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Impulsive Buying: A Literature Review

Preyal Desai¹ and Dr. Snehalkumar H Mistry ²

This article review existing literature in the field of Impulsive Buying. This review has been undertaken to study meaning of impulsive Buying and Motivating factors for impulsive Buying. Starting with overview of retail industry and definition of Impulsive Buying Further, article discuss factors like Consumer Characteristics related factors, In-store Factors, Situational Factors and Product related factors motivating for impulsive Buying.

Key Words: Impulse Buying, Organized Retail

INTRODUCTION

India is the fifth largest retail destination globally. Due to changing nature of consumer taste, disposable income, buying behavior, consumption pattern retail business is experiencing huge shift. Retailer’s Ability to increase sell of merchandise depend on the marketing mix activities done by the retailer. Marketing activities like displays, Promotions, Discounts, Variety of brands, Staff Behavior, Price of the product are motivating and winning factors for consumers. Impulsive buying behavior is a well-known phenomenon in the United States. In some product categories like chocolates, Books, Candies, Biscuits majority of purchase is due to impulsive Buying. Through some In-store factors like enjoyable shopping environment, Proper In-store display, Background music, Promotion Schemes, Visual Merchandising retailers can influence impulsive purchase. Researchers also found that “individual” personal attributes are also responsible for impulsive buying. So marketer requires understanding how personal attributes like age, Gender, Mood, Income effect on impulsive Buying Behavior.

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NISHKARSH: The journal of Management and Technology
IMPULSIVE BUYING DEFINITION
(Rook & Gardner, 1993, Rook, 1987; Rook & Hoch, 1985) defined Impulse as “an unplanned purchase”, relatively rapid decision-making, and a immediate possession for something. Highly impulsive buyers are likely to be emotionally attracted to the object, to be unreflective in their thinking, , and to desire immediate gratification (Hoch &Loewenstein, 1991; Thompson et al., 1990).

Stern(1950) through his research discovered impulse buying was influenced by a variety of factors like time, location, personality and cultural factors. Four classifications were made which included (1) pure impulse buying, (2) reminder impulse buying, (3) suggestion impulse buying, and (4) planned impulse buying. Further, he indicated that factors such as low piece, marginal need for item, mass distribution, self service, mass advertising, prominent store display, short product life, small size or light weight and ease of storage majorly influenced impulse buying. 

Dennis W. Rook (1987) defined Impulse buying occurs when a consumer experiences a sudden, powerful and persistent urge to buy some-thing immediately. The impulse to buy is hedonically complex and may stimulate emotional conflict.

FACTORS AFFECTING IMPULSE BUYING
Consumer Characteristics

Mood and Emotions

Peter Weinberg and Wolfgang Gottwaldov (1982) found that Impulse buyers are more emotional than non-buyer. Impulse buyers differ significantly in their affective process from nonpayers. Dennis W. Rook (1987) found that Impulse buying is more emotional than rational, and it is more likely to be perceived as "bad" than "good. Ronald J. Faber (2000) suggested that positive and negative feelings, mood and emotions had impact on impulsive Buying. Angela Housman (2000) found that consumers' impulse buying is correlated with their desires to fulfill hedonic needs, such as for fun, novelty, and surprise. Result also
demonstrates that consumers who were more impulsive are more likely to shop for hedonic reasons than those who possess a small or moderate score on impulsiveness.

Verplanken, Herabadi (et al) (2005) found that impulse buying, though in itself a pleasurable activity, seemed driven by feelings of low self-esteem and dispositional negative affect. Tariq Jalees (2009) reported that the level of impulsiveness in positive mood is significantly higher than the level of impulsiveness in negative mood. Sharon Beatty, M. Elizabeth Ferrell (1998) found relationship between positive affect and negative affect with urge to buy impulsively. They found positive relationship between positive affect and urge to buy impulsively. They found direct relationship between in-store browsing and positive affect. Thomas Adellar, Susan Chang, Karen M. Lancendore (2003) studied relationship between emotional response and impulsive buy. They found Emotional responses had positive Relation to their impulse buying intent. Thus, the more a subject feels a positive emotion towards the stimuli, the greater the impulse buying intent.

Gender

Helga Dittmar, Jane Beattie b, Susanne Friese (1995) suggested that gender, as a major social category, should influence both the products bought impulsively and the buying consideration. Study suggested that men tend to impulsively buy instrumental and leisure items projecting independence and activity, while women tend to buy symbolic and self-expressive goods concerned with appearance and emotional aspects of self. Michael Wood (1998) and Angela Hausman (2000) found that gender and impulsive buying were weakly related. Tariq Jalees (2009) found that tendency for impulsive buying is gender specific. Level of impulsive buying in females is significant higher than males. Sigal Tifferet, Ram Herstein (2012) reported that women have higher levels of impulse buying in comparison to men. They have mentioned reasons why women may be more inclined to do impulsive buying. First, since impulse buying is related to hedonic consumption, and women score higher in hedonic consumption than men. Second, women, more than men, suffer from anxiety and depression. Given the link between impulse buying and negative emotions (Silvera et al., 2008); (Verplanken et al., 2005), women may use impulse buying as a means to improve their mental state.
Age
Bellenger & Robertson & Hirshman (1978) and Wood (1998) have found a relationship between age and impulsive buying. Impulsive buying tends to increase between the ages 18 to 39, and then it declines thereafter. Tariq Jalees (2009) noted that the level of impulsive buying in younger age groups was significantly higher than older groups. This finding is similar to the findings of Wood (1998). Feng Xuanxiaoqing, Dong-Jenn Yang and Kuang Chuan Huang (2011) found that females over 41 years old are more likely to intend to impulse buy for cosmetic products, perhaps because they have a permanent salary and would like to spend money on themselves.

Income
Kollat and Willet (1967), Feng Xuanxiaoqing (et al., 2011) reported that incomes do not have any influence on rate of unplanned purchase. Sharon Beatty, M. Elizabeth Ferrell (1998) found relationship between availability of money and positive and negative affect which leads to making impulse purchase. They reported that having money or financial resources increase chances of impulse purchase and positive feeling. Mai N.T.T., Jung K., Lantz G., Loeb S.G. (2003) found that income is significantly related to impulse buying behaviors of Vietnamese consumers.

IBT
Sandy Dawson, Minjeong Kim, (2009) found positive correlation between a person’s IBT and online impulse-buying behavior. Person higher in IBT tend to do more impulsive buying and low in IBT tend to do less impulsive purchase.

Store Related Factors

Behavior of Shop staff
Jones (1999) found importance of staff behavior in impulsive buying. Consumers tend to enjoy a shopping experience with supportive and friendly shop assistants. Salespeople can really make the shopping experience fun and enjoyable by providing extraordinary service. Consumers enjoy shopping more without the presence of an overbearing salesperson although they do, however, appreciate when a salesperson is nearby and helpful.

In-store Advertising
Feng Xuanxiaoqing (et.al, 2011) found that Female consumers’ buying intention is easily affected by advertising, displays of goods, atmosphere, promotions and sales. Murad Hussain, Sheikh Raheel Manzoor (et.al) found no relationship with celebrity endorsement and impulsive buying of the consumer in peshawar city. Pasi Huovinen and Petri Rouvinen, (2008) found that impulse buys are positively associated with exposure to commercial television, but not to other forms of mass media.

Proximity (Product Display)
Researcher found relation with proximity and impulsive buying. Hoch & Lowenstein, (1991) Miskel, & Ayduk, (2004) and Mishcel & Ebbesen (1970) found that Proximity is also a factor that facilitates impulsive actions. Rook (1987), Rook & Hoch (1985) studied that Consumers have indicated that by just looking at the items in stores or catalogues can stimulate desires for the purchase of goods. Voh & Faber (2007) Physically proximity also stimulate sensory inputs such as (1) touching goods in store (2) tasting free sample of foods, which also affect desire. Tariq Jalees (2009) Proximity and impulsive buying have very strong relationship. which support result of fabervohs (2004)

Promotional Offers
Ronald J. Faber (2000), Nina Koski (2004), Shu-Ling Liao (et.al 2009) has found positive relationship between promotional offer like items on sale, free samples, free gifts, coupons and impulsive buying. Promotional schemes encourage people to do more impulsive Buying.

Product Related Factors
Product- Specific Nature
Michael A. Jonesa, Kristy E. Reynolds, Seungoog Weunc, Sharon E. Beatty(2003) suggested that impulse buying tendency as a context or product category specific. Further, involvement was found to be an important variable impacting consumers’ tendencies to purchase products of a particular product category on impulse. Furthermore, the study demonstrated that product-specific impulse buying tendency is more strongly related to product-specific impulse buying than the generalized impulse buying trait. Trevor Watkins(1984) He tried to find out how consumer purchased low involvement good whether it is impulse purchase or routine purchase. Previously a very high level of impulse purchasing had been assumed to occur for low involvement but He found more routinised behavior for low involvement products.

Product Price
Wong and Zhou (2003) found that price is an important determinant of impulse buying consumers tend to be more impulsive when price of product is less. Further, Price of the product and impulsive buying are negatively correlated

Situational Factors
Presence of Peers
Xueming Luo (2005) suggested that the presence of peers increased the urge to purchase, and the presence of family members decreased it. However, this difference was greater when the group (peers or family) is cohesive and when participants were susceptible to social influence.

Credit Card
Ronald J. Faber(2000), Nina Koski (2004), Shu-Ling Liao (et.al2009) found relation with having credit card and impulsive Buying. People having credit card more prone to do impulsive Buying compare to people do not have credit card.

CONCLUSION
Impulsive Buying is an unplanned Buying, a Sudden and spontaneous desire to act. Impulse buying occurs when a consumer experiences a
sudden, often powerful and persistent urge to buy something immediately (Rook, 1987). According to surveyed literatures found that following consumer related, in-store factors, product related factors and situational factors influence impulsive buying. Factors are listed in Table 1.

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Sankalpa means Decision, Determination that a true manager or leader must make every day...

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aims at bringing out the intricacies of Management perspectives, concepts, and applications. The focus is on Indian Management and its interplay with Global Management knowledge, best-practices and research.

This issue is sponsored by: Dr. Satendra Kumar, Professor & Head, Ph.D Research Center, SMJV’s CKSVIM

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Exponent of Jainism To The West
(Tribute to Shri Virchand R. Gandhi)

An Excerpt

Certain personalities leave indelible footprints on the sands of time, their legacy is not affected by the constantly revolving wheel of time.

*The World Religions Conference* held in Chicago, U.S.A. almost a century ago with more than three thousand delegates of different nations and religions had assembled at the conference which was inaugurated on 11th September, 1893. To spread the message of Indian Philosophy and culture, two Indian delegates participated to the spiritual heritage of India. They were *Shri Swami Vivekanand & Shri Virchand Raghavji Gandhi*, the representative of the Jain religion.

The aim of this religious conference was to impart to the world the knowledge of different religions, and to promote a feeling of fraternity between followers of diverse religious, persuasion and so to pave the way for world peace.

Virchand Gandhi, a young man of twenty-nine, talked about the doctrines of Jainism (two of its main aspects, namely Jain Philosophy and the Jain way of life) in such a coherent manner that an American newspaper wrote, “... of all Eastern scholars it was this youth whose lecture on Jain faith and conduct was listened to with the interest engaging the greatest attention.”

The short life span of Virchand Raghavji Gandhi was full of multifarious achievements. He was the first graduate of the Jain society to get his BA with Honours in 1884. Virchand Gandhi also established the fact that Jainism is older than Buddhism.

Virchand Ganchi went to England where he fulfilled his desire to be a barrister but he did not use this training for monetary gain. Considering the curiosity for Jainism in England, he started a coaching class. He had the command of fourteen languages including Gujarati, Hindi, Bengali, English, Sanskrit and French.

At the age of twenty one, as the Secretary of ‘Shri Jain Association of India’ he worked for the abolition of poll tax levied on pilgrims of Palitana.

He was a strong advocate of Rashtriya Mahasabha or the Congress. He seems to have come in intimate contact with Mahatma Gandhi. In a letter written to Virchand Gandhi's son, Gandhiji sends his blessings and asks:

“Have you adopted any ideas of your father?”

Virchand Gandhi passed away in 1901 when he was only thirty seven. He rendered yeoman service to India and Jainism by interpreting Indian culture and religion in its true spirit to the western world. In this respect he enjoys the pride of place in the galaxy of Indian thinkers and philosophers and his name will continue to be remembered as a great champion of the Jain religion.

From the Desk of Editor-in-Chief…

Gandhian Engineering and Management – An Answer to Global Business Sustainability

The rich USA and European nations, for their own sustenance and growth, are increasingly dependent on the developing world [BRICS, COMESA, GCC and MENA] to sell their technologies, excess production as well as technical, educational services. Outsourcing of ICT and Healthcare services is well known to all. Another point is depleting energy resources and increasing concerns to preserve environment in rich countries. The tables are turning in favour of those developing nations which can produce and offer world-class compliant, low-cost (not cheap) products and services, with the help of lower energy, innovative local technology and lower manpower cost. How can India be THE ANSWER to all this?

Think of –

- **Reducing costs** and prices through use of local materials, machinery and manpower, using local as well as global technologies.
- **Skill development** of the unemployed in production and management
- “Producing more out of less, for more and more (people)” as Dr A. R. Mashelkar said on the concept of **Gandhian Engineering**.
- **Delivering better, low-cost education with relevant skills** to our young boys and girls aspiring to become MBAs, Doctors, Engineers, Computer and Social Scientists, Pharmacists, Artists and Designers.

This is **Gandhian Engineering**, and **Gandhian Philosophy for Management**.

**Gandhian Studies** must be introduced in all the educational programs in the form and at the level relevant to them. Under **Global MBA Program** of Gujarat Technological University, we offer ‘**Gandhian Philosophy for Managing Business**’ as an Elective, and we propose to start a new MBA specialization in ‘**Entrepreneurship & Family Business**’ from new Academic Year July 2013.

I welcome the distinguished Professors and Vice Chancellors on the Editorial Board of this journal as it is expanding in knowledge and readership through print copy by circulation as well as e-copy hosted on our website www.cksvim.edu.in. Thanks to Dr Satendra Kumar, Chairman of our PhD Research Centre who has been kind to personally sponsor many issues of the Journal.

This issue comes with some exciting new, double-blind reviewed articles on a huge plethora of topics. Enjoy them with a cup of **chai** in this lovely weather!

June, 2013

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इशाना पिप्पतम धियः \|\]

“O Varuna, O Mitra, you Govern every man and are the wise thinkers;
You are the Rulers, Nourish our Thoughts.”

- Veda, The most ancient Indian philosophy scripture

APPEAL TO THE AUTHORS AND CONTRIBUTORS

The present issue (Volume 3, Issue 2) is the July - December 2013 issue, which contains research papers / articles in various areas of Management and Research. The bi-annual Journal ‘SANKALPA’ portrays our strong conviction to disseminate the thinking of academicians and practitioners in the field of Management discipline, which they communicate through their ‘Reporting’ in the form of research papers, articles, study reports, case studies, original conceptualizations with logical vigor and vision.

