconsideration of the programme. It is seen from the experience of developed and developing economies that banks are reluctant to lend to areas that need priority because of factors such as low returns and long gestation periods etc.

In the study an effort has been made to study the long term behaviour of PSL by nationalised banks during the period 2006-2015.The long term trend of total PSL of nationalised banks is analysed with the help of bivariate regression model represented below

$$Total\ PSL = \alpha + \beta * Time(in\ years) + \varepsilon \qquad 1$$

Where total PSL is considered as a dependent variable, α is intercept, β represents the long term trend in behaviour of total PSL and time is considered as an independent variable. The hypothesis of regression model (equation 1) is mentioned below.

Null Hypothesis: H_0 : "There is no significant trend in total PSL of nationalised banks"

Alternative Hypothesis: H_1 : "There is a significant trend in total PSL of nationalised banks"

The results of regression model are shown below in table 4.

Table 4: Regression Analysis of Total Priority Sector Lending

Name of Bank	Dependent variable	Independent variable	Regression coefficient (β)	t-test (p value)	F-test (p value)	R Square
Allahabad Bank	Total PSL	Time (in years)	4525.19	14.99 **(0.000)****	224.73 **(0.000)****	96.6 %
Andhra Bank	Total PSL	time (in years)	4182.21	11.40 **(0.000)****	129.98 **(0.000)****	94.2 %
Bank of Baroda	Total PSL	time (in years)	9565.91	24.36 **(0.000)****	593.39 **(0.000)****	98.7%
Bank of India	Total PSL	time (in years)	7694.97	13.62 **(0.000)****	185.57 **(0.000)****	95.9%
Bank of Maharashtra	Total PSL	time (in years)	3356.05	6.93 **(0.000)****	48.05 **(0.000)****	85.7%
Canara Bank	Total PSL	time (in years)	8959.07	10.85 **(0.000)****	117.78 **(0.000)****	93.6%
Central Bank of India	Total PSL	time (in years)	6159.09	9.07 **(0.000)****	82.43 **(0.000)****	91.2%
Corporation Bank	Total PSL	time (in years)	5313.78	7.33 **(0.000)****	53.76 **(0.000)****	87%
Dena Bank	Total PSL	time (in years)	2490.76	10.95 **(0.000)****	119.94 **(0.000)****	93.7%
Indian Bank	Total PSL	time (in years)	3814.67	14.57 **(0.000)****	212.55 **(0.000)****	96.8%
Indian Overseas Bank	Total PSL	time (in years)	5754.77	13.59 **(0.000)****	184.90 **(0.000)****	95.9%
Oriental Bank of Commerce	Total PSL	time (in years)	5366.53	16.78 **(0.000)****	281.60 **(0.000)****	97.2%
Punjab and Sind Bank	Total PSL	time (in years)	1720.20	8.75 **(0.000)****	76.66 **(0.000)****	90.6%
Punjab National Bank	Total PSL	time (in years)	9951.93	3.31 **(0.000)****	10.96 **(0.011)****	57.8%
Syndicate Bank	Total PSL	time (in years)	4774.31	53.57 **(0.000)****	2869.90 **(0.000)****	99.7%
UCO Bank	Total PSL	time (in years)	4143.08	7.41 **(0.000)****	54.94 **(0.000)****	87.3%
Union Bank of India	Total PSL	time (in years)	6773.23	7.62 **(0.000)****	58.06 **(0.000)****	87.9%
United Bank of India	Total PSL	time (in years)	2678.36	15.46 **(0.000)****	239.26 **(0.000)****	96.8%
Vijaya Bank	Total PSL	time (in years)	2263.15	8.71 **(0.000)****	75.89 **(0.000)****	90.5%

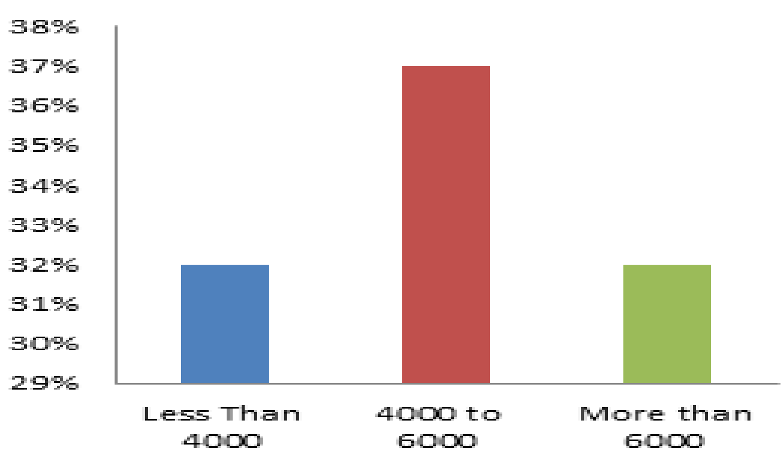
** indicates that p value < 0.05

The result of bivariate regression model indicates that probability value of t statistics for all banks is found to be less than 5 percent level of significance, hence with 95percent confidence limit null hypothesis of no long term trend in total PSL cannot be accepted. Thus it can be concluded that there exists a significant positive trend in the behaviour of total PSL of all nationalized banks. The p value of F statistics is found to be significant in case of all selected banks which represent that regression model is statistically fit and R square represents the magnitude of existed long term trend of nationalised banks. It is found that Punjab National Bank has the highest trend value of ‘9951.931Crores. This indicates that on an average total PSL of Punjab National Bank increases by ‘9951.931 Crores every year. Punjab National Bank is followed by Bank of Baroda where it is found that on an average total PSL of bank increases by ‘9565.910 Crores every year. The lowest trend is found in the case of Punjab and Sind Bank where total PSL increases total by ‘1720.201 Crores every year.

On the basis of long term trend of PSL banks are divided into three categories. These are banks with annual trend of less than ‘4000 Crores, between ‘4000 to ‘6000 Crores and more than ‘6000 Crores. The frequency distribution of banks on the basis of annual trend is shown below in table 5 and figure 3.

Table 5 and Figure 3: Distribution of Annual Trend of Total Priority Sector Lending

Annual Trend of Total PSL	Frequency	Percent
Less Than ‘4000 Crores	6	32%
‘ 4000 to ‘ 6000 Crores	7	37%
More than ‘6000Crores	6	32%
Total	19	100%



It is clearly visible from the table that 6 banks (32percent) have an annual trend of less than '4000 Crores and similarly 6 banks (32percent) have an annual trend of more than '6000Crores, whereas 7 banks (37percent) have an annual trend between '4000 to '6000 Crores. It means that on an average priority sector lending of only 6 out of 19 banks increases by less than'4000 Crores every year, whereas PSL of 7 out of 19 banks increases between '4000 to '6000 Crores every year and PSL of only 6 out of 19 banks increases by more than '6000 Crores every year. It is clearly visible from the analysis that there is a significant positive trend in the total PSL of all nationalised banks during the study period. Banks have been tasked to nurture financially starved sections under mandatory priority-sector lending targets. While there has been an increase in the PSL by all nationalised banks in absolute terms but an analysis of growth in relative terms will present a better picture.

SUGGESTIONS

- ❖ Positive trend of priority sector lending by Indian nationalised banks shows that banks are lending more and more to priority sector every year in absolute terms. However, focus of priority sector lending should not only be channelizing credit to needy sections. Orientation of priority sector lending should change from target oriented concept to result oriented approach. Government should also take steps to strengthen viability of business conducted by the weaker sections. Viability will automatically ensure credit worthiness. In order to ensure viability government should try to provide forward and backward linkages. This can be done by increasing investment in primary infrastructure facilities like transport and communication.
- ❖ The involvement of all nationalized banks in the priority sector lending is not uniform. The study has revealed that the involvement of some nationalised banks is more intense while others have lesser involvement in terms of the volume of loan amount provided to the borrowers. Real purpose of providing adequate quantity of credit to the borrowers is not properly served because of unequal involvement of all banks. In order to ensure active involvement of all banks government should also give incentives to those banks which achieve higher level of lending to this sector. These incentive could be in the form of relaxations in regulatory prescriptions like reduced SLR and CRR requirements etc. Incentivize banks would help in serving the twin benefit of serving social good with equity and justice for banks.
- ❖ Results of descriptive analysis also reveal that priority sector loans provided by the nationalized banks during the study period have been more in favour of agricultural sector as compared to other priority sectors. Presence of sub targets have lead to an imbalance in the distribution of loan amount among different categories of priority sector lending. Fixing same sub targets is not a valid option as need of credit differ from region to region. Target revision of priority sector

loans with respect to bank size will help in reducing interbank disparities. For example targets for agricultural lending should be structured taking into account the branch network and their presence in rural and semi urban areas. Even presence of alternative funding agencies such as cooperatives should be considered while setting the targets, so as to ensure an equitable distribution of access to credit. For example, share of agricultural credit is very high in Southern states of India because of presence of a strong cooperative movement there.

CONCLUSION

The trend data and analysis over the last decade in respect of priority sectors lending by nationalized banks has led to the conclusion that nationalized banks have achieved a good blend of social and commercial banking. This is an important social dimension achieved by nationalized banks in their functioning. But with this achievement, nationalized banks still leaves a great deal to be desired. Despite of fact that total amount of priority sector lending by nationalized banks has increased substantially during the study period, interbank variations have been observed in this respect. This reflects the fact that while some banks have continued to surge ahead despite the macroeconomic turbulence, few others continue to be laggards.

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Impact of Advertising on Consumer Buying Decision

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ABSTRACT

Advertising is a form of medium intended to persuade a target audience to take some action upon products, information or services, etc. The purchase process is a decision making process and is somewhat complicated. This paper investigates issues which identify the relationship between independent variables with situational and behavioral aspects of consumer buying decisions. The paper is based on primary data consisting feedback of 200 respondents. The basic objective of this research paper is to evaluate the impact of advertising through the buying behavior of the consumers and analyze and influence the advertising on both male and female consumers and differentiate between them.

Key Words: Advertising, consumer, buying behavior, purchase intention.

INTRODUCTION

Almost every individual in the world is somehow connected to the mass media and social media. For e.g. television, advertising, films, videos, billboards, magazines, games, music, newspaper, and internet, etc. In all marketing strategies, advertising is well known for its long lasting impact on viewer's mind, as its exposure is much higher than any other form of marketing. Advertising is a subset of promotion mix which is one of the 4P's in the marketing mix i.e. product, price, place and promotion. As a promotional strategy, advertising serves as a major technique for creating product awareness in the mind of a potential consumer to take necessary buying decisions. Advertising, sales promotion and public relations are mass communication techniques available to marketers. Advertising through all mediums influence target audience, but internet and social media are one of the strongest mediums

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of advertising and due to its mass reach; it can influence not only the individual's attitude, behavior, life style, exposure and in the long run, even the culture of any country.

Any organization or firm cannot make a dream to be a well known brand until they invests in it their promotional activities, for which target market have been demanding through advertisements. As the main objective of the advertiser is to reach to the target customers and influence their; believes, attitudes and buying behavior. They need to understand what makes potential customers behave the way they would want him to behave. It also appears that advertising may have the potential to contribute to brand choice among consumers.

The major aim of advertising is to create an impact on the buying behavior of the consumer. However, this impact of the brand can be diverted or strengthened in people's minds. Memories of the brand consist of those associations that are related to brand image in consumer minds. These brand cognitions influence consideration, evaluation, and finally buying decisions of potential consumers. The principal aim of consumer behavior analysis is to explain why consumers act in particular behaviors under certain situations. It tries to determine those factors that influence consumer buying behavior, especially the economic, social, psychological and cultural aspects. When youth choose advertising information and characters as their role models, they may not only identify them but also intend to copy them in terms of how they dress and what they are going to buy.

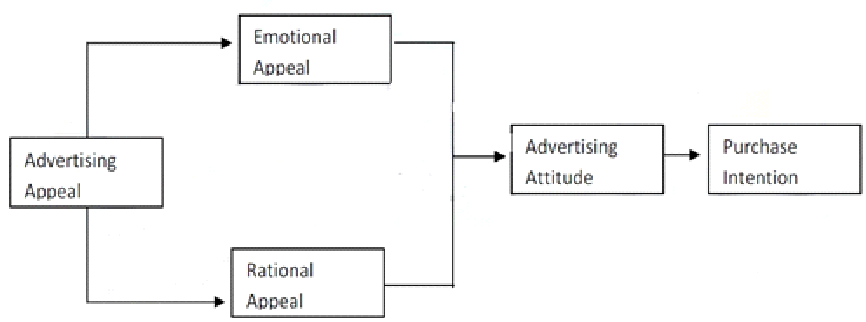

FIG 1: CONCEPTUAL STRUCTURE OF STUDY

Traditional hierarchy of effects models of advertising state that advertising exposure leads to cognitions, such as memory about the advertisement, the brand; which in turn leads to attitudes, i.e. product preferences and attitudes towards buying decisions; which in the end leads to behaviors like buying the advertised product. As the market is filled with several products and services, so many companies have similar nature of business; so, it has become extremely difficult for companies to differentiate their products or services based on attributes alone.

CONSUMER BEHAVIOR

Consumer behavior is defined as the decision making process which involves physical activities such as acquiring, evaluating, using and disposing of goods and services. This definition evidently proves that it is not just the buying of goods or services that receives attention in consumer behavior but, the process that starts much before the goods have been acquired or bought. The process of buying starts in the minds of the consumer, which leads to the finding of alternatives between products that can be acquired with their relative advantages and disadvantages. This leads to internal and external research which leads to the process of Decision-making for purchase and the using of goods and services, and then the post purchase behavior which is also very important, because it gives a hint to the marketers whether his product has been a success or not.

LITERATURE REVIEW

Kotler (2003) defined that divided advertising appeal into rational and emotional appeals. Most studies have focused on the impacts of advertising appeal on attitudes or purchase intentions. Few of them have compared rational appeal and emotional appeal and have determined which one creates significant effects on advertising attitude more effectively. This induces the prime motivation for this study. Most studies have focused on the direct relationship between advertising appeal and purchase intentions, while few of them have examined the relationship among advertising appeal, advert, purchase intentions, and attitude simultaneously.

Schiffman and Kanuk (2007) stated that attitudes are a psychological tendency accrued from learning and a continual evaluation towards a subject.

Lin (2008) defined advertising attitude as a continuously reactive orientation learned from a certain object. Such an orientation represents an individual's personal standards such as likes and dislikes, and rights and wrongs.

Technological advancements have not only provided us with new products and services, but also have changed the meaning of many words. Now advertiser is looking for new and presumably less clutter media. The current era of digital media has given consumer options to opt in and opt out of marketing and advertising.

As a promotional strategy, advertising plays a strategic role in creating product awareness and curiosity in the mind of target consumers to take final buying decisions. As advertiser's primary mission is to reach potential customers and influence their awareness, attitudes, believes and buying behavior.

OBJECTIVES OF THE STUDY

1. To study the Impact of advertisements on the consumer buying behavior.
2. To analyse factors affecting the consumer buying process with respect to advertisements.

RESEARCH METHODOLOGY

The references from the study are based on the responses given by the consumers in Chitrakoot Dham City. The study will be helpful in getting an insight view into the perception of consumers on advertisements.

RESEARCH DESIGN

The study is based on primary data. The primary data was collected through structured questionnaire for which samples of 200 respondents were selected for this study. The collected samples using convenient sampling method was validated and took for further analysis.

The research design examines the relationship between the advertisements in between male and female and the effect of those advertisements on their purchase decision making.

RESEARCH INSTRUMENT:

The data is collected by well developed, structured five point Likert Scale. All the questionnaires were distributed among the respondents in the defined areas. The Statistical Package for Social Science (SPSS) version 20.0 is used for analysis and evaluation.

The questionnaire has been classified into two parts. Part one explains the awareness about the advertisements and the part two describes the recent purchase the customers had done with the help of the advertisements they have seen. Here the Likert scale has been considered which consists of 5 point scale where 5 as strongly disagree and 1 as strongly agrees.

FINDINGS

The summary of the findings are as given below;

1. Advertisements are able to change the opinion of the customers about the products & services.
2. Customers are likely to watch more of the advertisements which affect their opinion.
3. Advertisements are the strong means of communication media to convey the intended message to the target group of customers.
4. Female consumers are more influenced by advertisement than Male consumers.
5. TV advertisement is more effective in rural areas and Social media/ internet is more effective in urban areas.

CONCLUSION

The study portrayed very fascinating results and thus it is concluded from the study that rural individuals and females like TV advertisement more than the urban residents and their male counterparts. Rural residents jointly make buying decisions with their family members which products are to be purchased and they also expect the same quality of the products that are shown in TV advertisement while it is not so with the urban residents. Both genders and residents feel good when they watch the advertisement of a particular product that they have bought. The urban citizens do not purchase the product that they don't need. The study proved that there is a significant variation among the rural and urban residents on the issue that TV advertisements enhance the engagement process of buying behavior. It can also be concluded from the study that buying behavior of female individuals is more influenced by the television advertisements than their male counterparts. At last we can say that internet and social media are most highly preferred forms of advertising.