The members of the Editorial Board appeal to all the academicians and practitioners to communicate their ‘Reporting’ to the Editor-in-Chief for publication in our subsequent issues, through the e-mail ID:
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Published by:
SMJV’s - C K Shah Vijapurwala Institute of Management
R. V. Desai Road, Pratapnagar, Vadodara – 390004
Phone: +91-265-2418328 / 29/ 30
E-Mail: mba@cksvim.edu.in / cksvim@gmail.com

Design & Printed by:
Sri Shyam Graphic, Vadodara-390 001.
From the Desk of Research Head, CKSVIM

The Ph D Research Centre, CKSVIM, continues to extend help to the faculty members of CKSVIM in particular, and faculty members of other institutions of Gujarat Technological University (GTU), Ahmedabad, in general, who are pursuing Ph.D Research or intend to pursue Ph.D Research. Those of our teachers at CKSVIM who are pursuing their Ph.D Research under GTU, have been motivated to submit proposal to AICTE under the scheme of ‘Career Award for Young Teachers’ so that they may receive financial assistance to pursue their Ph. D Research.

The Mission and Objectives of the PhD Research Centre are:

Mission
- To promote ‘Research Activities’ at SMJV’s CKSVIM, Gujarat Technological University and in other Institutions in the State of Gujarat and India.
- To promote Research Environment in CKSVIM capable of sustaining all kinds of research activities needed for the generation and dissemination of newer knowledge on a long-term sustainable basis.

Objectives
The specific objectives of the Research Centre therefore are:
- To encourage teachers and independent researchers to get into the habit of reading research journals to acquire current knowledge of the outcomes of the ‘research studies’ conducted by the Researchers and reported in these journals.
- To make them aware of the whole ‘Process of Researches’ of different kinds which can be undertaken by any Researcher and to motivate him/her to conduct ‘Researches-studies’ independently or as a member of the Research Team.
- To train the teachers and researchers in drawing inferences from the Research Studies reported in Research Journals / Magazines, Websites and to carry out the ‘Concept – mapping’ of the research findings to identify the ‘gaps’ in the Current Studies to enable them to design and conduct research studies with a view to bridging the ‘research-gap’ thereby adding new knowledge in the field of Research.
- To train the teachers and researchers in the design of Samples, Questionnaire to be used for collecting field data and to integrate them with the tools of Statistical analysis for drawing inferences and for fulfilling the objectives of Research Studies.
- To inspire the teachers and researchers for writing Research Papers and to get the same published in the ‘referred- journals’ of repute.
- To enable our teachers and researchers to undertake and complete their Ph.D Research and to earn their Doctorate in Management.
- To support and promote the publication of Research Journal of the Institute SANKALPA (ISSN 2231-1904).
- To collaborate with and to seek co-operation from other research and educational institutions of India and abroad with a view to promoting Research activities among ‘Teacher-researchers’ as well as independent researchers.

The Centre is planning to conduct programmes to pursue its objectives and to fulfill its Mission and to realize its Vision.

June, 2013

Dr. Satendra Kumar
Professor and Head
Ph D Research Centre, CKSVIM
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India's Higher Education: Insight, Global Challenges and Need for Quality and Accreditation©

Dr Rajesh Khajuria, Director, Shri Mahavira Jaina Vidyalaya’s C K Shah Vijapurwala Institute of Management, Vadodara. Email: director@cksvim.edu.in

Abstract

India is the only country in the world with two distinctive and unparallel achievements which no other country in the world can perhaps match:

• India never invaded any other country to fight a war or to grab land or political power.

• India gifted three major religions or faiths to the world: Hinduism, Buddhism and Jainism, together followed by about 2.5 billion people spread over Asia.

Diversity, plurality, camaraderie through education and self-empowerment are some of the basic features of India, the largest and peaceful democracy in the world.

Key words : Ancient Universities, Quality, Accreditation, Higher Education

INDIA is well known as a pioneer of Higher Education initiative in the world. India also gave world class universities to the world before some 3,000 years, when there was perhaps not even a single university in rest of the world. In fact many countries of the modern world today including the United States of America (USA) did not even exist, and some others if existed were unknown to rest of the world due to lack of information and connectivity.

Ancient Indian Visvva Vidyalayas (Universities) namely Nalanda University, Takshashila University and Vallabhi University were self-governing educational institutions. These world-class teaching-learning institutions, attracted international scholars like Huien Tsang from China at Nalanda University and many other scholars from around the world at Takshashila University in the north-western region of ancient India. Jain as well as Baudh or Buddhist scholars studied at Vallabhi University in Western Indian State (now called Gujarat), as well as at Nalanda and Takshashila in the Great Country Bharat (now known as INDIA). It is a well-known fact that before about 900 years at Vallabhpur town in Saurashtra region of Gujarat, Jain Acharya Vir Bhadra Suri Maharaj led a large group of Jain Sadhus (monks) to re-write ancient Jain Agamas and scriptures that existed from the time of Bhagwan Mahavir about 2600 years before, or earlier.

These ancient institutions of Higher Education performed very well for about 2200 years during 1,000 B.C. to 1200 A.D. There were about 14 universities or institutions of higher learning inKey ancient India.

Takshashila University (1000 B.C. to 500 A.D.)
Nalanda University (425 A.D. to 1205 A.D.) - Bihar
Vallabhi University (600 A.D to 1200 A.D.) in Gujarat

How India's lost its Glory!

After 12th century, these universities became extinct specially after the invasion and ruling by Persians and Mughals for about 400 years till first part of 16th Century; followed by the European invaders specially Portuguese, Spanish and English for another 400 years from later half of 16th Century to mid 20th Century.

The diminishing governance at national, institutional and local level, due to outside invasion or any other reasons, saw the closure of these ancient universities, or these were perhaps systematically destroyed along with all their schools, colleges, research centres, physical structures; and their teachers, professors, staff and students either left teaching-learning process and joined agriculture or business, or some were destroyed along with these universities.

Consequently, India's education, both school and higher level, lost its original glory which it had developed through its unique methodology.

India's Magnificent Ancient Education System

Ancient India's educational methodologies were teacher-guiding and learner-centric. For example in Mahabharata epic, Guru Droracharya did not teach the same courses to all his princely students, called Five (5) Pandava brothers and Hundred (100) Kaurava, their cousins. Each student was judged for his unique ability (applied rubrics) and then offered some specific courses, like Arjuna was taught Archery and Bhima was taught Gada-Yudhh both of whom became top practitioners in their respective knowledge and skills. There was no university to offer compulsory courses and defined Degrees and Diplomas, no external examination, no question-paper setting, no en-mass examination with the same questions, and no mass answer-sheet checking unlike today's university system.

And still, each one of the students excelled in one field of
education and one skill, while appreciating differences in education, skills and lives of other students and people. Every student found a meaningful employment, profession or business that led him or her to live a meaningful life through virtues of strong character, fair dealing and warm relationships, developed on the foundations of trust and truth.

**Influence of Mahavira and Buddha**

Then came saints like Mahavira and Buddha, who added the virtue of non-violence and peace to the lives of people of India and thus came to be worshipped as Gods. Buddha's teachings later spread to the Eastern world of Nepal, China and Japan. For the world, torn in many parts in different countries on the factions of religions, castes, power, finances or economic strata, time has come to take a re-look to the teachings and values of developing strong character, self-governance and achieving progress through virtues of trust, non-violence and peace.

**Gandhian Philosophy**

There is yet another set of reasons behind the philosophy of self-governance of our educational institutions.

Mohandas Karamchand Gandhi, a Gujarati lawyer turned patriot who spearheaded Free India Non-violent Movement for almost first half of 20th Century, and inspired and involved everyone of half a billion Indians that led to the collective victory of India over British Raj on 15th August 1947, terming him as Mahatma Gandhi. The freedom of India did not come due to set systems or prescribed Laws or given education system, procedures and documentation. The freedom came due to breaking of the then Government system, rules and regulations in a vocal, non-violent and peaceful manner, emphasising our rights, duties and responsibilities as self-governing nation.

I believe, Gandhian philosophy can and should be applied to devise a system of self-governance in Higher Education as well as industries and businesses in India, and the world will follow this new system. A lot of research is required to do so.

**What Progress Free-India has achieved in Higher Education Today?**

Take a look at the growth of Higher Education in India during last 60 years, since India became an Independent Nation on 15th August 1947.

The number of universities has increased from 30 in 1950-51 to 634 in December 2011. The number of Colleges rose by higher pace from 695 in 1950-51 to 33,023 in 2010-11. But Total Number of Students Enrolment increased by a even higher rate from 3,97,000 in 1950-51 to 16.975 million. This included girls or female students' enrolment from 43,000 to 7.049 million in 2010-11 (Please see Figure 1 and 2)

About 85% of these colleges are set up by Private Sector entrepreneurs as Non-Government Organizations (NGO), many of whom have hidden profit motive. This has led to the menace of capitulation fee or forced donations from students who wish to study in these private/ self financed institutions or colleges. There are of course some exceptional institutions which function ethically and admit students strictly on merit basis. Thanks to their promoters who genuinely wish to serve the next generation of children and young students as a part of their passion for nation building.

The quality of education in many institutions, both private and public, leaves much to be desired. And this is one of the key
challenges of Higher Education in India.

Second dimension of our Higher Education is: many-fold rise in the number of Universities, Colleges, Students' Enrolments and Teachers over last 60 years in the Higher Education India. (Please see Figure 3).

**Figure 3**

Growth of Higher Education: Universities/Colleges/Students enrolment/Teaching Staff: 1950-51 – 2010-11*

![Graph showing growth of higher education]

* Provisional

![Fold Increase]

Universities (in Terms) Teaching Staff (in Lakh) Enrolment (in Lakh) Colleges (in Thousand)
18.1 2.14 3.67 0.21
1950-51
34.68 5.17 34.50 0.24
2010-11
(34.68) (5.17) (34.50) (0.24)

Source: UGC Brochure: Higher Education in India, 21.03.2012

While number of universities have increased by little over 18 fold, the number of colleges have risen by over 47 times, and number of students' enrolment by over 42 times, the corresponding number of teachers have increased by only 34 times, thus putting tremendous pressure on teachers to admit, teach and examine ever increasing number of students.

A woefully smaller number of universities and teachers in India face the brunt of burden of this unprecedented demand and pressure for educating 65% young population of India, when current Gross Enrolment Ratio (GER) which indicated relative share of India's adults studying Higher Education is dreaded low at 15% as per the figures released by The Ministry of Human Resource Development (MHRD), Government of India.

**India in Global Education**

The third dimension is India's relative share and competitiveness in Higher Education in the world. The OECD Report of March 2012, one of the authentic global sources, puts India's relative share in Higher Education in the world at 11% in the year 2010, which is projected to rise marginally to only 12% by the year 2020. In contrast, China's Higher Education share is set to rise from 18% (1.8 times that of India) in the year 2010 to a whopping 29% by 2020. China's Higher Education share in the world is expected to surpass India's share by more than twice (2.4 times) by the end of current decade 2010-2020. (Take a look at Figure 4, 5 and 6).

**Figure 4**

![2000 ARDI - 10.1 million 25-34 year-olds with tertiary education]

Source: OECD Report, March 2012 (Figure 4, 5 and 6)
Regulatory Framework of Higher Education in India

India has a multiple-system of governing Higher Education in the country, working under the Ministry of Human Resource Development (MHRD), Government of India. Higher Education universities are governed by the University Grants Commission (UGC), while Technical and Professional education institutions are governed by All India Council for Technical Education (AICTE). Medical education is governed by Medical Council of India (MCI), Pharmaceutical education by Pharmacy Council of India (PCI), Nursing education by Nursing Council of India (NCI) and Teachers education by National Council for Teachers Education (NCTE). Most of these governing councils are located in New Delhi, with the exception of NCI and NCTE in Bhopal, thus making it difficult to effectively regulate over 33,000 colleges spread all over India.

Quality of Higher Education

Quality of a university or academic institution is essentially about the manner in which it conducts its education process using its physical and virtual infrastructure, as determined through accreditation. A National Accreditation process not only enables the universities' and academic institutions' focus on their Mission, Objectives and Core Competencies, but also enables them to improve their process of teaching-learning, research, extension and even consulting.

A step ahead, an International Accreditation process compares the national institution at an international level and exerts pressure on the national institution to develop global processes, rubrics, learning outcomes and so on, which might result into the university or institution getting better ranking in the country and world-wide. For example, Accreditation Council for Business Schools & Programs (ACBSP)-USA, Association to Advance Collegiate Schools of Business (AACSB-USA), and Association of MBAs (AMBA-UK) are some of the International Accreditation Councils for Management (MBA, PGDM) programs. There are a few others too.

India has currently only two Accreditation Councils set up by Government. National Assessment & Accreditation Council (NAAC), Bangalore, set up by UGC, and the National Board for Accreditation (NBA), New Delhi, set up by the AICTE.

While NAAC awards grades to institutions (universities and colleges) through a set process of accreditation, NBA gives grades to individual programs of studies conducted by the institutions of technical education in India offering courses in the areas of Engineering & Technology, Pharmacy, Management, Computer Application, and Performing Arts.

Although NAAC and NBA are doing commendable job of accrediting universities and higher education institutions respectively in India, the current rules and processes do not sufficiently encourage our institutions to go for accreditation. Lack of willpower, limited teaching staff and resources, and higher cost of accreditation are other reasons. Yet, we hear the whispers of sycophancy and/or corruption in the approval of private colleges as well as their accreditation process somewhere sometime.

Consequently, hardly 1/10th of the universities and academic institutions are accredited in India.

The scenario may be similar in most developing countries and comparable in some developed nations, albeit in varying degrees.

Conclusion

Under the circumstances, there is a huge scope for strengthening the existing Accreditation Councils, as well as setting up new Accreditation Councils to cater to different needs of educational institutions in the country. There is also a need to 'Go Global', or set up International Accreditation Councils in India to accredit not only Indian but also foreign or Global universities and educational institutions with Indian System of Education tailored to suit modern, Global education that helps universities and institutions come to India, and develop Global Citizens in India as also their own nations, such that these Global Citizens of New World are Educated, Ethical and Entrepreneurial in their thoughts, words and actions. Such young men and women cooperate, collaborate, co-invent and co-create new products, services and opportunities to serve 7 billion people, unheard of today.

Then, I shall be satisfied that the new world order is evolving in 21st century that should work well for at least the current 3rd millennium.

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Transforming Universities through Educational Management

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Abstract

With internationalization of education per se, and the quest for quality, each and every process of education is under deep scrutiny to ensure that the international benchmarks of quality are observed to perfection. The reason why Educational Management is assuming such a centrality is that the quality of education and excellence of an institution can be translated into reality only through expert educational management.

Key Words: Higher education, Educational management, Governance, Paradigm shift.

Introduction

With internationalization of education per se, and the quest for quality, each and every process of education is under deep scrutiny to ensure that the international benchmarks of quality are observed to perfection. Educational institutions which strive for this have come to believe that while establishing new and effective mechanisms are required, managing the institution as per the vision and mission of the founders of the particular institution is the key. Hence, institutions of international acclaim and repute are those that are managed with exemplary leadership and exquisite efficacy. In the recent times, there is a growing awareness that Educational Management is profoundly pivotal to the quest for quality and excellence in the domain of education.