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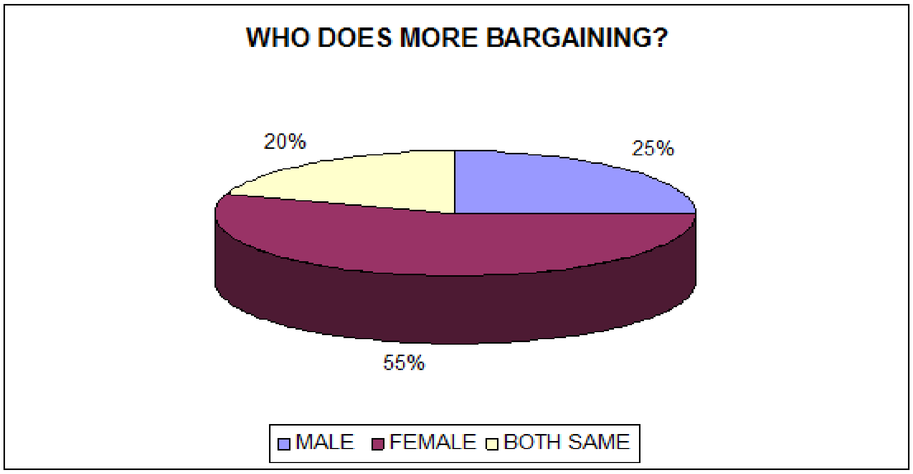
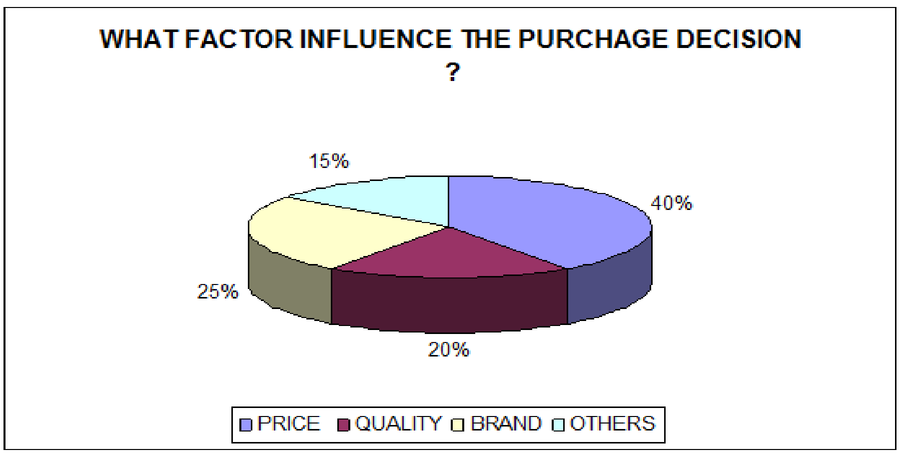
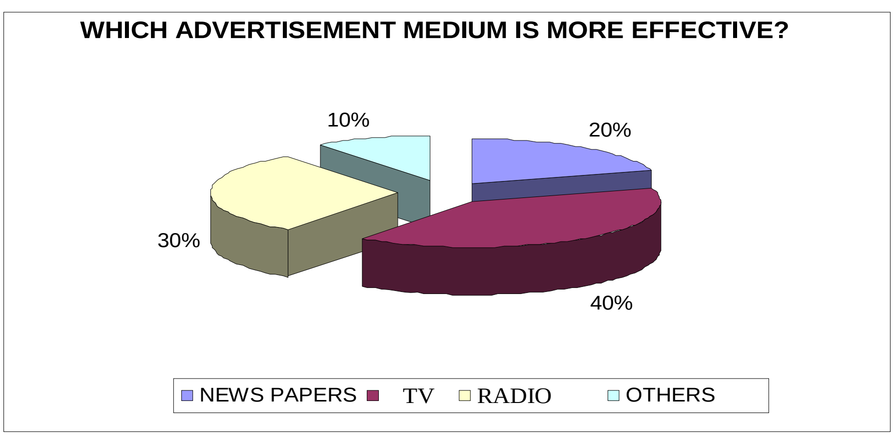
Appendix


WHO DOES MORE BARGAINING?
20%
25%
55%
MALE
FEMALE
BOTH SAME


WHAT FACTOR INFLUENCE THE PURCHAGE DECISION ?
15%
40%
25%
20%
PRICE
QUALITY
BRAND
OTHERS


WHICH ADVERTISEMENT MEDIUM IS MORE EFFECTIVE?
10%
20%
30%
40%
NEWS PAPERS
TV
RADIO
OTHERS

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Financial Assistance to SMEs: An Analysis of Decisionmaking Criteria of Commercial Banks in India

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**Dr Artta Bandhu Jena

ABSTRACT

In India, Small Scale Industries (SSIs) have an important role to play which is evident from their contribution to GDP, employment generation, regional development, export promotion, etc. But many problems impede their growth, out of which finance is the most pressing one among others. Commercial banks have been found to be the main source of finance for SMEs. But informational opacity and risk in SMEs pose greater challenge for commercial banks in providing finance to them, hence resulting in a conservative approach of commercial banks towards SMEs. This article is an attempt to analyze the decision-making criteria of commercial banks while extending credit to SMEs.

Key words: SMEs, Commercial banks, decision-making criteria

INTRODUCTION

In the Indian context, the definition of the SME sector is largely framed in terms of cumulative investment in plant and machinery. While most of the countries in the world adopts the level of employment as the criterion for defining the SME sector. According to the official definition adopted in India till recently, the investment limit up to Rs.10 million in plant and machinery is treated as Small Scale Industries (SSI) unit. However, in respect of certain specified items such as hosiery, hand-tools, drugs & pharmaceuticals and stationary items, the above investment limit in plant and machinery has been enhanced up to Rs.50 million. With the recent enactment of Micro, Small and Medium Enterprises and Development (MSMED) Act, 2006, Small and Medium Enterprises (SMEs) sector has emerged which will replace the SSI sector. Like in any other developing countries, in India SMEs play a very significant role in terms of their balanced and sustainable growth, employment generation,

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development of entrepreneurial skills and contribution to export earnings. They are estimated to employ about 59 million persons in over 26 million units throughout the country. Further, this sector has registered a higher growth rate, that is, 13 per cent than the rest of the industrial sector (8 per cent).

In recognition of the contribution and the vast potential of the SSI sector as well as its inherent strength, provision of adequate credit to this sector has continued to be a big problem. The SMEs look towards banks for their credit needs as commercial banks are the primary source of finance for them (Berger &Udell, 2002; Cole et al., 1996; Ghosh, 2007; Petersen &Rajan, 1994; Ruis et al., 2009). The credit process represents a critical banking function. The banks have to ensure that credit is granted to the customers who are capable as well as willing to repay the loan and interest, and denied to those who are not (Bruns & Fletcher, 2008). As a result, it becomes essential that banks develop meth-ods that reduce risk and uncertainty in managing loans to SMEs. The lending decision is an interaction between the rules and head office instructions and a manager's experi-ence, which explains the variation in decision outcome even with formal guidelines for the credit decision (ibid.). Every commercial bank seeks to make profit and thus, they need to be sure of regaining their monies when they lend them out to SMEs. It is, therefore, very necessary for SMEs to develop an understanding of the decision-making crite-ria used by bankers to increase the chance of getting their loan request approved by fulfilling the required criteria adequately.

REVIEW OF LITERATURE

The existing study on "Financial Assistance to SMEs: An Analysis of Decision-Making Criteria of Commercial Banks in India" occasionally, a few research articles are found in research journals and reports in this area. However, in this section, an attempt has been made to review the studies made by researchers in this area. The findings of such research studies are presented in the following paragraphs.

Studies have found commercial banks as the main source of external finance for SMEs (Berger &Udell, 2002; Cole et al., 1996; Ghosh, 2007; Petersen & Rajan, 1994; Ruis et al., 2009). But SMEs generally face difficulty in obtaining loans from them as financial provid-ers have a lack of knowledge about the nature of the SMEs' business on the one hand, and that many entrepreneurs have a lack of knowledge about the lending criteria and procedures of the banks on the other (Tucker & Lean, 2001). Banks generally follow three types of approaches while providing loans to SMEs. These are character-lend-ing approach, income-based approach and capital-based approach where asset-backed security is required (Bruns& Fletcher, 2008).

Banks are increasingly taking the view that lending decisions should be based on the cash flow, business plan and prospects, thus adopting an income-based approach (Fletcher, 1995). Here, financial performance, profitability of the project, business projections and risk and uncertainty are considered while making loans to SMEs. Financial per-formance is an important variable which is widely stressed upon while making loans to SMEs. Lending officers' prob-ability of supporting credit increases with higher past financial performance of the borrowing SME (Bebczuk, 2004; Bruns& Fletcher, 2008; Fletcher, 1995). As far as risk and uncertainty and business projections are con-cerned, risk proclivity has a negative effect (Bruns& Fletcher, 2008; North et al., 2010) and good business pro-jections have a positive effect (Bruns& Fletcher, 2008) on probability of granting credit by banks. Relying upon highly certain plans is a part of uncertainty-avoidance strat-egy followed by banks (Nguyen et al., 2006).

Cowling and Westhead (1996) put light on other consid-erations viewed by banks while financing to SMEs, like loan pay-back periods and purpose of loan. They evidenced that banks prefer a quicker pay-back than the uncertainty generated by longer-term loans. It was also found that demand of loan for fixed investment has a positive impact on loan approval, whereas a small firm consistently bor-rowing for working capital may signal to the bank that it is not in a strong commercial position.

Nguyen et al. (2006) exhibited two types of strategies followed by banks while providing loans to SMEs. One is uncertainty-avoidance strategy relying upon sufficient col-lateral, highly certain business plans, close monitoring and legally reported documents. On the other hand is the trust-based strategy which covers trustworthiness, collateral, business plans and documents monitoring. It was also evi-denced that state-owned banks tended to use uncertainty-avoidance strategy more than private banks which adopted trust-based strategies.

Hence, various studies have covered different aspects of decision-making criteria of banks. In this study, research-ers try to extend the literature by examining the decision-making criteria of commercial banks towards SMEs in Indian context.

OBJECTIVES OF THE STUDY

The present study has been planned with the following research objectives:

1. To explore the factors affecting decision making criteria of Commercial banks to extend finance to SMEs.
2. To analyze decision-making criteria of commercial banks while extending credit to SMEs.
3. Last but not the least, to forward a few recommendations

RESEARCH METHODOLOGY

Research methodology is an important aspect of any research or investigation. It enables the investigator to look at the problem in a systematic, meaningful and orderly way. In the present study, research methodology comprises data source, sample design, survey instrument, statistical tools and techniques, sampling, period of study used. These elements of research methodology have been discussed in briefly given below.

Data Source

This study is mainly based on the primary data. Secondary data is only used for the development of the research framework. A structured questionnaire is used as the main tool for data collection.

Sampling Design

A sample of 71 respondents, who were either bank managers or senior loan officers, was taken from the branches of various public and private sector banks (including specialized SME branches) in Odisha.

Survey Instrument

A structured questionnaire was used to collect the data from the sample respondents. A five-point scale was used to elicit responses to the questionnaire indicating their level of agreement (1= Strongly Agree to 5= Strongly Disagree). The questionnaire is pretested and revised through reverse translation process for minor change in wordings.

Statistical tools and techniques used:

SPSS (Statistical Package for Social Sciences) version 20.0 is used to compute and analyze the data. The statistical tests used in the analysis of data included exploratory factor analysis

ANALYSIS AND DISCUSSION OF RESULTS

Sampling Adequacy

In order to establish the strength of factor analysis, the sampling adequacy is checked using Kaiser-Meyer-Oklin (KMO) test and the results are presented in the Table-1 given as below.

Table-1: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.631
	Approx. Chi-Square	255.129
Bartlett's Test of Sphericity	df	78
	Sig.	0.000

From the Table -1, it is seen that KMO value is acceptable, as its value is found to be 0.631 which is indicative of a data set considered to be desirable for factor analysis . The overall significance of the correlation matrix is checked using Barlett's test of spericity and it is found that the chi-square value is 255.129and the p-value as computed is 0.000 which supports the validity of the factor analysis.

For further investigation, four factors having Eigen value greater than one are extracted. The Eigen Value of the four factors along with their cumulative percentage of variance are shown in table-2.

Table-2: Total Variance Explained

Component	Eigen Value	% variance explained	Cumulative Percentage of Variance Explained
1	2.239	17.224	17.224
2	1.973	15.178	32.402
3	1.947	14.980	47.382
4	1.920	14.768	62.150

The result of the factor analysis using principal component method shows that 62.15% of the total variance is explained by classifying these 13 variables into 4 components or factors. The percentage of the total variance which is used as an index to determine how well the factor solution accounts for what the variables together represent.

The first factor F1 is the most important factor which explains 17.22% of variance before rotation. The second factor F2 is the second major factor which explains about 15.18 % of the variance of the variables. The third factor F3 explains about 14.980% of the variation. Likewise the fourth factor F4 explains about 14.77% of the variation.

Table -3 gives the factor loading of the variables under each of the four extracted factors. In order to interpret the results, a cut-off point of 0.5 is decided for each variable to group them into factors by forming a rotated component matrix.

Table-3 Rotated Component Matrix

	F_1	F_2	F_3	F_4
Financial statements are not properly audited	0.846			
Quality of information supplied is not satisfactory	0.772			
Limited financial information is available	0.597			
Small enterprises are unable to give guarantees of trusted parties		0.752		
Small enterprises lack collateral/security to offer		0.740		
Small enterprises have limited and dispersed rural markets		0.659		
Entrepreneurs are unable to make certain business plans			0.671	
Entrepreneurs lack experience as they are young and at early stage			0.603	
Entrepreneurs lack managerial capabilities			0.598	
Small enterprises are generally located in rural areas			0.581	
Small enterprises prefer longer payback period				0.847
Small enterprises' capital contribution is less, they rely more on bank loans				0.654
There is always risk of NPAs				0.607

Extraction Method: Principal Component Analysis.

ROTATION METHOD: VARIMAX WITH KAISER NORMALIZATION.

The first factor F1 having three significant factor loadings can be named as "Information asymmetry" as it includes, 'Financial statements are not properly audited', 'Quality of information supplied is not satisfactory' and 'Limited financial information is available'. The second factor F2 having three significant factor loadings can be named as "Collateral Backup" as it includes, 'Small enterprises are unable to give guarantees of trusted parties', 'Small enterprises lack collateral/security to offer' and 'Small enterprises have limited and dispersed rural markets'. The third factor F3 having four significant factor loadings stands for "Lack of Technical Skill" as it includes 'unability to make certain business plans', 'lack of experience', 'lack of managerial capabilities'. The fourth factor F4 having three significant factor loadings stands for "Financially Deficit" as it includes 'Small enterprises prefer longer payback period', Small enterprises' capital contribution is less, they rely more on bank loans and 'risk of NPAs'.

FINDINGS & CONCLUSION

Present research work has been carried out to study the overall attitude of commercial banks towards SMEs and identify the factors considered important while extending credit to SMEs. The findings of the study show that the first extracted factor namely Information asymmetry is the most important factor considered by the Banks in decision making for SMEs as it accounts for 17.22 % of the total variance. Likewise Collateral Backup is the second major factor influencing decision making process of banks as it accounts for 15.18 % of the total variance. Next to it, Lack of Technical Skill is the third major factor affecting decision making process of banks. Followed by these Financially Deficit is considered by banks when deciding financial assistance to SMEs.

LIMITATIONS AND SCOPE OF FURTHER RESEARCH

This research has some limitations. The sample size is very small and thus the result cannot be generalized. The study is done in Odisha. It is possible to extend the study by including more states and a comparative picture may be drawn. Similar study can also be done in other service areas of banks (both private and public).

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Buying Behaviour of Rural Consumers: A Case Study of District Gautam Buddha Nagar, Uttar Pradesh

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**Hiba Khwaja

ABSTRACT

India is the second most populated country after China that would comfortably encompass most of the European Union Countries. With IT professionals, scientists and an ever growing pool of convent educated youths, on the one hand and unqualified tribes, on the other, who perhaps see a strange face once a year and that too of a profitable who risks the landscape and environment, for major profit. It's a great challenge for the marketers to interpret buying behaviour and design the suitable marketing strategy which will gather business profits. India's rural areas are growing day by day, in 2001 rural population of India was 74.3 cr. but in 2011 it became 83.3 crore, which account for about 83.3 percent of the total consumers. In recent years, the lifestyle of a large number of rural consumers in India has changed drastically and continues to do so. The buying behaviour of the rural consumers is influenced by several factors, such as socio-economic conditions, cultural environment, literacy level, occupation, geographical location, efforts on the part of sellers, exposure to the media, etc. In India, the behaviour of consumer has changed in recent years owing to enhanced awareness, information technology, and, more importantly, governmental intervention through legislations.

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. The paper is an attempt to explore the various factors for purchase in view of the opportunities for rural market. The study aims to examine the buying behaviour of rural consumers. A free market economy offers autonomy to the consumers to buy and consumer goods of their own preferences. The paper is useful for understanding the Indian rural consumer awareness in order to formulate an appropriate marketing strategy.

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INTRODUCTION

The concept of Rural Marketing in India's Economy has always played a significant role in the lives of people. In India, leaving out a few metropolitan cities, all the districts and industrial townships are connected with rural markets. There is a huge difference in terms of market dynamics and consumer behaviour when one talks about urban versus rural markets. The per capita income, purchasing power, purchase influencers, brand choices, brand awareness, priorities of consumers are all so different between the two markets that every company would like to look at both of them separately and never devise a common marketing strategy for rural and urban markets.