Universities remain one of the most under-managed organizations in our society. The governance structures are archaic and have not changed with changing environment to meet the expectations of its various stakeholders. While most other organizations in society have adapted themselves in terms of organizational design, mechanisms for conducting their business and motivating people, use of technology to bring effectiveness in operations etc., universities have not changed much. Hard rules that were framed for a past era still dominate rather than soft-processes and collegial consensus making. All of these have led to centralization of decision-making and low involvement of faculty and students in most policy decisions affecting academics. These may have been the direct outcomes of low autonomy as well as low management skills amongst administrators at these institutions. There is an urgent need to improve governance by developing expertise in “educational management” and avoid burdening good academics with administrative chores. One way to go about this is to encourage universities to start programmes in management of educational institutions. A separation between academic administration and overall management (including fund-raising) may be desirable. In this context it will be Report of ‘The Committee to Advise on Renovation and Rejuvenation of Higher Education’ necessary for many state governments to abandon the trend of appointing of civil servants as university administrators. In general, the Governance structure of centrally funded institutions, such as the Central Universities, IITs, NITs, IIITs, IISERs etc., are relatively more autonomous than the state funded institutions. Even among state institutions, National Law Universities enjoy high levels of autonomy as compared to other state universities. The governance structure and autonomy of the IIMs are one step ahead of the IITs, which, in turn, were beyond the traditional universities. This progression needs to be continued. Any change in the governance structures of a university should be aimed at achieving more autonomy for it. In academic matters, the teacher should have complete autonomy to frame her/his course and the way she/he would like to assess her/his students. This autonomy should also be available to the students who should be allowed to take courses of their choice in a relaxed manner from different universities and then be awarded a degree on the basis of the credits they have earned.

The university has also been regarded as the trustee of the humanist traditions of the world and it constantly endeavors to fulfill its mission by attaining universal knowledge, which can be done only by transcending geographical, cultural and political boundaries. By doing so, it affirms the need for all cultures to know each other and keeps alive the possibilities of dialogue among them. It is also important to remember that the university aims to develop a scholarly and scientific outlook. This outlook involves the ability to set aside special interests for the sake of impartial analysis.

Relevance of Educational Management in today’s era

Unlike the preceding ages when institutions believed that recruitment of faculty and infrastructure is all that is needed, today the scenario has changed in a fundamental way. In
contemporary era, each and every process, be it admission, enrolment, mark-sheet or feedback, every aspect has an impact on the quality of education imparted. Therefore, Educational Management has emerged as the comprehensive philosophy of ensuring quality in every process in order to render quality an all-pervasive phenomenon. Previously, anyone and everyone with a handful of common sense and resourcefulness was fit to run an educational institution but today there are specialized training programs to train the individual aspiring to undertake Educational Management. In sync with this, even institutions today expect that the person stepping into the role of managing the organization should possess proven skills and expertise of Educational Management.

The management model for higher-education institutions must take account of their function as observers and consciousness-raisers. Institutions must place their intellectual resources and independence of thought at the service of harmonious and sustainable human development. Their observer function consists in drawing attention in their own particular environment and in the external environment to situations- with their different economic, cultural, social, political, scientific, technological and ethical components- in which the ‘true’ and the ‘just’ are being flouted. Their consciousness-raising function consists in anticipating the consequences of such situations, predicting the main trends affecting the future of society and imagining which scenarios are most likely to help to improve development. Higher education must strengthen its capacity to perform a critical analysis, to anticipate and to have a prospective vision. It must do so in order to prepare alternate development proposals and face the emerging problems of a reality undergoing a process of continuous and rapid transformation, in a long term horizon.

The way-forward

What is increasingly needed by higher-education institutions is therefore a model for forward management: there is a need for forward management of tasks in the face of an ever more rapidly changing world; for forward management of training structures in order to meet the compelling requirements of life-long education and the necessity for a more regional and international vision; for forward management of research structures in the light of the necessity for more interdisciplinary research in networked teams; for forward management of entry and departure flows with an eye to more relevant and higher-quality training; for forward management of financial, material and human resources in order to carry out tasks and respond to trends in a better way; for forward management of sub-cultures inside and outside the institution so as to create an innovation-oriented culture serving the construction of harmonious and sustainable human development.

The term Governance indicates the formal and informal mechanism which may allow higher education institution to make decisions and take appropriate action and it also includes external governors which refer to relations between individual institution and their regulatory authority. Internal governors mean authority within the particular institution. The major aspects of governors includes academic freedom, financial soundness, transparent selection procedure, clarity about the accountability, periodical testing of standards and participative personal management system.

Higher education institutions inevitably reflect the societies in which they operate. When a country suffers from deep rifts, these will be present on the campus. Undemocratic countries are unlikely to encourage shared governance in higher education. A society in which corruption is prevalent cannot expect its higher education institutions to be untainted. In other words, external factors easily overwhelm institutional efforts to promote change and are, of course, especially difficult to change. From many of the countries in the developing world, political leaders at the start of independence exhibited little understanding and sometimes little sympathy for the needs of university education. However, after independence and still today, most problems faced by developing countries were believed to require some degree of government guidance and supervision. Higher education was no exception, leading to policymakers, with little sympathy to its needs, managing it in the same way they managed roads, the army, or customs. The failure to recognize the importance of taking the long-term view undermined the higher education sector's performance and inhibited the development of governance traditions. The proliferation of new institutions in most developing countries has now diluted whatever useful traditions existed and also created shortages of qualified personnel.

Educational Management and performance

The reason why Educational Management is assuming such a centrality is that the quality of education and excellence of an institution can be translated into reality only through expert educational management. It is particularly annoying to see when an institution has everything-teachers, infrastructure, funds and students and yet it is faring badly in terms of the professionalism in the teachers and the staff, the maintenance of infrastructure and student quality. It is this dichotomy that requires being resolved by way of ensuring effective educational management. As against this, it is heartening to see that institutions with scarce resources have produced astonishing results through the extraordinary educational management.

In the knowledge base economy universities justify their expenditure of public money by claiming it as a national investment. But at the same time any kind of investment implies a
rate of return to be measured and reported. Although university is a non-profit organization, yet its contribution may be measured. Several intangible contributions like values and attitudes are not directly measurable. But indirect measures, like productivity, crime rates, and peace may be used. In case of technical education, value-added to income generating capacity of students may be used. Rank may be assigned at national and global level on the basis of its contribution to knowledge via research.

Higher education is facing increasingly formidable challenges. It will have to demonstrate great imagination, creativity, intelligence and determination in its management and financing. It must also develop suitable capability in the planning and analysis of policies and strategies, based on partnership between higher-education institutions, government and national planning and co-ordination bodies. The main purpose of management must be to act as an instrument for improving the relevance and quality of institutions and systems. While higher-education institutions must develop an entrepreneurial culture, they are still not businesses and they cannot operate on the same basis as businesses. The criteria of business effectiveness is mainly economic or, more precisely, financial. The criteria of universal higher education is different: human and financial resources have an essentially social, and therefore external, purpose. Universality must therefore be governed by criteria of social relevance, service quality and equity, thus vindicating the principle that, while institutional and financial diversification is necessary, public support for higher education remains essential. Whilst retaining responsible and accountable autonomy, higher-education institutions cannot operate in a vacuum and shut themselves up in an ivory tower; they are closely linked to local, national, regional and international institutions required to determine development policies. They must defend policies which focus on forms of sustainable human development which are of general benefit.

Conclusion

For a country like India, it is indeed a paradigm shift from scarce resources to sufficient resources and infrastructure in educational institutions. But the paradigm shift in quality is yet to take place. It would be unfortunate if we fail to utilize this opportunity of transformation of education and continue to lag behind in key areas of quality in education. Today, there is no other distinction left. There is and will be only one distinction that will separate average institutions from extraordinary-educational management. Those institutions that will be managed excellently will be rendered world class and those that will not be managed equally well will remain in the previous century. The hallowed ideal of the quality of education will remain elusive if we do not recognize the significance of educational management and dedicate ourselves to imparting the centrality it deserves.

Education is the building of the powers of the human mind and spirit. It is formation or, as I would prefer to view it, the evoking of knowledge and will, and of the power to use knowledge, character, culture - that as least if no more. There are three things which have to be taken into account in a true and living education: the man, the individual in his commonness and in his uniqueness; the nation or people; and universal humanity. It follows that alone will be a true and living education which helps to bring to full advantage, makes ready for the full purpose and scope of human life all that is in the individual man, and which at the same time helps him to enter into his right relation with the life, mind and soul of humanity of which he himself is a unit and his people or nation a living, a separate, and yet inseparable members.

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Right to Education: Government Proposes India Inc. Disposes

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If you are planning for a year, sow rice;
if you are planning for a decade plant trees;
if you are planning for a lifetime, educate people. - Chinese proverb

Abstract

In the ever-changing world we find ourselves fumbling over the issue as to how to combat the challenges put forth by such changes. In our battle with the changes, fast changes and changes that take place at the speed of thought we find answer in information and knowledge. However, to reach this level of getting the information and processing the same for gained knowledge mankind has to prepare itself to become eligible as the information processor which is possible only through education. In this connection the Indian government has realized the importance of educated citizens for various purposes viz., for the growth of GDP, to provide educated young employees and customers for the corporate world and the educated youth to bring in socio-economic and legal changes. On the other hand the corporate world has realized the importance of education to get better and educated employees to innovate creative products and customers who can appreciate the innovative products launched by them periodically. Hence, to tap the potential of corporate world to educate the youth and future generation, government has made an attempt in the form of the Companies Bill, 2012, passed by LokSahaa on 19.12.2012, to bring in the education under the ambit of mandatory CSR activities of the companies under Schedule VII clause (ii) (See Annexure II).

Introduction

Illiteracy and poverty are said to have connection with each other. Depriving a person of educational opportunity, may be because of poverty, is the infringement of his human right as education is seen as a source of freedom and empowerment. In their endeavour to provide education to all, United Nations and UNESCO lay down international legal obligations for the state governments to fulfill for the right to education for all. In one of the interviews with Mishal Husain of Wide Angle, Nobel Laureate Prof. Amartya Sen stated ‘Nothing really is as important in the world as getting children to school, especially female children.’ This reflects the conviction that Education is a powerful tool by which economically and socially marginalized adults and children can lift themselves out of poverty and participate fully as citizens guarantying inclusive economic growth.

First historical account of Right to Education

The problem of Right to Education has its roots in the history. In 1870, when England passed a legislation to make education free and compulsory, in India the princely state of Baroda alongwith other princely states introduced the legislation to make education compulsory in 1893 (Saiyidinardes, 1966) for boys in Amreli Taluk and later extended it to rest of the state in 1906. The first Law on Compulsory Education, popularly known as Patel Act, was passed due to the initiatives of Sh. Vithalbhai Patel. These facts underline the important contribution of Gujarat and Gujaratis in the right to education.

Law in India and Right to Education

Fundamental rights under Constitution of India- Part III state amongst others right to education and right against exploitation which prohibits all forms of forced labour, child labour and traffic in human being. Right of education was shifted from Part IV to Part III i.e. from directive principles to fundamental rights. The 86th amendment of the Constitution Act in 2002 made it the responsibility of the state to provide free and compulsory education for all children of the age of six to fourteen years. Whereas Article-45 put the onus on the state to provide early childhood care and education for all children until they complete the age of six years. However under Article 51-A it was left to a parent or Guardian to provide opportunities for education to his child/ward between age of six and fourteen years. Article 24 is a prohibitory one wherein the employment of child below the age of fourteen is prohibited to work in any factory or mine or engaged in hazardous employment. Article 39 is a protective one that guarantees that childhood and youth are protected against exploitation and against moral and material abandonment. Right to Education Act, 2009 reinforces every child's right between the age of six and fourteen to free and compulsory education in a neighbourhood school and it is the duty of appropriate government to ensure compulsory admission, attendance and completion of elementary education by such child under section 8 (f). The prohibitory provisions under section 16 of the Act state about not to hold back in any class or expel from school till the completion of elementary education. The said Right to Education
Act, 2009 also provides for 25 percent reservation for economically disadvantaged communities in admission to Class One in all private schools.

**Child labour and Companies**

The foregoing discussion leads us to understand the requisition of such legislation and the difficulties that we face to implement such legislations. Children under fourteen constitute around 3.6% of the total labor force in India. Of these children, nine out of every ten work in their own rural family settings. Nearly 85% are engaged in traditional agricultural activities. Less than 9% work in manufacturing, services and repairs. Only about 0.8% work in factories. Gallego's study (2006) showed that in the annual reports of many companies child labour is a matter of human right activity along with forced and compulsory labour. Companies in certain industries attract child labour in lieu of adults without a sense that it ruins the future of the country in a bid to get cheap labour. State legislation is unable to crack whip on those who employ child labour, viz., tea-stalls, hotels, textile units, carpet industry, cotton fields, chemical and crackers factory, etc. where we can see many 'chhotuos' soiling and are in urgent need to address their issues of right to education and unexploitative practices. At these times employment is dangerous enough to lend the child labour in the death trap. No theory of eliminating child labour is sufficient to explain the ways and means to eradicate child labour hundred percent. However, the prerequisite for the realization of right to education to children is to eliminate the child labour completely as the learning outcomes in child workers is lower than the one who do not work. Therefore, the issue can be resolved only at the hands of companies and their socially responsible attitude that can eliminate child from their labour constituent by conducting self-social audit ethically. This will lead children towards education to make their future brighter by eliminating poverty and empowering them. Eradication of child labour will have direct impact on the image of the company as the foreign companies, especially from European Union, now imposed or threatened to impose trade sanctions and restrict the sale of goods from developing countries (Edmonds, 2002) for using child labour.

**Corporate Law Amendments to Bring in Social Responsibility**

Such stepwise initiatives by Government of India providing right to education has been in the direction of bringing in the social equality, empowerment and against exploitation. However, the socialist fabric of Indian constitution has been complemented with bringing in the legal amendments in corporate legislations.

- **Corporate governance and CSR:** These initiatives started with the introduction of Corporate Governance initiatives by introducing Cl. 49 of the listing agreement in the year 2000 where the precincts were based on transparency in disclosure and ethical behavior in dealings of corporate affairs. The evolutionary period of Corporate Governance in India showed that the non-mandatory compliances were exceptional than the mandatory fulfillment of the letter of the law (Sharma, 2009). It wasn't in the true spirit of corporate governance and it remained as a tick mark approach towards the issue. Of late corporate governance subject was started being seen with the lens of ethical behavior of which corporate social responsibility was one of the inseparable variables. This could be revealed from the fact that the corporate social responsibility statements of some of the companies a decade back during 2001-2002 stated about safety and environment, energy conservation, environment policy, detailed reporting on social welfare/ security and environment development/ environment protection initiatives, welfare of weaker section of society and earthquake relief (Sharma, 2009). However, there was hardly any mention of CSR initiative towards education. During the FY2007-08 and 2008-09 approx. 22 per cent companies started showing in their annual reports initiatives towards education (Sharma, 2010). The government at the same time was working on various PPP models i.e. public private partnership in various areas and education was being the one of them.