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.

Table 1: Population by Rural Urban Residence (in Cr.)

	2001	2011	Increase
Total Population	102.9	121.0	18.1
Rural Population	74.3	83.3	9.0
Urban Population	28.6	37.7	9.1

Source: Census 2011 –Provisional Population Totals- India

As per the analysis by ASSOCHAM, Companies like Hindustan Unilever Ltd. and Dabur India originates half of their sales from rural India. While Colgate, Palmolive India, HUL and P&G constitutes nearly 37% respectively, however Nestle India Ltd. and GSK Consumer drive 25% of sales from rural India.

FACTORS AFFECTING BUYING BEHAVIOUR OF RURAL CONSUMERS

1. Age and Life Cycle Stage: Buying of the rural consumers is influenced by the age and life cycle stages of people. Like the youth are expected to buy goods like motorcycle, soft drinks, cosmetics, etc.

2. Occupation: The goods and services bought by a person are influenced by the occupation of the individual. The kind of work when an individual will be doing will affect his buying pattern and purchasing power.

3. Social Changes: consumer society or the community is important. The consumer's lifestyle is influenced by the social setup. The social constitution and changes influence customer habits, taste & lifestyle.

4. Economic Situation: The purchasing power of an individual is the prime consideration for markets. If the disposable income of an individual is high, obviously, he or she can buy a number of popular goods or a few expensive goods. Marketers have to find the income sensitivity of the goods and services they offer and make decisions like. Today, sachets of shampoos, toothpastes, hair oils, skin creams, cough syrup and several other products tap the vast rural market. The small unit purchasing is convenient to rural people who are mostly daily wage earners.

5. Lifestyle: Lifestyle is a person's pattern of living. The pattern of living is determined by the Activities, Interests and Opinions (AIO) of people. It includes i) activities like work, hobbies, shopping, social events, etc. ii) Interests like food, fashion, family, recreation, etc. iii) Opinions like about Self, Society, Government, Business, etc.

6. Influence of Culture: The regional cultures and sub cultures & living pattern influence advertising sales promotion. Tradition & culture influence perception and buying behaviour. Rural consumer's perception of products is strongly influenced by cultural factors. For example, the consumers in East India have different taste.

7. Geographic locations: Rural consumer behaviour is also influenced by the geographic location of the consumers. For example, nearness to feeder towns and industrial projects influence the buying behaviour of consumers in the respective clusters of villages.

8. Exposure to urban lifestyles: Extent of exposure of rural consumers to urban lifestyles also influences their buying behaviour. An increased exposure and interaction with urban communities has been the trend in recent years.

9. Places of purchase: Buying behaviour of rural consumer also varies depending on the place of purchase. Different segments of rural buyers buy their requirements from different places/outlets. Some buy from the village shopkeepers; some from village markets/fairs; others buy from the town that serves as the feeder to the rural areas. It is also seen that the same buyer buys different requirements from different laces. For understanding the buying behaviour of the rural consumer correctly, the marketer must ask the question: Where from do they buy the products and why?

10. Involvement of others in the purchase: Involvement of others in the purchase decision is yet another relevant factor in this regard. There has been a change here in recent years. In the past, the head of the family used to make the purchase decisions all by him. In contrast, the involvement of the other members of the family in the purchase decision has been growing in recent years. An increase in literacy coupled with greater access to information has resulted in these developments. The marketers have to reckon the role of the influencers while sizing up the buying behaviour of rural consumers.

11. Marketer's efforts to reach out the rural market: In recent years, many corporate companies have been trying hard to develop a market for their products in the rural areas, investing substantially in these areas. This has brought about some changes in the way buyers purchase different products.

Developmental marketing has created discriminating buyers unknown demand in the rural market.

Fig.- 1 Factors Influencing Consumer Behaviour

Environmental	Cultural	Social	Personal	Psychological	Buyer
Economic Political Technological development Legislative measures	Culture Subculture Social class	Reference groups Family Roles and status	Age and life cycle stage Occupation Economic Circumstances Lifestyle Personality & self-concept	Motivation Perception Learning Beliefs and Attitudes	Choice Opinion

CULTURAL FACTORS

1. Culture and Subculture:

Culture represents an overall social heritage, a distinctive form of environmental adaptation by a whole society of people. Culture is a system of shared beliefs, perceptions and customs that influence the behaviour of consumers. There are different groups based on caste, occupation, income, age, education and politics and each group exert influence on the behaviour of the people in the village. Traditional life, traditional occupation, traditional beliefs are names of the features of rural life.

While a section of the population is willing to move ahead with the times, there also exists an equally significant traditional population that oppose the urbanisation and subsequent westernisation of their culture. Many people feel that large corporations are trying to change their food habits by promoting western products such as Cola drinks, burger, pizza, etc., in place lime juice, vada pav etc. In rural market Coca-Cola is not only competing with Pepsi and local soft drinks but also with Nimbupani, Jaljeera and Buttermilk.

Culture provides people with a sense of identity and an understanding of acceptable behaviour within a society. Our cultural institutions like family, school, temple, customs, traditions, etc., provide guidelines to marketers. Technological advances, education and travel can have considerable influence on culture and change the rural lifestyle. Culture offers directions and guidance to the members of a society in all phases of life. It provides methods of satisfying physiological, personal and social needs.

2. Traditional Belief:

There is a belief that experience is more important than education. The belief that certain diseases like jaundice, chickenpox and snake bite can be cured by mantras and tantras still continues. Very often, people depend on fate than any other thing. Many people do not buy life insurance policies and reasons are: Death – a taboo topic for discussions, it is quite bad talking about death and belief in Karma and Destiny.

3. Family values:

Joint families are more common in rural areas and they are useful in agricultural operations. The members of the family carry-out different operations to avoid using hired labour. Great stress laid on fulfilment of the family obligations and responsibilities and the family influences the needs & wants of individual members. Buying decisions may be taken by the head the family in consultation with the members of the family. Elders play a major role in the selection of bride or bridegroom. Marriages are settled by elders.

All the above factors influence the buying behaviour of rural consumer and hence their responses to the marketing mix variables, and the reference points they use for purchase decisions.

REVIEW OF LITERATURE

Richard and Praduman (2002) in their study found that the main categories of food stuffs consumed by the rural households of Maharashtra were cereals, pulses, milk and milk products, fats and oils, sugar. The results revealed that cereals were consumed in the highest quantity while meats and eggs were least. The reasons expressed by the respondents were because of traditional persuasions. There was an increase in consumption of all foodstuffs with an increase in the education level of households head's and size of land owned.

Sampath Kumar (2003) studied the brand preference of soft drinks. The study was carried out in rural areas of Telangana region and urban areas of the capital city of Andhra Pradesh for which 200 respondents were covered. It revealed that more than 65 per cent preferred Thumps Up and Coca-cola while less than 2 per cent preferred fruit flavored drinks like Frooti and Miranda. The findings revealed that 26 per cent of the consumers purchased soft drinks from Super bazaars and 73 per cent make their purchases at the nearest kirana store.

Nandgopal and Chinnaiyan (2003) conducted a study on brand preference of soft drinks in rural Tamil Nadu using Garrets ranking technique to rank factors influencing the soft drinks preferred by rural consumers. They found that the product quality was ranked first followed by its retail price. Good quality and availability were the main factors which influenced the rural consumers for a particular brand of a product.

Mishra (2006) on his study pointed out that the Indian rural market has grown in size, range and in sophistication in the recent years. Under changing socio-economic scenario, the rural market has enough potentialities in India and offers big opportunities and attractions to the Indian marketers. However, widely scattered and heterogeneous rural markets, inadequate and insufficient rural transportation, communication and warehousing facilities, overall backwardness, preference for conventional way of life of the rural people etc. are some such factors which must be tackled as these have been hindering the growth of rural markets. Thus, there is a need to formulate appropriate marketing strategy more specifically advertising, personal selling and distribution to be an integral part of that strategy to explore opportunities in order to tap the untapped potentialities in rural markets.

Maruthamuthu *et.al,* (2006) conducted a study on consumer behavior and brand preference of Britannia biscuits. The study revealed that 41 per cent of the respondents purchased for brand image, 31 per cent for quality and 24 per cent for its low prices while 12 per cent of the respondents were influenced by parents to make purchase decisions, 49 per cent by children and 21 per cent and 9 percent of the respondents were influenced by friends and neighbors respectively.

Dr. Ruhi Bakhare (2012) said that 'Consumer is king' the statement carries profound truth in it. Today the success of any firm depends upon the satisfaction of consumers. For satisfying the consumers the firm should know about the behavior of the consumers. In these circumstances understanding consumer is a very difficult task because of the changing technology, innovation, and changes in life style.