- **Voluntary Guidelines towards education with respect to CSR:** Ministry of Corporate Affairs in the year 2009 pronounced the voluntary guidelines on CSR that state about ‘not to employ child labour’ at core element No. 3 - Respect for Workers’ Rights and Welfare and at core element No. 6-. Activities for Social and Inclusive Development, it states about providing ‘education’. Though the core elements were voluntary, the implementation guidelines seemed to be mandatory by guiding the companies to have strategies to implement CSR activities and report the same in the annual reports. This was a preparation for a much bigger event that was yet to come. And that came in the big package of New Companies Bill, 2012 that was passed in the LokSabha on 19th December, 2012. Section 135 (refer Annexure I) has made it mandatory to constitute a Corporate Social Responsibility Committee of the Board with an independent director and a mandate to spend at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its corporate social responsibility. This mandate has been on the line of ‘Spend or Explain’. Schedule VII (refer Annexure II) shows activities which may be included by companies in their Corporate Social Responsibility Policies wherein due importance has been given to promotion of education. Once this piece of legislation is passed by the Rajya Sabha and becomes an Act, all the companies will have to initiate the process of CSR and its activities under legislation with transparent disclosure. With this a huge fund is waiting to come into market out of which a huge amount can be utilized for child
education fulfilling their right to education. Table 1 shows the three-year average profit of 10 companies that are going to be potential top 10 CSR spenders in the FY2013-14.

### Table 1: Potential top 10 CSR spenders in the FY 2013-14 in rupees crores

<table>
<thead>
<tr>
<th>Profit</th>
<th>3 Year Average Profit</th>
<th>CSR spend during FY2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>ONGC</td>
<td>20,271.49</td>
<td>405.43</td>
</tr>
<tr>
<td>Reliance Inds</td>
<td>18,853.89</td>
<td>377.08</td>
</tr>
<tr>
<td>State Bank of India</td>
<td>9,712.62</td>
<td>194.25</td>
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<tr>
<td>NTPC</td>
<td>9,018.17</td>
<td>180.36</td>
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<td>TCS</td>
<td>8,054.83</td>
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<tr>
<td>Bharti Airtel</td>
<td>7,624.37</td>
<td>152.49</td>
</tr>
<tr>
<td>IOCL</td>
<td>7,206.88</td>
<td>144.14</td>
</tr>
<tr>
<td>Infosys</td>
<td>6,905.33</td>
<td>138.11</td>
</tr>
<tr>
<td>Tata Steel</td>
<td>6,202.97</td>
<td>124.06</td>
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<tr>
<td>BHEL</td>
<td>5,787.27</td>
<td>115.75</td>
</tr>
<tr>
<td><strong>Total CSR spend during FY 2013-14</strong></td>
<td><strong>99,637.82</strong></td>
<td><strong>1992.77</strong></td>
</tr>
</tbody>
</table>

Source: BS Research Bureau

### Present CSR initiatives of companies in India

Even before mandate of CSR activities the big companies have been known for their CSR activities in education of children that are as under:

1. Presently, a huge sum on primary education is spent under CSR activities by Reliance Industries that has 9 schools with 13,251 students. It also supports Gujarat government’s initiated Kanya Kelvani that cater to the need of girl child education.

2. Consumer goods major Hindustan Unilever (HUL) tied up with the Tata Group retail arm Star Bazaar to promote education among the underprivileged children. Five percent of the sales proceeds from consumer will be donated to the Smile Foundation which work in the area of education for the underprivileged children.

3. Aditya Birla group of companies contribute towards creating model villages by providing education to girls, and scholarship to girl child.

4. Under PPP model GSFC alongwith Government of Gujarat runs Akshya Patra scheme to cater to the needs of over 1.3 million children daily in government run schools, a freshly prepared, nutritious mid-day meal.

### Conclusion

Right to education that has roots in our history and princely state of Baroda was one of the pioneer in this direction. The issue is as old as it is contemporary. Right to education though became a part of the legislation in the year 2009 the focus already started in the year 2002 in the form of constitutional amendment that made education as a fundamental right by eighty sixth amendment. The government had developed many PPP models as education being one of them. These initiatives started in the form of corporate governance disclosures under ethical practices/corporate social responsibility. The government’s determination to bring in legislation on corporate social responsibility was the cause to start the voluntary guidelines on corporate social responsibility in the year 2009. This prepared India Inc. to have the next phase of CSR activities and that will become possible after the nod of Rajya Sabha during the budget session on the already passed Companies Bill, 2012 by the LokSabha. This piece of legislation will mandate companies to spend 2% of the net profit of previous three years on CSR activities. However, Indian companies have been spending huge money on education but now this will be channeled formally.

### Annexure I

135. (1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

(2) The Board’s report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.

(3) The Corporate Social Responsibility Committee shall,

(a) Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;

(b) Recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and

(c) Monitor the Corporate Social Responsibility Policy of the company from time to time.

(4) The Board of every company referred to in sub-section (1) shall,

(a) After taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the
Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company’s website, if any, in such manner as may be prescribed; and

(b) Ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.

(5) The Board of every company referred to in sub-section (1) shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy:

Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities:

Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.

Explanation.—For the purposes of this section “average net profit” shall be calculated in accordance with the provisions of section 198.

Annexure II
SCHEDULE VII
(See sections 135)

Activities which may be included by companies in their Corporate Social Responsibility Policies

Activities relating to:

(i) Eradicating extreme hunger and poverty;
(ii) Promotion of education;
(iii) Promoting gender equality and empowering women;
(iv) Reducing child mortality and improving maternal health;
(v) Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
(vi) Ensuring environmental sustainability;
(vii) Employment enhancing vocational skills;
(viii) Social business projects;
(ix) Contribution to the Prime Minister’s National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
(x) Such other matters as may be prescribed.

Bibliography

Impact of FII on Indian stock market

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Mangipudi Naga Srikanth, Student, Amity Business School, Amity University, Noida. Email: srikanthmnagai@gmail.com

Abstract

Foreign Institutional Investors are said to be the driver of the market. Those are the one cause behind the rise and fall of Sensex. FII investment trends tell us about many effects that the Indian market is experiencing. There is a lot of discussion in the market about Sensex of BSE but many of us do not talk about other Indices like NSE and BSE's Midcaps and Smallcaps which are high growth oriented and risky investment avenues. The return provided by them is high as compared to Sensex scrips. FII are also interested in investment in these scrips and impact these indices. So, this study has been undertaken in order to find the impact of FII on BSE Midcap, BSE Smallcap along with BSE Sensex and analyze the same.

The study carried out is analytical and empirical in nature in which it explores the relationship between the Inflows of FII and their impact on Indian Stock Market. In this research the Gross Sales and Gross Purchases data have been used to find the relation with the stated indices. The present study has covered foreign investments in form of equity as well as in debt. The time period is limited from April 2005 to March 2012 as it will give an exact impact in both the bullish and bearish trend. The study will provide a very clear picture of the impact of foreign institutional investors on Indian stock indices. It also describes the market trends of FII inflow and outflow. The results show that there is a significant relationship between FII Investments, both Equity as well as Debt, with BSE Sensex, Midcap indices, while such a significant relationship exists only with FII Equity Investments in case of Smallcap index.

Key words: FII inflow and outflow, BSE Sensex, Midcap Indices, Smallcap indices, Sensitivity Indices.

Introduction

Many developing countries, including India, restricted the flow of foreign capital till the early 1990s and depended on external aid and official development assistance. Later, most of the developing countries opened up their economies by dismantling capital controls with a view to attracting foreign capital, supplementing it with domestic capital to stimulate domestic growth and output. Since then, portfolio flows from foreign institutional investors (FII) have emerged as a major source of capital for emerging market economies (EMEs) such as Brazil, Russia, India, China and South Africa. Besides, the surge in foreign portfolio flows since 1990s can be attributed to greater integration among international financial markets, advancement of information technology and growing interest in EMEs among FII such as private equity funds and hedge funds so as to achieve international diversification and reduce the risk in their portfolios.

Economic growth is a function of, among other things, capital formation. As FII flows are a source of non-debtcreating capital for the economy, many EMEs have been competing with each other to attract such flows through flexible investment norms/regulations or by offering fiscal sops. Further, FII have been assured decent returns on their investments, enabling continuous and sustainable investment flows.

Of late, the Securities and Exchange Board of India (SEBI) and Reserve Bank of India (RBI) have initiated a string of measures like allowing overseas pension funds, mutual funds, investment trusts, asset management companies, banks, institutional portfolio managers, university funds, endowments, foundations or charitable trusts etc. but banning non-resident Indians (NRIs) and overseas corporate bodies (OCBs) from trading as foreign portfolio investors, raising the caps for FII from 24% to 49% of a non-bank company's issued capital subject to sectoral caps / statutory ceiling as applicable, enhancing the individual investment limit from 5% to 10% of issued capital, permitting foreign investors to trade in Government securities and derivatives, easing the norms for FII registration, reducing procedural delays, lowering fees, mandating stricter disclosure norms, improved regulatory standards etc. with a view to improving the scope, coverage and quality of FII flows into India. As a result, India, also supported by her strong economic fundamentals, has become one of the attractive destinations for FII flows in the emerging market space today.

FII flows into India registered substantial growth from a meagre US$4 million in 1992–93 to over US$ 17.92 billion in 2011–12. FII inflows underwent a sea-saw movement in India during the last decade. They registered spectacular growth especially since the middle of 2003 due to the higher growth rate in Indian GDP, robust corporate performance and an investment-friendly...
environment. Portfolio investment flows into India turned negative (outflow of US$ 12 billion) during 2008–09 mainly due to the heightened risk aversion of foreign investors, emanating from the global financial meltdown.

Ever since foreign portfolio investors were allowed to invest in Indian financial markets in September 1992, there have been extensive deliberations on the impact of such flows. It is said that portfolio flows from FIs inject global liquidity into the capital markets, raise the price-to-earnings ratios, thereby reducing the cost of capital. This, in turn, leads to further issues of equity capital and stimulates investment growth in the host economy, apart from bringing in best international corporate governance practices. Yet, FIs have been targets of criticism due to characteristics such as return chasing behavior, herd mentality, hot money flows, short-term speculative gains and their influence on domestic policy-making.

Review of the literature

Several research studies on FII flows to EMEs over the world have highlighted that financial market infrastructure such as the market size, market liquidity, trading costs, extent of information dissemination etc., legal mechanisms relating to property rights etc., harmonization of corporate governance, accounting, listing and other rules with those followed in developed markets, and strengthening of securities markets' enforcement are important determinants of foreign portfolio investments into emerging markets. In this context, some of the research works done in this area are discussed here.

Dr Rajeev K Shukla, Dr Ajit Upadhyaya & Samiksha Jain have covered foreign investments in form of equity from April 2005 to March 2010 and the impact of stock market of the FIIs is investigated using correlation analysis. The analysis resulted in finding out that In the Indian stock market FIs have a disproportionately high level of influence on the market sentiments and price trends.

Dr Syed Tabassum Sultan & Prof. S Pardhasaradhi (July 2012) made an attempt to study the relationship and impact of FDI & FII on Indian stock market using statistical measures correlation coefficient and multi regression. Sensex and Nifty were considered as the representative of stock market as they are the most popular Indian stock market indices. Based on 11 years data starting from 2001 to 2011, it was found that the flow of FDI & FII was moving in tandem with Sensex and Nifty. The study concludes that flow of FDI and FIIs in India determines the trend of Indian stock market.

Srikanth, M., & Kshore, B. (March 2012) have examined the causes and effects of FI net flows into Indian financial markets with the support of empirical data for the period April 2003–March 2011, i.e., a time span of eight years, covering the period before, during and after the eruption of the global financial crisis. The results revealed that there was bi-directional causality between net FII inflows and the BSE Sensex— which mutually reinforced each other. Net FII inflows resulted in the accumulation of foreign exchange reserves, thereby enhancing India’s image in international financial markets. Interest rates in India propelled FIIs to invest further on account of the positive interest rate differential. The study also found that growth in the Index of Industrial Production improved market sentiment and increased net FII flows into India.

Vohra, P.S., & Sehgal, P. (June 2011) have analysed the trends and patterns of foreign investment, i.e. Foreign Direct Investment (FDI), Foreign Institutional Investment (FII), Foreign Portfolio Investment (FPI) and Global Depository Receipts / American Depositary Receipts during the period 1990 to 2007. The results showed that India has proved itself as the investment attractive country especially in the service sector, since 1991 foreign money started to come through the various ways whether Foreign Direct Investment, Foreign Portfolio Investment, External Commercial Borrowing and others. All these investments assisted the Indian Economic Growth but only the internal growth not in the external. The Foreign Investment is emphasizing more on the service sector, which provides very less employment opportunity; but Government of India should focus upon the industrial as well as agricultural sector also, which provides ample amount of employment opportunity...was suggested by the authors.

Dr. Gupta, A. (April 2011) examined the relationship between Indian stock market and FIs investment in India and finds that both Indian stock market and FIs influence each other; however, their timing of influence is different. The period of study considered was from 1992 to 2010. The results showed that there has been growing presence of FIs in Indian stock market evidenced by increase in their net cumulative investments but increased volatility associated with FIs investments resulting in severe price fluctuations, can’t be ignored.

Research methodology and procedures

This section discusses the methods and procedures followed in finding out if there is any significant relationship between Foreign Institutional Investments and Indian Stock Market and assessing the impact of the FIs on the same. The study carried out is analytical and empirical in nature in which it explores the relationship between the inflows of FII and their impact on Indian Stock Market. In this research the Gross Sales and Gross Purchases data have been used to find the relation with the stated indices. The present study has covered foreign investments in form of equity as well as in debt. The time period is limited from...
April 2005 to March 2012 as it will give an exact impact in both the bullish and bearish trend. The study will provide a very clear picture of the impact of foreign institutional investors on Indian stock indices. It will also describe the market trends of FII inflow and outflow. In the present scenario, where both pros and cons of the Foreign Investment i.e. Foreign Institutional Investment are being debated a lot, the present work has a great significance as it studies the contribution of FII equity investment in shaping Indian capital market along with volatility in the stock market indices caused by those Foreign Investments. It provides a base to analyze the impact of these Foreign Investments on the stock market indices and to formulate further policies on these investments for the betterment of the nation.

**Objectives of the study**
- To know the trends of FII inflow and outflow.
- To find the relationship between FII investment pattern in equity as well as debt and BSE Sensex, Midcap and Smallcap indices.

For finding out the relationship between Foreign Institutional Investments and Indian Stock Market and assessing the impact of the FII on the same, data from various authentic sources like BSE’s website and SEBI’s website were collected for the above mentioned period i.e. April 2005 to March 2012. Various sectorial indices data is also collected from the BSE’s website. Various correlation and regression tests are performed to finding out the relationship between FII Investments and the Indian Stock Market. To perform the correlation tests as well as regression tests and to interpret the relation between the FII Investments and Indian Stock Market, IBM SPSS 20 is used.

**Data analysis and interpretation**

This section is divided into two parts. The former dealing with the trends of FII inflow/outflow and the latter dealing with the analyzing the relation between FII Investments and the movements of the selected indices.

**Trends of FII Investments**

Foreign Institutional Investors, who play a significant role in determining the market direction by pooling large sums of money and investing those sums in securities, real property and other investment assets, have always showed interest in India right from the time when India decided to adopt the policy of economic liberalization. The majority share of the FII Investments in India comes in equity form, which can be clearly depicted from the figures given below.

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Equity</th>
<th>Debt</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-93</td>
<td>13.4</td>
<td>0</td>
<td>13.4</td>
</tr>
<tr>
<td>1993-94</td>
<td>5,126.50</td>
<td>0</td>
<td>5,126.50</td>
</tr>
<tr>
<td>1994-95</td>
<td>4,796.30</td>
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</tr>
<tr>
<td>1995-96</td>
<td>6,942.00</td>
<td>0</td>
<td>6,942.00</td>
</tr>
<tr>
<td>1996-97</td>
<td>8,545.60</td>
<td>28.9</td>
<td>8,574.50</td>
</tr>
<tr>
<td>1997-98</td>
<td>5,267.00</td>
<td>691.05</td>
<td>5,958.05</td>
</tr>
<tr>
<td>1998-99</td>
<td>-717.2</td>
<td>-867</td>
<td>-1,584.20</td>
</tr>
<tr>
<td>1999-00</td>
<td>9,669.50</td>
<td>452.6</td>
<td>10,122.10</td>
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<tr>
<td>2000-01</td>
<td>10,206.70</td>
<td>-273.3</td>
<td>9,933.40</td>
</tr>
<tr>
<td>2001-02</td>
<td>8,072.20</td>
<td>690.4</td>
<td>8,762.60</td>
</tr>
<tr>
<td>2002-03</td>
<td>2,527.20</td>
<td>162.1</td>
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<tr>
<td>2003-04</td>
<td>39,959.70</td>
<td>5,805.00</td>
<td>45,764.70</td>
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<td>2004-05</td>
<td>44,122.70</td>
<td>1,758.60</td>
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<td>2005-06</td>
<td>48,800.50</td>
<td>-7,333.80</td>
<td>41,466.70</td>
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<td>2006-07</td>
<td>25,235.70</td>
<td>5,604.70</td>
<td>30,840.40</td>
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<td>2007-08</td>
<td>53,403.80</td>
<td>12,775.30</td>
<td>66,179.10</td>
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<td>2008-09</td>
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<td>-45,811.00</td>
</tr>
<tr>
<td>2009-10</td>
<td>110,220.60</td>
<td>32,437.70</td>
<td>142,658.30</td>
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<td>2010-11</td>
<td>110,120.80</td>
<td>36,317.30</td>
<td>146,438.10</td>
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<tr>
<td>2011-12</td>
<td>43,737.60</td>
<td>49,987.90</td>
<td>93,725.50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>488,344.40</strong></td>
<td><strong>154019.65</strong></td>
<td><strong>701668.05</strong></td>
</tr>
</tbody>
</table>

(Source: www.bseindia.com)

The investment pattern can be well understood with the help of the Table 1 and the Graph (Figure 1) which also consists of the trend-line of the investments. The dotted line represents the trend line of FII Investments whereas the Blue line represents FII Equity Investments, the Green line represents the FII Debt investments and the Red line representing the total FII investments. The total FII investments were consistently increasing throughout the period except in the financial year 2008-09 when there was a major global economic recession.

**Figure 1: Graph depicting the year wise FII Investments**

(Source: www.bseindia.com)
Relationship between FII Investments and Sensitivity indices

To analyze the relationship between FII Investments and sensitivity indices i.e. BSE Sensex, Midcap and Smallcap, the FII Investments are split up into FII Equity Investments and FII Debt Investments. Each of these components are again split up into Gross Purchases and Gross Sales.

The correlation tests conducted on these variables to check the relation between the FII Investments and the respective indices along with the analysis and interpretation of the same is given below.

Relation of FII Equity Investment and the Sensitivity indices

To determine the relation between FII Equity Investment and the sensitivity indices, correlation tests have been performed over the FII Equity Gross Purchases, FII Equity Gross Sales, BSE Sensex, Midcap and Smallcap indices. The null and alternative hypothesis are developed as follows,

H₀: There is no correlation between the FII Equity Investments and Sensitivity indices of India.
H₁: There is a significant correlation between the FII Equity Investments and Sensitivity indices of India.

For proving these hypothesis, H₁ is further divided into H₁₁ & H₁₂, which are as given below.

H₁₁: There is a significant relationship between the FII Equity Gross Purchases and Sensitivity indices of India.
H₁₂: There is a significant relationship between the FII Equity Gross Sales and Sensitivity indices of India.

The results of the correlation tests performed on the above stated factors along with the interpretations of the same are given below.

Correlations

<table>
<thead>
<tr>
<th></th>
<th>FII Equity Gross Purchases</th>
<th>FII Equity Gross Sales</th>
<th>BSE Sensex Close</th>
<th>BSE Mid Cap Close</th>
<th>BSE Small Cap Close</th>
</tr>
</thead>
<tbody>
<tr>
<td>FII Equity Gross Purchases</td>
<td>Pearson Correlation Sig.(2-tailed)</td>
<td>1</td>
<td>.903**</td>
<td>.762**</td>
<td>.768**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>N</td>
<td>84</td>
<td>84</td>
<td>84</td>
</tr>
<tr>
<td>FII Equity Gross Sales</td>
<td>Pearson Correlation Sig.(2-tailed)</td>
<td>.903**</td>
<td>1</td>
<td>.662**</td>
<td>.667**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>N</td>
<td>84</td>
<td>84</td>
<td>84</td>
</tr>
<tr>
<td>BSE Sensex Close</td>
<td>Pearson Correlation Sig.(2-tailed)</td>
<td>.762**</td>
<td>.662**</td>
<td>1</td>
<td>.924**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>N</td>
<td>84</td>
<td>84</td>
<td>84</td>
</tr>
<tr>
<td>BSE MidCap Close</td>
<td>Pearson Correlation Sig.(2-tailed)</td>
<td>.768**</td>
<td>.667**</td>
<td>.924**</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>N</td>
<td>84</td>
<td>84</td>
<td>84</td>
</tr>
<tr>
<td>BSE SmallCap Close</td>
<td>Pearson Correlation Sig.(2-tailed)</td>
<td>.727**</td>
<td>.631**</td>
<td>.849**</td>
<td>.979**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>N</td>
<td>84</td>
<td>84</td>
<td>84</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

From the results in Table 2, one can observe that the P-values of the test between FII Equity Gross Purchases with each of the three Sensitivity indices, namely BSE Sensex, Midcap and Smallcap are .00 which is less than 0.05. So, we reject the null hypothesis in the
favour of alternate hypothesis. This shows that there is a significant relation between the FII Equity Gross Purchases and the Sensitivity indices considered. The degree of correlation between the FII Equity Gross Purchases and each of the three Sensitivity indices, namely BSE Sensex, Midcap and Smallcap are given in the table with the label of 'Pearson Correlation'.

From the results one can observe that the P-values of the test between FII Equity Gross Sales with each of the three Sensitivity indices, namely BSE Sensex, Midcap and Smallcap are .000 which is less than 0.05. So, we reject the null hypothesis in the favour of alternate hypothesis. This shows that there is a significant relation between the FII Equity Gross Sales and the Sensitivity indices considered. The degree of correlation between the FII Equity Gross Sales and each of the three Sensitivity indices, namely BSE Sensex, Midcap and Smallcap are given in the table with the label of 'Pearson Correlation'. Thus we can conclude that there is a significant relationship between FII Equity Investments and the three Sensitivity indices, namely BSE Sensex, Midcap and Smallcap. The same can be verified using the interpretation given by SPSS.

Relation of FII Debt Investment and the Sensitivity indices

To determine the relation between FII Debt Investment and the sensitivity indices, correlation tests have been performed over the FII Debt Gross Purchases, FII Debt Gross Sales, BSE Sensex, Midcap and Smallcap indices. The null and alternative hypothesis are developed as follows.

H₀: There is no correlation between the FII Debt Investments and Sensitivity indices of India.

H₁: There is a significant correlation between the FII Debt Investments and Sensitivity indices of India.

For proving these hypothesis, H₁ is further divided into H₁₁ & H₁₂, which are as given below.

H₁₁: There is a significant relationship between the FII Debt Gross Purchases and Sensitivity indices of India.

H₁₂: There is a significant relationship between the FII Debt Gross Sales and Sensitivity indices of India.

The results of the correlation tests performed on the above stated factors along with the interpretations of the same are given in Table 3.

Correlations

<table>
<thead>
<tr>
<th></th>
<th>FII Debt Gross Purchases</th>
<th>FII Debt Gross Sales</th>
<th>BSE Sensex Close</th>
<th>BSE MidCap Close</th>
<th>BSE SmallCap Close</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pearson Correlation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sig. (2-tailed)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>N</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FII Debt Gross Purchases</td>
<td>1</td>
<td>.905**</td>
<td>.575**</td>
<td>.339**</td>
<td>.252**</td>
</tr>
<tr>
<td>FII Debt Gross Sales</td>
<td>.905**</td>
<td>1</td>
<td>.563**</td>
<td>.315**</td>
<td>.224*</td>
</tr>
<tr>
<td>BSE Sensex Close</td>
<td>.575**</td>
<td>.563**</td>
<td>1</td>
<td>.924**</td>
<td>.849**</td>
</tr>
<tr>
<td>BSE MidCap Close</td>
<td>.339**</td>
<td>.315**</td>
<td>.924**</td>
<td>1</td>
<td>.979**</td>
</tr>
<tr>
<td>BSE SmallCap Close</td>
<td>.252**</td>
<td>.224*</td>
<td>.849**</td>
<td>.979**</td>
<td>1</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).**
From the results in Table 3, one can observe that the p-values of the test between FII Debt Gross Purchases with each of the three Sensitivity indices, namely BSE Sensex and Midcap are less than 0.05. So, we reject the null hypothesis in the favour of alternate hypothesis in this case. Since the p-values of the test between FII Debt Gross Purchases with Smallcap is more than 0.05, we fail to reject the null hypothesis in the favour of alternate hypothesis in this case. This shows that there is a significant relation between the FII Debt Gross Purchases and the Sensitivity indices BSE Sensex and Midcap only. The degree of correlation between the FII Debt Gross Purchases and each of the three Sensitivity indices, namely BSE Sensex and Midcap are given in the table with the label of ‘Pearson Correlation’.

From the results one can observe that the p-values of the test between FII Debt Gross Sales with each of the three Sensitivity indices, namely BSE Sensex and Midcap are less than 0.05. So, we reject the null hypothesis in the favour of alternate hypothesis. Since the p-values of the test between FII Debt Gross Sales with Smallcap is more than 0.05, we fail to reject the null hypothesis in the favor of alternate hypothesis. This shows that there is a significant relation between the FII Debt Gross Sales and the Sensitivity indices BSE Sensex and Midcap only. The degree of correlation between the FII Debt Gross Sales and each of the three Sensitivity indices, namely BSE Sensex and Midcap are given in the table with the label of ‘Pearson Correlation’.

Thus we can conclude that there is a significant relationship between FII Debt Investments and the Sensitivity indices, namely BSE Sensex and Midcap. The same can be verified using the interpretation given by SPSS.

Regression equation for Sensitivity indices with respect to FII Investments

In statistics, regression analysis includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. More specifically, regression analysis helps one understand how the typical value of the dependent variable changes when any one of the independent variables is varied, while the other independent variables are held fixed. Most commonly, regression analysis estimates the conditional expectation of the dependent variable given the independent variables- that is, the average value of the dependent variable when the independent variables are held fixed. Less commonly, the focus is on a quantile, or other location parameter of the conditional distribution of the dependent variable given the independent variables. In all cases, the estimation target is a function of the independent variables called the regression function. In regression analysis, it is also of interest to characterize the variation of the dependent variable around the regression function, which can be described by a probability distribution.

Regression equation of BSE Sensex with respect to FII

From the results of the correlation tests we obtained, we found out that the BSE Sensex is related to FII Equity Gross Purchases, FII Equity Gross Sales, FII Debt Gross Purchases and FII Debt Gross Sales. Based on these results, a regression equation estimating the closing value of the BSE Sensex for each month is generated. This equation considers FII Equity Gross Purchases, FII Equity Gross Sales, FII Debt Gross Purchases and FII Debt Gross Sales as independent variables. The results of the tests along with the analysis of the same are given below.

Table 4: Model Summary of the Regression Test

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.881</td>
<td>.776</td>
<td>.764</td>
<td>1.855.47019</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), FII Debt Gross Sales, FII Equity Gross Sales, FII Equity Gross Purchases, FII Debt Gross Purchases

Table 5: ANOVA analysis of the regression equation

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>940662719.376</td>
<td>4</td>
<td>235165679.844</td>
<td>68.307</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>271978801.721</td>
<td>79</td>
<td>3442769.642</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1212541521.097</td>
<td>83</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: BSE Sensex Close
b. Predictors: (Constant), FII Debt Gross Sales, FII Equity Gross Sales, FII Equity Gross Purchases, FII Debt Gross Purchases
Table 6: Coefficient values of the regression equation

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>6220.427</td>
<td>577.943</td>
<td>10.763</td>
<td>.000</td>
</tr>
<tr>
<td>FIL Equity Gross Purchases</td>
<td>.139</td>
<td>.024</td>
<td>.739</td>
<td>5.868</td>
</tr>
<tr>
<td>FIL Equity Gross Sales</td>
<td>-.014</td>
<td>.024</td>
<td>-.070</td>
<td>-.563</td>
</tr>
<tr>
<td>FIL Debt Gross Purchases</td>
<td>.057</td>
<td>.051</td>
<td>.143</td>
<td>1.128</td>
</tr>
<tr>
<td>FIL Debt Gross Sales</td>
<td>-.159</td>
<td>.064</td>
<td>.313</td>
<td>2.489</td>
</tr>
</tbody>
</table>

a. Dependent Variable: BSE Sensex Close

From the above results, the regression equation of the estimated BSE Sensex value based on FIL Equity Gross Purchases, FIL Equity Gross Sales, FIL Debt Gross Purchases and FIL Debt Gross Sales is given as:

BSE Sensex = 6220.427 + .139(FIL Equity Gross Purchases) + -.014(FIL Equity Gross Sales) + .057(FIL Debt Gross Purchases) + -.159(FIL Debt Gross Sales)

This regression equation successfully explains 77.6% of the total variations and thus is considered as a good regression equation.

Regression equation of Midcap index with respect to FIL

From the results of the correlation tests, we found out that the Midcap index is related to FIL Equity Gross Purchases, FIL Equity Gross Sales, FIL Debt Gross Purchases and FIL Debt Gross Sales. Based on these results, a regression equation estimating the closing value of the Midcap index for each month is generated. This equation considers FIL Equity Gross Purchases, FIL Equity Gross Sales, FIL Debt Gross Purchases and FIL Debt Gross Sales as independent variables. The results of the tests along with the analysis of the same are given in Table 7.

Table 7: Model Summary of the regression test

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.791*</td>
<td>.626</td>
<td>.607</td>
<td>949.48513</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), FIL Debt Gross Sales, FIL Equity Gross Sales, FIL Equity Gross Purchases, FIL Debt Gross Purchases

Table 8: ANOVA analysis of the regression equation

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>119024119.666</td>
<td>4</td>
<td>29754029.917</td>
<td>33.006</td>
<td>.000*</td>
</tr>
<tr>
<td>Residual</td>
<td>71220239.052</td>
<td>79</td>
<td>901522.013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>190244358.719</td>
<td>83</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: BSE MidCap Close
b. Predictors: (Constant), FIL Debt Gross Sales, FIL Equity Gross Sales, FIL Equity Gross Purchases, FIL Debt Gross Purchases

Table 9: Coefficient values of the regression equation

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>2706.632</td>
<td>296.746</td>
<td>9.153</td>
<td>.000</td>
</tr>
<tr>
<td>FIL Equity Gross Purchases</td>
<td>.062</td>
<td>.012</td>
<td>.829</td>
<td>5.095</td>
</tr>
<tr>
<td>FIL Equity Gross Sales</td>
<td>-.008</td>
<td>.012</td>
<td>-.108</td>
<td>-.673</td>
</tr>
</tbody>
</table>
a. Dependent Variable: BSE MidCap Close

From the above results, the regression equation of the estimated Midcap index value based on FLII Equity Gross Purchases, FLII Equity Gross Sales, FLII Debt Gross Purchases and FLII Debt Gross Sales is given as:

Midcap index = 2706.832 + .062 (FLII Equity Gross Purchases) + -.008 (FLII Equity Gross Sales) + .010 (FLII Debt Gross Purchases) + -.026 (FLII Debt Gross Sales)

This regression equation successfully explains 62.6% of the total variations and thus is considered as of just acceptable level regression equation.