Surinder Kr. Miglani (2011) examined the buying behavior of Indian women & their values for the market. To achieve the objectives of the study total 500 women respondents have been selected from Delhi-NCR region. A well structured questionnaire has been drafted to get the information regarding buying behavior of women. As we know that market cannot operate without the consumer so, the consumer is known as God for the market, as he behaves market work accordingly. Women as a consumer are also participating in buying the goods.

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) 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.

RESEARCH METHODOLOGY

It is very difficult to reach to an individual customer of rural areas. Due to this, we have chosen the retailers for our target market. Because they are very near to the consumers and they are dealing with customers on the daily basis. We have conducted a survey in some villages. We have taken the interview of rural retailers, about the buying behaviour of their customers in his language.

Research Approach- Survey research.

Research Instruments- Interview of the selected respondents with the help of structured questionnaire. To get the better feedback the questionnaire was prepared in Hindi language.

Sampling Plan- Random Purposive sampling.

Sampling Unit-Data collected from rural consumers in villages of Gautama Buddha Nagar district.

Sample Size-A sample of 500 rural consumers.

OBJECTIVES OF THE STUDY

1. To find out influencing factors in the marketing strategies.
2. To examine the role of family members in influencing brand choice taste & preference.
3. To examine consumer satisfaction. On the basis of price, quality, style, function, brand etc.

Profile of Research Area

The District Gautam Buddha Nagar was formed on 6/9/97 with effect from Govt. order no 1249/97/82/97 by carving out the portions of Ghaziabad and Bulandshahar. District Gautam Buddha Nagar includes Dadri and Bisrakh blocks carved out of gaziabad, while Dankaur and Jewar blocks have been carved out of Bulandshahar District. 18 other villages from Bulandshahar have also been carved out and have been included in Dankaur and Jewar.

The district head quarter Greater Noida is located in the north of Uttar pradesh It is under the purview of the National Capital Region (NCR) of India. It is located about 40-kilometre (25 mi) south-east of Delhi and about 20-kilometre (12 mi) south-east of Noida which is an integral part of district and one of the largest industrial townships in U.P.

District Gautam Budhha Nagar is situated in the west of Uttar Pradesh.The district has area between the two main rivers of India namely Ganga and Yamuna. In the North of the district Ghaziabad and borders of Delhi, in the south Aligarh, In the east Bulandshahar, in the west Border of Haryana State are located. Due to the Sandy and Loam Soil , the main crops of the district are wheat, rice and sugarcane. In some areas, millet is also planted. The total geographical area of the district is 1442 sq. km.

Source of Living

The main source of living for the people of this district is agriculture & employment in various companies. The main crops of the district are wheat, rice and sugarcane. However, due to Noida & Greater Noida industrial area under Bisrakh block, the main means of livelihood here are industrial workers, technical, engineering & management services.

Economical Structure

Being in the purview of NCR, the development of the district is moving with a fast pace. Noida & Greater Noida of the district is world class industrial hubs. In Noida / Greater Noida industrial areas many large scale industries have been established by the multinational companies like HONDA MANUFACTURING, SAMSUNG, LG, HCL, PARLE-G, PRIYAGOLD, D&S Group, Baba Global , Catch spices & various FMCG & Software companies etc. Industrialisation is taking place in other areas of the district also. So, in terms of economical structure the district is important not just at state level but also at national level. About 25% of the total revenue of Uttar Pradesh is received from Gautam Buddha Nagar. Due to good roadways easy connectivity has been established capital of the nation which has led to increase in modern facilities and improvements education, transportation, medical facilities, etc. in the area.

DATA ANALYSIS

- **Bargaining Power:** In the rural area, the people have more bargaining capacity. They also use emotional feeling for bargaining. They have feeling that retailer demands more to them, they also bargaining on MRP. They say to retailer "cut your profit" and give me at that price. For this what the retailer do, they demand more price to the customer and after the bargaining, they provide the product to customer at that price. In the rural areas female customer are more bargaining than male customer. In this environment the retailer sells only those products which have more profit and on which they can get more profit after the bargaining of consumer.
- **Profitable for Retailer**: We all know the consumption of any product in very low in rural areas due to low density of population. For this the retailers use that product to sell which have more profit and in rural area many person are partially illiterate.
- **Easily Available:** In rural area the customer used to purchase any product or service which is very near to them. In rural areas, many people as poor as they cannot go outside to his village to purchase any product. I think you will see in rural area many small-small shops are very near to each other.
- **Choice of Low Cost Product:** The rural customers have a great choice of low cost product. They simply say "give me low cost toothpaste". They only give priority on those products which have low cost. And also due to lack of knowledge they cannot compare the benefit of low cost and high cost product.
- **More Demand of Small Package Product:** In the rural area we find the more demand of small pack product. Due to this many big companies are also making sachet right now. Rural customers do not demand combo pack because of poverty and also it is very easy to use Small pack for all.
- **Buying From Trusted People:** The consumers of rural areas don't trust on any outside shopkeepers. Because they feel the outside urban marketer can cheat them because of lack of education and also due to lack of proper communication they feel hesitate when they go outside

like in urban area market. For this all the retailer hiring the local people for their show rooms and shops so that rural customer can feel comfortable with them.

Limitation of the study-The present study is confined to rural areas of Gautam Buddha Nagar district only and the findings may not be applicable to others state of the country because of economical ,educational & socio-cultural differences. Further consumer's behaviour is being dynamic in nature. There is every possibility that over time and space finding of today may become invalid tomorrow.

CONCLUSION

While it is a known fact that the heart of India lives in its villages and the Indian rural market with its vast size and demand base offers great opportunities to marketers, we tend to conclude that the purse does not stay with them. Nothing can be far from truth. Rural marketing involves addressing around 740 million potential consumers, over 41 per cent of the Indian middle class, and about half the country's disposable income. No wonder, the rural markets have been a vital source of growth for most companies. Although with the substantial improvement in purchasing power, increasing brand consciousness, changing consumption pattern and rapid spread of communication network rural India offers a plethora of opportunities all waiting to be harnessed, the marketers lack the in depth knowledge of the village psyche, strong distribution channels and awareness that are indeed the prerequisites for making a dent into the rural market.

For a number of FMCG companies in the country, more than half their annual sales come from the rural market. Moreover, vast cultural diversity and vastly varying rural demographics, poor infrastructure such as inadequate roads and highways, the availability of telephones and electricity, low income levels, low levels of literacy often tend to lower the presence of the corporate in the rural markets. To achieve success, in rural India, companies will need to establish rural market development programs. There is a need to innovate and adapt products that suit rural operating conditions. The rural consumers need to be educated of new concepts, relevant to the environment and usage habits that will improve their quality of life. In addition to focusing on targeted promotions and advertising there is an urgent need to work on economical packaging, dual pricing and special sizes of FMCG and household products. IT can be considered as an important marketing tool. On the basis of primary data (respondents) we find that Male & Female both are highly involve in bargaining process. In the case of rural consumers (40% respondents) price is the most powerful factors which influence their purchase decisions. Most of rural consumers get knowledge about the FMCG products from TV & Radio.

On Basis of data we can say that TV & Radio are most powerful sources of advertisements in rural areas.

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Work Culture in Indian Banking System: Opportunities To Banks For Sustainable Development

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ABSTRACT

The post-reform period has been marked by (a) considerable market orientation of banks along with switchover to a regulatory regime in line with Basel I; (b) substantial liberalisation in the spheres of production, trade and cross-border capital flows; and (c) increasing integration of domestic and international markets for goods and services as well as financial products. These developments opened up a wide array of business opportunities for banks; but the manifold increase in various types of risk also posed a serious challenge. Judged on the basis of financial indicators like non-performing assets (NPAs), capital adequacy and profitability, performance of banks during this period has been quite impressive. However, some of the developments are far from healthy and these include drying up of funds for long-term including infrastructural capital accumulation; sharp rise in investments in government securities at the expense of credit to the commercial sector; and grossly inadequate supply of loans to farmers, SMEs and other borrowers in the unorganised sector. While part of the reason for this is structural or policy related, there have also been major lapses in operation of banks themselves. In particular, banks have failed to acquire optimum size; develop an adequate system of assessing creditworthiness of borrowers and pricing rules on the basis of the risk-return calculus; and come up with financial innovations for exploiting the vast, untapped market potential.

Changing culture isn't as simple as seemed because identifying and adopting new behaviours needs to see and articulating a new set of beliefs and values

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associated with changing corporate culture. Generally most of the organisations avoid changes in work culture and behaviours until they observe the role models in their organisation acting differently. The function of commercial banks are confined not only to advancing loans to the public and accepting their deposits, their contribution in accelerating the rate of economic development in under-developed and developing countries like that of India is very effective. Not only is that, banking highly effective and useful in the fulfilment of various socio-economic objectives of the Government. Commercial banking in India occupies an important place in the banking set-up of the country, these days.