**Regression equation of Smallcap index with respect to FLII**

From the results of the correlation tests, we found out that the Smallcap index is related to only FLII Equity Gross Purchases and FLII Equity Gross Sales, but not to FLII Debt Gross Purchases and FLII Debt Gross Sales. Based on these results, a regression equation estimating the closing value of the Smallcap index for each month is generated. This equation considers FLII Equity Gross Purchases and FLII Equity Gross Sales as independent variables. The results of the tests along with the analysis of the same are given below.

<table>
<thead>
<tr>
<th>Model Summary of the regression test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>Model</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), FLII Equity Gross Sales, FLII Equity Gross Purchases

<table>
<thead>
<tr>
<th>ANOVA analysis of the regression equation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>Regression</td>
</tr>
<tr>
<td>Residual</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

a. Dependent Variable: BSE SmallCap Close
b. Predictors: (Constant), FLII Equity Gross Sales, FLII Equity Gross Purchases

<table>
<thead>
<tr>
<th>Coefficient values of the regression equation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>(Constant)</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: BSE SmallCap Close

From the above results, the regression equation of the estimated Smallcap index value based on FLII Equity Gross Purchases and FLII Equity Gross Sales is given as:

Smallcap index = 3476.151 + .081 (FLII Equity Gross Purchases) + -.014 (FLII Equity Gross Sales)

This regression equation successfully explains 53.2% of the total variations and thus cannot be relied upon always for the estimation.
Conclusion and findings
The research work done in finding out the relation between FII Investments and the Sensitivity indices of India, resulted in some key findings which are given below:

- Total FII investments were consistently increasing through out the period except in the financial year 2008-09 when there was a major global economic recession.
- There is a significant relationship between FII Equity Investments and the three Sensitivity indices, namely BSE Sensex, Midcap and Smallcap.
- There is a significant relationship between FII Debt Investments and the Sensitivity indices, namely BSE Sensex and Midcap.

Limitations of the study
Although the study has been done with utmost diligence, taking every possible aspect into consideration, lack of adequate time forced the authors to consider the other variables which affect the Indian Stock Market. The limitations of this study are:

- Inclusion of NSE India indices in the analysis would have yielded even more detailed analysis of impact of Foreign Institutional Investors on Indian Stock Market.
- The other forms of Foreign Investment, like Foreign Direct Investment, if included in the study would have helped in establishing more accurate results regarding the relationship between Foreign Investment and Indian Stock Market.
- The period of study, which is from April 2005 to March 2012, could be extended to include all the years from the time when economic liberalization policy was brought in India, i.e. from 1991-92, for better results.

Bibliography

Website references
An Analysis of Shareholder Value Creation in Indian Banks: Research Design and Methodology

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Dr. Shantanu Mehta, Director and Professor, St. Kabir Institute of Professional Studies, Ahmedabad. Email: shantanu@skips.in

Abstract

Shareholder value creation has become a very prominent measure in analysing economic performance of the organization. It becomes all the more important to evaluate performance of the financial services firms like banks insurance companies and non-banking finance companies to measure their performance from the perspective of shareholder wealth maximization, as it is difficult to separate operating and financing activities of these entities. This paper is aimed at developing the research design and methodology for analysing the shareholder value creation in Indian banks. In the first section, the introduction and the review of literature are discussed. Research methodology section discusses objectives, sampling design, data collection and techniques of measurement. In the final section, research hypotheses and limitations of the study have been discussed.

Keywords: Shareholder value creation, EVA, Market value added, banks

Introduction

Shareholder value creation has now-a-days become an important criterion of evaluating financial performance of the companies. Companies across the world have adopted various measures which help calculate shareholder value appropriately factoring expectation of all the stakeholders. Traditional financial measures measure financial performance of the companies based on income statement and balance sheet using tools like return on investment, return on equity, earning per share etc. But the main problems with these measures are that they are based on arbitrary accounting assumptions, they do not consider opportunity cost of capital and ignore time value money and hence they fail to measure the true economic performance of the companies. To overcome these limitations economic measures were developed to capture true economic performance of the companies. Primarily, shareholder value creation measures were developed for measuring the performance of industrial companies. Very less attention was given to measuring the value of financial institutions. But with the deregulation, globalization and increasing dominance of financial sector in the global economy, special tools and techniques are being developed to measure the shareholder value creation in financial sector.

Banks play an important role in the economy of a country by collecting money from the depositors and lending in to the borrowers. The role of banks is thus very crucial in maintaining the money supply in the economy. Banks are also supposed to follow a bundle of regulations which inhibit their credit creation activities. As bank rates are dictated by the macro economic factors such as monetary policy, fiscal policy, taxation policy, banks witness great fluctuations in their margins and returns due to changes in these macro-economic variables. Banks unlike non-financial institutions use higher degree of leverage which forces them to generate adequate cash flows to service their contractual obligations. In this backdrop, it is quite imperative for banks to earn consistent returns on its invested capital to meet the expectations of providers of capital. When we define a bank’s business as accepting (shorter-term) deposits and issuing (longer-term) loans in our framework, this is congruent to common definitions in the literature (Freixas and Rochet, 1997).

As such, the bank is one of the oldest institutions of financial intermediation and still plays a prominent role in the economy for the allocation of capital- this also in spite of the discussion surrounding the disintermediation of the financial sector (Schmidt et al., 1999). In the backdrop of these considerations, it is quite clear that bank valuation is an important activity not only form the shareholders’ point of view but form the viewpoint of all the stakeholders as they provide the much needed funds to the banks. Bank valuation thus needs to be dealt with special tools and techniques. Academic literature has not been that much exhaustive which covers sure shot methods of bank valuation. However the methods used for valuing non-financial institutions are equally applicable in valuing banks. To put the same matter in Damodaran’s words: “The basic principles of valuation apply just as much for financial service firms as they do for other firms. There are, however, a few aspects relating to financial service firms that can affect how they are valued.” (Damodaran, 2002).

Literature Review

There exists voluminous published literature in the area of shareholder value and value-based management. As the shareholder value approach was originally developed for
industrial companies, the majority of contributions focuses on the valuation of industrial companies and do not account for bank-specific issues. Copeland et al. (2000), authors of the standard work on valuation, devote just a single chapter to bank valuation, while Stewart (1990) and Yeung and O’Byrne (2000), who set the standard in value-based management, do not discuss the specifics of value-based management for banks at all. Overall, coverage of bank-related valuation issues is sporadic.

Uyemura, Kantor and Pettit (1996) from Stern Stewart & Co present findings on the relationship between EVA and MVA with 100 bank holding companies. They calculate regressions to 5 performance measures including EPS, Net Income, ROE, ROA and EVA. According to their study the correlations between these performance measures and MVA are: EVA 40%, ROA 13%, ROE 10%. Net income 8% and EPS 6%. The data is from the ten-year period 1986 through 1995.

Kimball (1998) reviewed the use of economic profit to evaluate performance, to price transactions, and to reward managers. The research described in detail one performance measurement and incentive system and then went on to discuss the shortcomings of performance metrics founded on economic profit, which may distort banks’ investment and operating decisions-making. Kimball (1998) concluded that banks need to recognize the ambiguities of such calculations and be prepared to create and apply multiple specialized performance measures. Popa et al. (2009) claims that EVA can be an important tool that bankers can use to measure and improve the financial performance of their bank. They emphasize the advantages of EVA by comparing to other performance indicators.

Van Horne and Heiwig (1966) researched the determinants of market value of small bank stock and suggested that dividends pay-out ratio is the only significant determinant of the market value of small bank stocks. Mukherjee and Dukes (1989) re-examined the findings of Van Horne and Heiwig (1966) and argued based on their multiple regression analysis, that dividend pay-out ratio, growth rate of expected dividend and market participants’ perception of a firm’s risk are the relevant determinants of a firm’s market value. Mukherjee and Dukes (1989) build on the research of Van Horne and Heiwig (1966), however, unlike Van Horne and Heiwig (1966) chi-sure analysis, Mukherjee and dukes (1989) employed multiple regression technique. The theoretical framework for both the Van Horne and Heiwig (1966) and Mukherjee and Dukes (1989) researches is the Gordon dividend growth model popularly known as the Gordon Model. Employing proxy variables for pay-out ratio, growth rate, expected dividend and firm’s cost of equity or risk perception, Mukherjee and Dukes regressed the end of year P/E (price to earnings) ratio of 77 banks on proxy variables for cash flows, growth and risk. Their data sample ranged from 1978-1981. One weakness to the Mukherjee and Dukes (1989) research is the limited sample size employed for their regression. This is likely to have introduced misspecifications errors in their model and thus biased their estimated coefficients. Damodaran (2006) argued that all valuation models/methods leads to equivalent values provided their underlying assumptions are consistent. And that while each valuation method has its limitations, their applicability depends on the factors affecting a firm. Verma (2000) examines an appropriate way of evaluating bank’s performance and also find out which Indian banks have been able to create shareholders wealth since 1996-1997 to 2000-2001 with the help of EVA and MVA (Market Value Added) which tell what the institution is doing with investor’s hard earned money. BCG study (2008) found that for the five year period between 2002 and 2007, the total shareholder return (TSR) for public sector banks was 42% and more than half, or 22% was contributed by the change in valuation multiples. On the other hand the TSR for the same period for private sector banks was 67% and more than two thirds of it, or 40% was contributed by fundamental value i.e. asset growth and profitability improvement.

Statement of the Research Problem

This study focuses on measuring shareholder value creation through Market Value Added (MVA) and Created Shareholder Value (CSV) as the measures of shareholder value creation in the context of Indian banks. As discussed in the literature review, majority of the past studies revolved around EVA. This study thus aims at analyzing the performance of Indian banks through the methods of value based measures like MVA and CSV.

Objectives of the study

The specific objectives of the study are:

1. To undertake measurement of shareholder value creation by Indian banks through the methods of Market Value Added and Created Shareholder Value during the study period.

2. To undertake comparative study of shareholder value creation by Indian public and private sector banks.

3. To undertake comparative analysis of shareholder value creation amongst the selected Indian banks.

4. To statistically examine the variation in the Market Value Added and Created Shareholder Value figures of public sector banks and private sector banks.

5. To statistically compare MVA and CSV between public and private sector banks.

6. To statically examine the relationship between market value added and value drivers like ROCE, RONW, NOPAT, EPS, Interest spread etc.
Hypotheses

The null hypothesis method will be used to maintain objectivity and avoid ambiguity in results. This is the hypothesis of no differences. The hypothesis can be accepted or rejected only at certain probability levels. In order to achieve the objectives of the study following hypotheses were framed.

1. Indian banks do not create shareholder value.
2. There is no change in shareholder value creation of selected Indian banks during the study period.
3. There is no significant difference between shareholder value creation done by public and private sector Indian banks.
4. There is no significant positive relation between Market Value Added and Created Shareholder Value.
5. There is no significant positive relation between Market Value Added and ROCE.
6. There is no significant positive relation between Market Value Added and RONW.
7. There is no significant positive relation between Market Value Added and PAT.
8. There is no significant positive relation between Market Value Added and EPS.

Scope of the study

1. This study will be limited to selected public and private sector Indian banks listed with National Stock Exchange. Indian banks considered for this study are listed on NSE (National Stock Exchange) during the entire period of the study. Listing on exchange is a prerequisite since the stock price information is needed for calculating cost of equity.
2. This study is based on secondary data culled from Prowess database of Centre for Monitoring Indian Economy.
3. The time period of the study is 10 years ranging from 2000-01 to 2009-10.
4. The study is restricted to 21 Indian banks out of which 11 are private sector banks and 10 are public sector banks which are selected conveniently considering availability of the data for the study period.

Table 1 shows the list of selected banks which can be used for the study.

<table>
<thead>
<tr>
<th>No.</th>
<th>Public sector banks</th>
<th>Private sector banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bank of Baroda</td>
<td>Axis Bank</td>
</tr>
<tr>
<td>2</td>
<td>Bank of India</td>
<td>City Union Bank</td>
</tr>
<tr>
<td>3</td>
<td>Corporation Bank</td>
<td>Federal Bank</td>
</tr>
</tbody>
</table>

Selection of the Sample

For the purpose of analysis, 21 banks listed with National Stock Exchange are selected conveniently considering the availability of the data for the study period.

Sample Size

For the analysis of the data, 21 Indian banks are selected. 10 public sector and 11 private sector banks will be selected for the study. Data of 10 years for the sample banks from the period 2000-01 to 2009-10 are used for the purpose of analysis. The banks selected in samples were listed on National Stock Exchange during the study period 2000 to 2010.

Data collection

This study will be on Market Value Added (MVA), and Created Shareholder Value (CSV) in Indian banks which will be calculated as they are not readily available. Secondary data will be sourced to undertake the analysis. Financial data pertaining to income and expenditure, balance sheet, profitability ratios and stock ratios will be culled from PROWESS database of Centre for Monitoring Indian Economy (CMIE). CMIE is the pre-eminent provider of stock market, fundamental research data for the companies. Information relating to risk free interest rates was sourced from Reserve Bank of India website. Weighted average return on central government dated securities was taken as risk free rate as available on Reserve Bank of India website. For calculating daily stock returns for the sampled banks, data regarding opening and closing prices during the study period will be sourced from National Stock Exchange website. Similarly, data regarding opening and closing prices of benchmark index CNX NIFTY 500 will also be sourced from National Stock Exchange website.

For calculating MVA, market capitalization as on 31st March for each year of the study period will be considered which will be taken from CMIE PROWESS database. Book values of equity for the same period will also be culled from the same software.

For calculating Created Shareholder Value (CSV), following data will be collected

1. Shareholder Value Added (SVA)

   It has been calculated as follows
Shareholder value added = Increase of Equity Market Value + Dividends paid during the year - Outlays for capital increases + Other payments to shareholders (discounts on par value, share buy-backs,...) - Conversion of convertible debentures. To calculate SVA necessary data were culled from CMIE PROWESS database.

2. Shareholder Return

Shareholder return will be calculated as the ratio of shareholder value added divided by equity market value in the beginning of the year.

3. Equity Market Value

Market capitalization also referred to as equity market value will be directly culled from CMIE PROWESS Data base.

4. Cost of Equity

As cost of equity is an opportunity cost and not a cash cost, it cannot be observed in the market and has to be estimated. The estimation of cost of equity and the usefulness of models such as Capital Asset Pricing Model (CAPM) has been the subject of considerable debate (Goedhart et al. 2002).

In this study CAPM has been used to estimate cost of equity for the sample banks. CAPM has been used as it is the most widely used theoretical approach in empirical research (Copeland et al. 2000). As per CAPM, cost of equity can be calculated using following equation

Cost of Equity = (Risk Free Rate + Market Risk Premium) × Beta

5. Beta

For this study, beta values for the sample banks will be calculated by regressing the daily returns of the sample banks' stocks during each of the ten years ranging from 2000-01 to 2009-10. Similarly, daily returns on market index have also been calculated during the same period. Daily returns of the stocks and market index have been calculated for each year beginning from 1st April of the previous years and ending on 31st March of the next year. CNX Nifty 500 has been taken as market index as benchmark index to calculate beta. Daily returns of the stocks and market index have been calculated as given below:

\[ R_s = \frac{\text{Closing stock price}_{t} - \text{Closing stock price}_{t-1}}{\text{Closing stock price}_{t-1}} \]

\[ R_m = \frac{\text{Market Index}_{t} - \text{Market Index}_{t-1}}{\text{Market Index}_{t-1}} \]

Techniques of Measurement

[A] Measurement techniques of Shareholder Value creation:

The study proposes to measure shareholder value creation through two different methods i.e. Created Shareholder Value and Market Value Added.

- Created Shareholder Value (CSV)

According to Fernandez (2002) a company creates value for the shareholders when the shareholder return exceeds the share cost (the required return to equity). In other words, company creates value in one year when it outperforms expectations.

\[ \text{Created shareholder value} = \text{Equity market value} \times (\text{Shareholder return} - K_r) \]

or

\[ \text{Created shareholder value} = \text{Shareholder value added} \times (\text{Equity market value} \times K_r) \]

In the above formula, the shareholder return is the shareholder value added in one year, divided by the equity market value at the beginning of the year.

\[ \text{Shareholder Return} = \frac{\text{Shareholder Value Added}}{\text{Equity Market Value}} \]

- Market Value Added

Market value added is a concept developed by Stern Stewart & Co. and may be defined as aggregate net present value (NPV) of all the firm's activities and investments. It represents the value created (or destroyed) over the lifetime of a firm and can be seen as a proxy for the past and current value of the firm's strategies. It is calculated as the difference between market value of equity and book value of equity. Thus, MVA is a kind of a bonus added on the market to the capital invested analysis and evaluation of the process of creating shareholder value require introducing the definition of market value added for shareholders (MVA_s), which presents the difference between the market value of the firm's stock and the amount of equity capital that was supplied by shareholders

\[ \text{MVA}_s = \text{MVA} - \text{IE} \]

Where \( \text{MVA}_s \) = market valued added for shareholders

\( \text{MVA} \) = the market value of equity

\( \text{IE} \) = the value of equity supplied by shareholders

The interpretation of MVA is quite simple. A positive MVA signifies that a firm has created true wealth for its shareholders, since the company's market value is greater than the book value of total capital employed in the business. On the other hand, when a firm has negative MVA, its market value is less than the capital that shareholders and bondholders invested, meaning that its managers have destroyed capital and squandered shareholder wealth. From the standpoint of assessing the performance of current management, the change in MVA over a period of one
year or five years can be more significant than the absolute level of MVA. Thus, to increase the spread between invested capital and market value should be the primary objective of any company concerned about its shareholder’s welfare (Stewart, 1991). Moreover, as the definitive measure of wealth creation and as the ultimate goal in the wealth creation game; MVA could be used to directly compare the performance of companies in different industries or even countries (Ehrbar, 1998). For instance, MVA could be used to compare a bank and a supermarket or a toy manufacturer and a food processor or a steel maker and a software company. Without a doubt, the one with the higher MVA created more wealth for its shareholders.

In this study, MVA has been chosen simply because it is a measure of value creation that reflects the cumulative wealth and as such is expected to reflect both tangible and intangible value. It is superior to simple market value as performance measure because it removes capital employed in the firm away from the cumulative value created to demonstrate how well management has utilized its resources.

[B] Statistical analysis by Mean, S.D. and C.V.

For the purpose of sector wise comparison and overall comparison of sample banks, the statistical measures like mean, standard deviation and coefficient of variations will be used.

[C] Regression Analysis

Regression analysis will be used to examine the relationship between MVA and other performance measures like ROCE, RONW, PAT and EPS. It will help in identifying the key value driver which affects the shareholder value created measured in terms of market value added. Following models will be used to test the hypotheses to establish the relationship between MVA and these value drivers.

Model 1: \[ MVA_i = \beta_0 + \beta_1 \cdot ROC_{it} + \epsilon_i \]

Model 2: \[ MVA_i = \beta_0 + \beta_1 \cdot RONW_{it} + \epsilon_i \]

Model 3: \[ MVA_i = \beta_0 + \beta_1 \cdot NOPAT_{it} + \epsilon_i \]

Model 4: \[ MVA_i = \beta_0 + \beta_1 \cdot EPS_{it} + \epsilon_i \]

Model 5: \[ MVA_i = \beta_0 + \beta_1 \cdot Interest\ spread_{it} + \epsilon_i \]

Model 6: \[ MVA_i = \beta_0 + \beta_1 \cdot ROCE + \beta_2 \cdot RONW + \beta_3 \cdot NOPAT + \beta_4 \cdot EPS + \beta_5 \cdot Interest\ spread \]

The dependent variable in the above models is the Market Value added (MVA) for the firm i and period t. The independent or explanatory variables are: return on capital employed (ROCE), return on net worth (RONW), net operating profit after tax (NOPAT), earnings per share (EPS) and interest spread.

Limitations of the Study

Following are the limitations noticed in the study:

- It will be restricted to the financial data of 21 Indian banks which are listed on the National Stock Exchange.
- The study will be restricted to public and private sector banks operating in India. It thus does not consider foreign banks, regional rural banks and cooperative banks working in India.
- The data of listed sample banks for only 10 years from 2000-01 to 2009-10 will be considered for the study. Therefore the results will be restricted only to the banking sector for the selected period.
- Only those banks will be selected in the sample for which data for the study period was available this might be resulting in sample bias.
- It will focus on public sector and private sector banks listed on National Stock Exchange only and therefore does not represent unlisted banks or banks listed on other stock exchanges.

- There are many techniques of measuring value creation but only two methods are used for the study.

Findings and scope for further study

The study identified the research gap which could be further explored by conducting an empirical study. Literature review suggested that majority of the research studies have been done by using economic value added as measure of shareholder value creation. Extensive empirical study covering methods like market value added and created shareholder value have not been undertaken so far in the context of shareholder value creation in Indian banks. This study thus aims at filling that gap by suggesting the research design and methodology which could be followed to further investigate the research gap empirically. Thus the empirical study could be undertaken as per the research design developed in this paper to empirically investigate the shareholder value creation in Indian banks.

Conclusion

The paper presented a roadmap for conducting an empirical study to measure and analyze shareholder value creation. The basic objective of the paper was to present the research design and methodology which could be followed while conducting an empirical study.

Bibliography

Application of quality function deployment in listening the voice of the customer- An empirical analysis on Hindustan Coca Cola Beverages Pvt. Ltd

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Abstract

Quality Function Deployment (QFD) is a tool for bringing the voice of the customer into the product development process from conceptual design through to manufacturing. It begins with a matrix that links customer desires to product engineering requirements, along with competitive benchmarking information, and further matrices can be used to ultimately link this to design of the manufacturing system. The purpose of this study is to find an empirical relationship of proposed variables and to find the impact of customer satisfaction, trust, and corporate reputation on customer loyalty with reference to the products of the Coca Cola. This study attempts to contribute to the knowledge how Hindustan Coca Cola Beverages Pvt. Ltd (HCCBPL) and can retain its customers by making them loyal through satisfaction, trust and corporate reputation. A theoretical framework is proposed to suggest links among variables. The sample size selected for research constitutes 200 respondents, and these respondents belong to the 24 locations of company’s manufacturing units, India. Multiple regression and correlation coefficient was used to examine hypothesized relationship. Regression analysis reveals that customer satisfaction, trust, and corporate reputation bring 79.0% change in customer loyalty. There is a strong positive yet significant relationship of trust and customer loyalty. Customer satisfaction & corporate image also posit a positive and significant impact on customer loyalty. The results indicate that HCCBPL should pay more attention towards the reputation of the company, satisfaction of its customers, and trust in order to build loyalty of customers. Generalizability and time constraint are the limitations of the study.

Key words: Customer Satisfaction, Trust, Corporate Reputation, Quality Function Deployment (QFD), Hindustan Coca Cola Beverages Pvt. Ltd. (HCCBPL) and Customer Loyalty.

Introduction: In today’s global market, brand awareness among consumers play a decisive role in the sales turnover of the company. Every company invests heavily in this aspect to catch the lion’s share of the market. As it is the universal fact, Coca Cola is one of such Fast Moving Consumer Goods companies in India. Customer loyalty is more critical in Fast Moving Consumer Goods (FMCG) companies because consumers shift rapidly from one product to another. The challenging task in the current arena is to make customers loyal to ensure the long-term survival and profitability of the firm. Managers of these companies therefore look for the ways to attract the potential customers and to retain the existing customers. Customer loyalty remains an important and ever discussing topic in the literature with lot of proposed moderating, mediating, and independent variables. The purpose of writing this paper is to talk about the most critical factors or variables, which contribute more in developing customer loyalty in FMCG sector. Loyalty of customers is verified by the actions of its customers, customer can be very much satisfied and not yet to be loyal. Results of the study indicate that though all independent variables such as: switching cost, trust and corporate image have certain level of relationship with independent variable i.e. customer loyalty; but customer loyalty only has strongest relationship with trust. Similarly, Chiu and Droge (2006), declared relationship between customer satisfaction and trust as a milestone of behaviour loyalty.

The elements of QFD

According to many works, a typical Quality Function Deployment (QFD) contains some of the following elements or concepts:

1. Customers: At first the customers of a product or service concerned should be identified by the producing company.
2. Customer needs (WHATs): These are the requirements of customers for the product expressed in customers’ languages.
3. Structuring customer needs: If there are many customer needs, grouping them into meaningful hierarchies or categories is necessary for easy understanding and analysis.
4. Correlation matrix of customer needs: This matrix contains the correlation between each pair of customer needs (WHATs) through empirical comparisons. The information is provided by customers and usually is difficult to obtain since a lot of pair-wise comparisons are needed. The purpose of completing this correlation matrix is for the company to identify where trade-off decisions and further research may be required.
5. Relative importance ratings of customer needs.
6. Competitors.
7. Customer competitive assessment.
8. Goals for customer needs.
9. Sales-point.
10. Final importance ratings of customer needs.
11. Technical measures (HOWs).
12. Correlation matrix of the HOWs.
13. Relationship matrix of WHATs vs. HOWs.
14. Improving directions of the HOWs.
15. Technical competitive assessment.
16. Goals for the HOWs.

In my personal opinion trust and customer satisfaction have significant and positive relationship with customer loyalty. Several authors argue that customer satisfaction, sales person listening behaviour and trust have direct effect on customer loyalty. Similarly customer satisfaction is the most important driver in order to enhance customer loyalty. Four factor importance of relationship, satisfaction, image and trustworthiness affect customer loyalty differently at different levels. Quality and on-time delivery help to attain customer loyalty where as customer satisfaction and customer loyalty are interrelated with each other, which in result contribute to business performance. Dimensions of loyalty are overall satisfaction, trust & convenience, and by improving these factors customer loyalty can be improved.

The main emphasis of the research is to find an empirical relationship of customer satisfaction, trust and corporate image with customer loyalty. Aim of the study is to find out how the independent variables such as: customer satisfaction, trust and brand image leads to dependent variable i.e. customer loyalty. This research is conducted on HCCBPL by selecting customers from the three malls (Metro, Big Bazar and More) of 24 locations where the company has its manufacturing units. This paper yields managerial implications and decision making for managers working in Hindustan Coca Cola Beverages Pvt Ltd (HCCBPL) that how they can increase customer loyalty of organization’s brands is quite a challenging task for managers. This paper begins with the introduction of the topic and theories behind the variables which further lead to methodology that include sample size, sampling technique, data collection and analysis procedure. The next part of the paper is based upon the results and findings followed by discussion of the results. At the end, conclusion and recommendations for managers and practitioners are presented.

![Diagram](source: Developed by author)

**Review of related literature**

a) **Customer Satisfaction**: Customer satisfaction is a measure of how supplied products and services of a company meets or exceeds customer expectations. In other words, degree to which offered products and services meet or surpass the customer expectations is termed as customer satisfaction. Now more companies are struggling, not just for achieving customer satisfaction but also for making customers delight because companies believe customer loyalty can be increased through extra value. Furthermore, customer satisfaction is a reaction which result from a method of assessing what has been received against what was expected, including needs and wants related with the purchase and purchase decision itself. Customer satisfaction points towards the emotion of disappointment/happiness a customer feels once s/he evaluates the certain product perceived effects with the effects s/he expects. Customer satisfaction and customer loyalty are correlated. Customer satisfaction plays a vital role in enhancing and maintaining long-term relationship among companies and their customers and customer satisfaction is revealed to be the improved predictor of customer loyalty.

There is a direct connection between loyalty and satisfaction….
satisfied customer happens to be loyal and a dissatisfied customer switches to another vendor. Customer satisfaction can act as a connection between customer participation and loyalty. Brands which make its consumers happy/satisfied/demonstrative get rapid larger attitudinal commitment and behavioral (purchase) loyalty. Likewise, customer satisfaction mediate consumer learning from past experience and enlightens main post purchase behaviors, which include word of mouth, complaining, product usage and repurchase intention and suggested that repurchase intention and post purchase complaint are significantly influenced by web customer satisfaction. Some authors identify satisfaction as how the customer is overall satisfied by provider’s services. It reveals how the service quality is being perceived. Satisfaction does not imply necessary Loyalty, but generally affects it. Singh (2006) defined ‘satisfaction’ as “a person’s feeling of pleasure or disappointment resulting from comparing a product’s perceived performance (or outcome) in relation to his or her expectations”. Satisfaction shows what is the approach of customers towards provider of services, or a moving reaction towards distinction fankled by what customers foresee and what they obtain, regarding the accomplishment of a few requirements, ambition or wish. A study done by Pirc (2008) showed that for customer satisfaction, there is an overall consensus about their influence on customer loyalty; however, the proposed effect is sometimes empirically supported and other times the effect is not found. According to Hallowell (1996) satisfaction of customers, their loyalty and productivity are interlinked. He presented it in the form of this model: satisfactory customers move into the category of loyal customers and that eventually leads towards profitability. Another study suggests that customer satisfaction and loyalty are positively related to each other. It is also suggested that customer preservation rate, market share and profits can be improved through boosting up the satisfaction level of customers (Ponirin, Scott, & Heidt, 2009).

b) Trust: Trust has become significant antecedents of customer loyalty. Trust can be the source to construct confidence amongst patrons. Furthermore, trust is vital and intended for edifice and maintaining long-standing associations. Trust not only can envisage the worth of the service but it also can reverse the insecurity concerned in purchasing any service or product. Trust is crucial for construction and maintaining long-term associations. Ramsey and Sohi (1997) also came up with the conclusions that were found consistent with the above findings. Trust for a brand leads towards loyalty of customers as trust creates trade associations that are extremely appreciated. Brand trust has direct relationship with purchase intention as well as attitudinal loyalty. It is also suggested that loyalty is achieved through trust (Luan & Lin, 2003). Trust creates an important relationship between loyalty and commitment. They also suggested two results of trust, which are loyalty and commitment. According to other researchers, trust identifies how the customer relies on the provider reliability. It concerns the provider ability, perceived by the customer, to assure a reliable service in respect of the contractual rules. Trust is linked with the provider’s capability to resolve problems with the smaller possible uneasiness for the customer as well. Another study done by Pirc observed trust as having a positive impact towards loyalty of customer (Pirc, 2008).