To this end, the paper aimed to describe and analyse the various strategies adopted by banking businesses in India to maintain positive work culture in cut throat competitive market. Such strategies include new philosophy of action, Human Resource Development (HRD), Changing role of HRM, Morale boosting strategies etc. Thus paper hopes to bring light on the basic understanding on the strategies adopted by banking sector with special reference to Indian economy.

Key words: Behavioural abilities and traits, Commercial banking in India, Changing role of managers, Effective work force.

INTRODUCTION

Organizations ability to cope, survive and make progress determines how effective they are. They continue to face highly uncertain and chaotic environment caused by capital problems, difficult unions, foreign competition, rapid changes in product and processes, energy, government regulation, increasing importance of skill, quality, productivity and other stresses which call for increased adaptability and flexibility. There is an increasing demand for committed employees who need little or no supervision to carry out their jobs efficiently for the good of the organization. Employees, who know what to do and desire to do them without being told, are in high demand. Managers desire an alternative control system that is reliable for the achievement of effectiveness in the organisations.

Organisations need to be productive, profitable and increase their market share even with the challenge of coping with changes in the environment. The need to achieve their goals has made managers seek for cultural means of motivating employees to be productive. Whereas structure is important in defining individual responsibilities within the workflow process, a congruent culture ensures that individuals carry out these responsibilities with minimum resistance. More importantly, strong culture dictates the way things should be done and creates expectations shared by group members, which are not outlined explicitly by formal structure. Work culture relates to goals that should be pursued and standard of behaviour that should be maintained by employees as they pursue those goals.

As there are various ways available to support the cultural process that helps people achieve their potential, it is a good idea to explore organisational culture before an organisation specially service organisation such as banking and insurance embark on major organizational change. Up to eighty-five percent of organizational change interventions do not work because the organization's culture is not addressed first. The chances of organizational change succeeding increases dramatically once cultural issues are improved. Now a day's organisation facing sweeping changes in budget, leadership, facilities or other areas are advised to strengthen their organization's culture first. When they do, the transition is much smoother and outcomes more successful. Hence the efforts are made in this article to present a significant approach on corporate culture and its relevance in sustainable development in globalised era show how it affects banking sector in context to Indian economy.

Objective of the Study- The paper aimed to describe and analyse the various strategies adopted by banking businesses in India to maintain positive work culture in cut throat competitive market.

Research Methodology - The research is descriptive, conceptual and analytical in nature. Secondary data sources have been used for the purpose which includes; Books, Published Research Journals, and data taken from various websites.

WORK CULTURE: A CONCEPTUAL FRAMEWORK

It is the beliefs and behaviours that determine how a company's employees and management interact and handle the outside business transactions. Often, corporate culture is implied, not expressly defined, and develops organically over time from the cumulative traits of the people the company hires. A company's culture will be reflected in its dress code, business hours, office setup, employee benefits, turnover, hiring decisions, and treatment of clients, client satisfaction and every other aspect of operations. The values and behaviours that contribute to social and psychological environment of an organisation termed as work culture. "Organizational culture includes an organization's expectations, experiences, philosophy, and values that hold it together, and is expressed in its self-image, inner workings, interactions with the outside world, and future expectations. It is based on shared attitudes, beliefs, customs, and written and unwritten rules that have been developed over time and are considered valid. Also called corporate culture, it's shown in the ways the organization conducts its business, treats its employees, customers, and the wider community, the extent to which freedom is allowed in decision making, developing new ideas, and personal expression, how power and information flow through its hierarchy, and how committed employees are towards collective objectives.

It affects the organisation's productivity and performance, and provides guidelines on customer care and service, product quality and safety, attendance and punctuality, and concern for the environment. It also extends to production methods, marketing and advertising practices, and to new product creation. Organisational culture is unique for every organisation and one of the hardest things to change."One of the most important things to say about an organisation's culture is that any given cultural trait can be positive or negative. For example, every organization needs stability to be sustainable, yet too much stability at the expense of being flexible can keep the organization stuck in some areas that are not helpful. That is why organisation leaders have to get the big picture about their organization's culture, to decide which features are working for them and which could be improved in order to work better. "Here are just a few ways that culture influences the outcomes and impact of an organization's operations:

- How long does it take individuals or groups in your organization to make decisions and act?
- Are the decisions inclusive, ethical, efficient, and do they move things forward?
- Is feedback an automatic part of communication and planning?
- What is the ratio of blame and punishment to problem solving and support?
- Are meetings productive or do people need time to recover from them?
- Is the staffs treated as well as the customers?
- Are constituents treated like friends or intruders?
- Is there a sense of community?
- Does money or lack of it drive action?
- What is the morale level?
- Are people open to learning?
- Are new ideas encouraged?

"Edger Schein defined work culture very appropriately as, A pattern of basic assumptions- invented, discovered or developed by a given group as it learns to cope up with the problems of the external adaption and internal integration-that has worked well enough to be considered valid and therefore to be taught to new members as the correct way to perceive, think and feel in relation to those problems."

WORK CULTURE IN BANKING SECTOR IN INDIA: CALL FOR SUSTAINABLE DEVELOPMENT

Recent time has witnessed the world economy develop serious difficulties in terms of lapse of banking & financial institutions and plunging demand. A progressively growing balance sheet, higher pace of credit expansion, expanding profitability and productivity akin to banks in developed markets, lower incidence of nonperforming assets and focus on financial inclusion have contributed to making Indian banking vibrant and strong. Indian banks have begun to revise their growth approach and re-evaluate the prospects on hand to keep the economy rolling. The way forward for the Indian banks is to innovate to take advantage of the new business opportunities and at the same time ensure continuous assessment of risks. Thus, it has become far more imperative to contemplate the role of the Banking Industry in India in fostering the long term growth of the economy. With the economic stability and growth, greater attention is required on both legal as well working culture commitments to long term development programme.

"A Banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of a country and forms the core of the money market in an advanced country. The Indian Banking industry, which is governed by the Banking Regulation Act of India, 1949 can be broadly classified into two major categories, Non-scheduled banks and Scheduled banks. Scheduled banks comprise commercial banks and the co-operative banks. In terms of ownership, commercial banks can be further grouped into, Nationalized banks, State Bank of India and its group banks, Regional Rural banks. These banks have over 67,000 branches spread across the country.

Banks are the main participants of the Indian financial system, because they play a vital role in the economy of a country. India is one of the most preferred banking destinations as its economy is not only growing at +8 percent annually, but it is also going through a transformation to the next level of maturity. After liberalization the banking sector underwent major changes and it has been totally changed after economic reforms. Always Indian banking industries were dominated by public sector banks because they play an important role in development of Indian economy. In second phase of financial sector reforms in the early nineties, Central government Issued Banking Regulation Act (Amendment) 1994 for giving the permission to Private Banks in India. After their arrival in Indian banking sector they came to be known as New Generation tech-savvy banks. They have made banking more efficient and customer friendly."

Every bank, from small to large, has a culture. The culture refers to the values and attitudes of employees in the business or organization. In a business with an unhealthy culture, employees act as individuals, performing their duties to meet their own needs, such as a pay check or health benefits. A healthy corporate culture values each employee in the banks regardless of his job duties, which results in employees working as a team to meet the company's and their own personal needs. Healthy corporate culture improves the performance of a bank in a number of areas. Every bank seeks to be more effective and achieve better results; a careful business strategy is developed to achieve this. However, successful execution of the strategy occurs when structure, roles, capability, leadership, people management systems and organisational culture change are all aligned to the strategy.

It's important for banking organisations of different size and level to create the kind of environment or culture where the positive managerial patterns of listening, coaching, guiding, involving and problem-solving are actively encouraged and reinforced. This is where the policy of the Human Resources department is critical as it reflects and reinforces organisational values and culture. "Focusing on building and sustaining an organisational culture is a way of showing that people are the organisation's most valuable asset. But sometimes a change is required for better efficiency and productivity. Banks which have embraced organisational culture change see a positive increase in their employee engagement, attraction of new customers and boosting their revenues. Other aspects influenced by effective culture change include: Greater employee retention, Customer satisfaction, Reduction in operating costs, etc.

Over the last decade the interest in organisational culture has grown quickly. Changing a culture is a large-scale undertaking because every organization's culture comprises an interlocking set of goals, roles, processes, values, communication practices, attitudes and assumptions; these are the organisational tools needed to be put into play for great results."

WHY POSITIVE WORK CULTURE IS IMPORTANT IN BANKS

It is well documented that a healthy work force contributes to a healthier bottom line. Trends including globalization, changing work force demographics and the increasing costs associated with attracting and training skilled workers are contributing to a shortage of human capital. Finding talented employees is likely to be the single most important management concern. Providing benefits that keep employees healthy, productive and loyal is a leading strategy for acquiring, retaining and satisfying skilled workers who provide a competitive advantage for any company.

In service sector especially banks and insurance, organization culture refers to social control mechanisms which are used as a mechanism to control employees' performance and service quality. It is non purchasable capability which is in constant state of enthusiasm. To manage this capability, organizations need to have clear understanding of not only their culture but culture of other banks in their industry. Considering heterogeneity of resources across banks it has become important for bank organisations to understand the variables that can help them gain differential competitive advantage over the competitors by looking inside rather than outside.

"A healthy culture – one marked by high morale, high productivity, minimal confusion, minimal politics, and low turnover – is one that employees want to be a part of. They want to invest themselves in the success of the organization, because it's obvious the organization is reciprocating. They want to grow and improve, because they want to be a part of the organization's success. So many organizations miss this potentially game-changing competitive advantage because their default strategy when something isn't going well is to look at all the "smart" things: marketing, technology, finance, etc."

In banking organisations cultures give them a powerful competitive edge. There are some reasons exist for healthy work culture such as:

- Leadership is critical in understanding and maintaining banks purpose, values, and vision. Directors must set the example by living the elements of culture: values, behaviours, measures, and actions. Values are meaningless without the other elements.

- Like anything worthwhile, culture in banking institutions is something in which general public invest. A bank's norms and values aren't formed through speeches but through actions and team learning. Strong cultures have teeth. They are much more than slogans and empty promises. Some banking organisations choose to part ways with those who do not manage according to the values and behaviours that other employees embrace. Others accomplish the same objective more positively.
- Employees at all levels in banks observe and authenticate the elements of culture. As owners, they judge every management decision to hire, reward, promote, and fire colleagues. Their reactions often come through in comments about subjects such as the "fairness of my boss." The underlying theme in such conversations, though, is the strength and appropriateness of the organization's culture.
- Banks with clearly codified and enforced cultures enjoy great employee and customer loyalty, in large part because they are effective in either altering ineffective behaviours or disengaging from values challenged employees in a timely manner.
- This self-reinforcing source of operating leverage must be managed carefully to make sure that it does not result in the development of dogmatic cults with little capacity for change. High-performing banks periodically return and repeat their core values and associated behaviours. Further, they often subscribe to some kind of initiative that requires constant benchmarking and searching for best practices both inside and outside the banking organisation.
- Banks with strong and adaptive cultures foster effective succession in the leadership ranks. In large part, the culture both prepares successors and eases the transition
- Cultures can unpleasant. Among the reasons for this are success itself, the loss of curiosity and interest in change, the victory of culture over performance, the failure of leaders to reinforce desired behaviours, the breakdown of consistent communication, and leaders who are overcome by their own sense of importance.

POSITIVE WORK CULTURE- OPPORTUNITIES TO BANKS FOR SUSTAINABLE DEVELOPMENT

In a banking business that values workers for their contribution to the business, employees experience high morale and a positive attitude toward the organisation. Workers with a positive attitude are loyal to the organization, which reduces employee turnover. Worker turnover has a high cost to a business, with increased costs for recruitment, hiring and training. A healthy wok culture in banks can help to retain valuable employees and reduce human resources costs. Banks with a healthy work culture gain a positive reputation among potential workers, which may attract talented and skilled workers to the organisation. In addition to attracting high-quality workers, a well-regarded business reputation and sustainable working allows the banking institutions to charge a reasonable price for services and increases the value of the company in the financial market.

Customers may prefer to conduct transactions with a bank with a solid corporate reputation as well. The improved morale of workers in a company with a healthy corporate culture increases productivity. When workers increase productivity, the financial health of the banking organisation improves, and profits increase. Increases in productivity are a measure that illustrates efficiencies and effectiveness in the company. Employees benefited from increases in productivity with higher salaries in employee benefit programs. Healthy corporate cultures encourage workers to deliver quality services. Banks with cultures valuing the highest standards create an atmosphere for workers to deliver services that meet those high standards. The cultural standards for excellence are an important factor for creating a product or service with a reputation for high quality and moved toward the path of sustainable development.

Actually work culture in banks refers to the compilation of the set of values and norms which are shared by the people and groups in a particular bank. Additionally, it being a set of shared mental assumptions and guide interpretation, it defines the appropriate behaviour at any given instance.There are lots of opportunities exist for banks in India that can be gained through healthy work place and culture for sustainable development such as:

- There is recognition of diversity among employees and managers
- There is a just and reasonable treatment for each employees
- Due credit is given to an employee's contribution
- There is equal opportunity for all employee
- Employees can accomplish and achieve their full potential the company's policies and issues
- It produces dedicated leaders with a vision and purpose
- It will enable the company to compete with similar organization
- Increase in efficiency of the employees owe to the company's investment in employees' trainings.
- There company will have a sustainable and consistent programs as well as understandable guidelines for the employees."

SETBACKS OF WORK CULTURE: CHALLENGES FOR BANKS IN INDIA

Some problems of banking organisations has to do with the organisational culture, the way in which the organisation, including its stakeholders, use to act and think. This organisational mental make-up is -more than structure or strategy - the decisive factor in obtaining success. If the organisational culture is blocking success, the change of culture has to be considered. Organisational culture is a problem when the way in which the organisation usually operates puts obstacles in the way towards achievement. Such problems include:

- The goals of the organisation demand an external orientation of the members, but the organisational culture is characterised by internal orientation.

- Transparency is needed to be accountable and to function democratically, but the tradition to involve family members and to favour them, may makes transparency gloomy.
- Being value driven as a m ain characteristic of a bank stands not well with the business like attitude of our professionals.
- Productivity, being directed towards goals, may be hindered by the grown habit to intervene in each other's work, directing most of the energy to each other instead of to the product.
- The not-outspoken rule not to intervene in each other's work (the non-intervention principle) may hinder the ideal working method of sharing ideas, innovations, solutions and problems.
- Because of the one-sided fixation on ideology, satisfaction of personal needs may be considered as forbidden.
- A grown emphasis on output may have led to the situation in which reflection (base for learning) is considered a waste of time.
- Organisational culture is not the result of just a decision, but the outcome of a lasting process, in which the attitude, beliefs and behave of people are gradually shaped. Organisational culture, even if not objectively effective, is always a logical adaptation to a changed environment. Organisational culture may be compared
- To coping mechanism s: once effective e in one specific situation, but internalised, unconscious familiar and hardly noticeable for the owner."

FINDINGS AND ANALYSIS

The findings of this study imply that in Indian Culture and in a banking business people or can say leaders, managers; employees use their collective attitude to set standards that govern the operation of the business. Banks in India typically express these standards in terms of the policies and procedures that define how the business will operate. This includes how different departments or functions relate to one another in the production process, the line of communication established between management and departmental employees, and rules governing acceptable employee conduct. Other elements develop based on the policies and procedures adopted. Along with this, it can be said that a healthy work culture in reference to banks that it can make business operations blossom but an unhealthy culture can result in loss of customers, loss of employees and a constant struggle to meet goals. So there is a great need and emergence of healthy and positive work culture not among only employees rather among employers and employees in banks so as to build long run bonding within the organisation.

CONCLUSION

The culture of a bank is associated to the quality found in the surrounding society, but it also has some traits, such as a ladder system, that are unique. It can be negative, neutral, or positive, and although some banking businesses like to represent corporate culture as static, in most cases, it changes over time. The attitude of those within an organisation is perhaps the most fundamental element of corporate culture. When executives, managers, rank and file employees are all on the identical contact as far as basic corporate values, it becomes possible to have general agreement on the relationships that must be in place to accurately reflect the desired set of characteristics for the business. The corporate world is full of systems. There are network and computer systems, financial systems and contracting systems. However, when it comes to a workplace's environment, another system exists: corporate culture. Strong culture is said to exist where staff respond to incentive because of their association to organizational values. In such environments, strong cultures help firms operate like well-oiled machines, engaging in outstanding execution with only negligible adjustment to existing measures as needed. On the other hand, there is weak culture where there is modest alignment with organisational values, and control must be exercised through broad procedures and organisation.

In a special context to banking business and its cultural environment it is worth to said that the banks with cultures that emphasize all the key managerial constituencies (customers, Stockholders, and employees) and organisation from managers have opportunities to sustain and survive in market than those who don't put any efforts on maintaining work culture.

"If the banking system in a country is effective, efficient and disciplined, it brings about a rapid growth in the various sectors of the economy and the Banks are the trusted place of customers. In most of the banks in India organizational change efforts, it is much easier to draw on the strengths of the culture than to overcome the constraints by changing the culture."

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