c) Corporate Reputation: Walsh and Beatty (2007, p. 129) define customer-based reputation (CBR) as “the customer’s overall evaluation of a firm based on his/her reactions to the firm’s goods, services, communication activities, interactions with the firm and/or its representatives or constituencies (such as employees, management, or other customers) and/or known corporate activities.” Companies having good reputation easily build trust and commitment among their customers and this commitment plays the role of a mediator between identification of customers and their behavioral intentions (Keh & Xie, 2009). Some researchers prove that the favorable corporate reputation and image has positive and direct influence on its customers in return increasing their loyalty towards firm. Such image and good reputation of the company yield financial benefits for the company (Bartikowski & Walsh, 2011). Tsai and Yang (2010) describe these three proportions of corporate reputation “i.e., citizenship, credibility and image (both product and service) are all positively related to organizational attractiveness.” Customer loyalty increases if perception of customer about corporate image and corporate reputation is good and favorable; and customer loyalty is also affected by the extrinsic factors like contact personnel and the physical environment where services are being delivered.

d) Customer Loyalty: Customer’s preference of choosing one brand over other one for an exacting need is described as customer loyalty (Chirico & Presti, 2008). Loyalty not only describes the behavioral dimensions of repetitive customers but also the behavior of provider (Pirc, 2008). Loyalty of customers is investigated with customer satisfaction (Ponirin, Scott, & Heidt, 2009), trust (Rosemary & Sohi, 1997), corporate image and with corporate reputation. In the study of Walsh and Beatty (2007), they further provided evidence for the importance of the reputation of firms to get customer loyalty and financial benefits as well. Corporate devotion is significantly affected via the reputation of the firm within the corporate sector. Bartikowski and Walsh (2011) proved that the favorable corporate reputation has positive and direct influence on its customers in return increasing their loyalty towards firm.
Figure 2: Theoretical framework of customer loyalty and satisfaction linking with internal quality.

(Source: Author)

**Hypotheses**

H1: Customer satisfaction has a direct affect on customer loyalty.

H2: Customer trust has a direct affect on customer loyalty.

H3: Corporate reputation has a direct affect on customer loyalty.

**Methodology of the study**

**Participants and Settings:** Participants of the study were Coca Cola customers. The sample size selected for this research purpose constituted of 300 customers through structured questionnaire in the natural environment. Questionnaire was sent through mails. Only 200 usable responses were received and the response rate was 67%. In this research, the researcher used non-probability sampling by using its category of convenience sampling. The reason behind selecting convenience sampling was that because in this, the most easily accessible customers were chosen as subjects of research and it was the quickest, convenient and less expensive technique.
Quality Function Deployment was deployed to relate the consumer's voice and technical descriptors for quality improvements in this non-alcoholic beverage brand. The results revealed that, the major consumer expectations were quality, benefits offered and packaging of this firm's beverage products.

**Scale development:** To measure variables of interest: customer satisfaction, Trust, and Company Reputation on a five-point Likert scale was used in which 1 = strongly disagree and 5 = strongly agree. The variables adopted from different researchers by selecting different numbers of items, reliability of these variables reported in the previous researches is also mentioned in Table 1.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Adopted from</th>
<th>Number of items</th>
<th>Reported reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Satisfaction</td>
<td>Lee, Lee, and Feick (2001)</td>
<td>3</td>
<td>0.77</td>
</tr>
<tr>
<td>Trust</td>
<td>Morgan &amp;Huntt (1994)</td>
<td>5</td>
<td>0.86</td>
</tr>
<tr>
<td>Company Reputation</td>
<td>Long-Tolbert (2000)</td>
<td>5</td>
<td>0.81</td>
</tr>
<tr>
<td>Customer Loyalty</td>
<td>Narayandas (1996)</td>
<td>5</td>
<td>0.88</td>
</tr>
</tbody>
</table>

**Data Collection:** Data was collected from the respondents through self-administered questionnaire with minimal interface in non-contrived work settings by considering individuals as unit of analysis. Data was collected by selecting age group (20-25, 26-35, 46-55, 55 & above) and gender (male, female) as nominal scale. All the respondents are employees working in various sectors/industries and educated-retail-outlets' sales personnel.

**Data analysis technique:** To analyze the data, regression analysis was run on SPSS.17.00. The correlation was also run to see the intensity of relationship between variables.

**Results and discussion**

The data obtained for this research paper was tested against SPSS 17.0 for Windows Evaluation Version. Goodness of data was analyzed by doing the reliability analysis. The answers of the questions given by respondents through questionnaires were checked for their reliability. Interval scale was used for collection of data from respondents. These scales ranged from the interval of strongly agree and proceeded to strongly disagree. The digit 5 stood for strongly agree, 4 indicated agree, 3 indicated neutral, 2 stood for disagree while 1 was meant for showing strong disagree state of respondents. SPSS 17.0 did reliability of Variables Reliability analysis of every variable separately for Windows. The Cronbach's alpha of every variable is shown in the following table:

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>CRONBACH’S ALPHA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer loyalty</td>
<td>0.694</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>0.700</td>
</tr>
<tr>
<td>Trust</td>
<td>0.633</td>
</tr>
<tr>
<td>Corporate Reputation</td>
<td>0.727</td>
</tr>
</tbody>
</table>

Customer loyalty, customer satisfaction, trust, and corporate reputation were checked for reliability and all were accepted. The reliability of all variables was also good as exhibited in Table 2. The acceptability of customer loyalty and trust was less as compared to others.

**Table 3: Descriptive Statistics**

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>MEAN</th>
<th>STD. DEVIATION</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Satisfaction</td>
<td>3.9800</td>
<td>0.72308</td>
<td>0.523</td>
</tr>
<tr>
<td>Trust</td>
<td>3.7609</td>
<td>0.46523</td>
<td>0.216</td>
</tr>
</tbody>
</table>

Sankalpa : Journal of Management & Research  ♦ Volume 3  ♦ Issue 2  ♦ July - December 2013
The feel for the data can be obtained with the help of the descriptive analysis provided in Table 3. The researcher can do so by checking the central tendency and the dispersion. Mean, range, standard deviation, and variance in the data provide a good measure of how the respondents have reacted to the items in the questionnaire and it provides an idea about the goodness of the items and measures. The range of the data of every variable was calculated as in Table 3, which helped in indicating that the data of a certain variable falls where on the interval scale. For customer satisfaction, the data lied between (3.3-4.7) which means that most of the respondents agreed to the questions asked with some of them being neutral. For trust, it was between (3.4-4.2) again respondents were agreed to some extent. For corporate reputation, the range calculated was (3.4-4.2) so, most of the people again agreed to some extent. Finally the range for customer loyalty was (3.5-4.1) i.e., mostly respondents again were neutral. Therefore, overall, it can be said that most of the respondents agreed and were neutral to some extent, on the questions asked to collect data for every variable.

**Table 4: Correlation Results**

<table>
<thead>
<tr>
<th></th>
<th>CL</th>
<th>CS</th>
<th>TR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>CL</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CS</td>
<td>0.532**</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TR</td>
<td>0.766**</td>
<td>0.675**</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>CR</td>
<td>0.912**</td>
<td>0.757**</td>
<td>0.726**</td>
<td>1</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed).**

Pearson correlation is used for the data analysis as shown in Table 4. According to the table, there is a positive relationship between customer loyalty (CL) and customer satisfaction (CS), customer loyalty and trust (TR), and customer loyalty and corporate reputation (CR). The correlation is moderately positive for customer loyalty with trust. There is a weak positive relationship of customer loyalty with customer satisfaction as compared to other variables.

**Table 5: Regression Analyses**

<table>
<thead>
<tr>
<th></th>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.799</td>
<td>0.790</td>
<td>0.763</td>
</tr>
</tbody>
</table>

To test the hypothesis of this research, multiple regression analysis has been used by the researcher. The results obtained by applying multiple regression technique on the three independent variables can be seen in Table 5. R is the correlation of three independent variables with customer loyalty. R² is the variance. This model summary shows that there is 79.0% relationship among dependent variable and three independent variables.

**Table 6: Variance Analyses (ANOVA)**

<table>
<thead>
<tr>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>17.320</td>
<td>5</td>
<td>3.464</td>
<td>605.521</td>
<td>0.000(a)</td>
</tr>
<tr>
<td>1.110</td>
<td>194</td>
<td>0.006</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18.429</td>
<td>199</td>
<td>0.006</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The value of F as can be observed in Table 6, which came out to be 605.521%, which means that the model was best fitted by this much. The value of F must be more than 12% for the model to be fitted. This value was significant at significant level of 0.000 and it was signified by value of F because its value was more than 12%.

**Table 7: Coefficients t-value**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Beta</th>
<th>t</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Loyalty</td>
<td>0.048</td>
<td>7.775</td>
<td>0.000</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>0.083</td>
<td>2.741</td>
<td>0.001</td>
</tr>
<tr>
<td>Trust</td>
<td>0.013</td>
<td>3.761</td>
<td>0.000</td>
</tr>
<tr>
<td>Corporate Reputation</td>
<td></td>
<td>1.882</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Relationship of dependent and independent variables is seen through the value of t. It shows by what amount the impact of independent variables was on the customer loyalty (i.e., the dependent variable). In this research study as the value of t for trust is high, this showed that it has more impact on customer loyalty comparatively. The value of t for customer satisfaction and corporate reputation was significant. As we can see in Table 7, the variable possessing a higher t also has greater beta (rate of change), which means that those variables bring a greater change in the dependent variable. This means that all hypotheses are accepted.

**Discussion**

The present study contributes towards better understanding of relationship among trust, corporate reputation and customer satisfaction with customer loyalty. The findings of this study indicate significant relationship among these variables. These results strengthened the belief of the researcher that showed strong relationship among corporate reputation, trust, customer satisfaction and customer loyalty. First, the results showed that customer satisfaction has a direct effect on customer loyalty. These findings are consistent with Kivukas (2007) that revealed a direct connection between satisfaction and loyalty and concluded that satisfied customers become loyal and dissatisfied customers move to another vendor. Results of customer satisfaction and loyalty indicated that if the said firm
puts more attention towards satisfying customers through different processes and actions then they could achieve long-term customer loyalty. Secondly, the results also showed that trust has a significant positive influence on customer loyalty, which was consistent with the previous research results and came to a belief that trust is essential for building and maintaining long-term relationships with the customers. Ramsey and Sohi (1997) also found similar results and concluded that customer loyalty is attainable if companies build trust of their customers. Thirdly, the results also demonstrated that corporate reputation is of great importance when improving or building customer loyalty. Favorable reputation will attract more customers and will result in customer satisfaction and loyalty, which in the end will be highly profitable for the organizations, not only in the form of profitability but also for customer retention. These results were consistent with the results of Nguyen and Leblanc (2001), customer loyalty increases if perception of customer about corporate image and corporate reputation is good and favorable. Therefore, companies should also pay attention towards building and maintaining reputation.

Conclusion and recommendations

The driving purpose behind pursuing this research study was to determine the relationship of customer satisfaction, trust, and corporate reputation with customer loyalty. Customer loyalty was chosen as the dependent variable and the impact of above-mentioned independent variables was checked by questionnaire. Through the analysis, the researcher came to know that there was 79.0% relationship of customer loyalty with all of the independent variables, which implies that the null hypothesis for this research study was accepted and alternative hypothesis rejected. Independent variables are positively and significantly linked with the dependent variable, which shows that customer loyalty can be achieved by improving customer trust, satisfaction and reputation of the firm. More inclination of firms towards building customer trust through different processes, achieving customer satisfaction by delivering superior products and services and building and maintaining reputation through diverse practices will escort towards customer loyalty.

Limitations and future research

As is the case with most research, the present study also has some limitations. This study has an issue of generalizability as data is only collected through Coca Cola products of India. No comparison is made with the other major players. This study is done without any moderating or mediating variables that can alter the relationship. Future research should attempt to replicate this study in any other context. Future research can also include other important moderating or mediating variables that contribute to the well-being and growth of firms by retaining more customers or by enhancing customer loyalty.

Practical and managerial implications

The role of the satisfaction, trust and reputation of firm have been increasing simultaneously in order to attract and retain customers, it is incredibly necessary for the sales executives and brand managers to understand the customers' needs and make them satisfy as much as possible by working on mentioned independent variables in the HCCBPL: as a result of this, customers will stick with the organization on long term basis. If it is done systematically with managerial insights, then it can retain its customers and it will be a win-win situation for organization and customers as well.

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Impulsive Buying in organized Retail with respect to Ahmedabad

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Abstract
The retailing business is globally experiencing huge trends due to the ever-changing nature of consumer tastes, consumption patterns and buying behaviours. Impulsive consumer buying behaviour is a recognized phenomenon in the United States. Research in United States found that Impulsive Buying accounts for up to 80% of all purchase in several product categories (Abrahams, 1997; Smith, 1996). For candy and magazines approximately $4.2 billion store volume was generated by impulse sales. Impulse buying is defined as “an unplanned purchase” that is characterized by (1) relatively rapid decision-making, and (2) a subjective bias in favor of immediate possession” (Rook & Gardner, 1993; see also Rook, 1987; Rook & Hoch, 1985).

Majority of research have been conducted for impulsive buying in western countries like U.S.A, U.K etc. Very few researches have been carried out in India.

This research has tried to identify factors influencing for impulsive buying, to understand relation within the store environment and impulsive buying and to understand relation with demographics and impulsive buying. The study followed descriptive research design with sample size of 125 respondents in Ahmedabad city.

Key Words: Impulse buying, Organized retailing.

Introduction
Retail comes from the French word ‘retailer’ which refers to ‘cutting off, clip and divide’ in terms of tailoring. It first was recorded as a noun with the meaning of a ‘sale in small quantities’. Its literal meaning for retail was to ‘cut off, shred, paring’. Indian retail industry is witnessing a paradigm shift as the sector is getting organized and consumers are seeking a one-stop shopping place with convenience and entertainment. Professionally managed and separately owned retail organizations are the face of today’s retail sector.

India is stepping into a new era of ‘Retail Chains’ from the traditional neighborhood ‘Kirana Store’. Economic growth, changing lifestyles, urbanization and women’s participation in economic activities, increasing purchase power, spread of visual media and the spread of IT are some of the key factors for the growth of the retail sector. With liberalization, privatization, globalization and modernization, a modern competitive business is based on understanding the mind of the consumer and providing the ‘king’ the products and services that he wants. Organized retailing provides an ideal shopping experience through consumer preference analysis, excellent ambience and choice of merchandise.

These days retailing business is experiencing huge trends across the globe due to the ever-changing nature of consumer tastes, consumption patterns and buying behaviours. Strong marketing mix activities are essential for maintaining long term sustainability of each retailer. In-Store marketing activities such as point-of-purchase displays and promotions, background music, marnequin display, proximity of products are important in both winning consumers and encouraging them to spend more. In-store promotions are usually aimed at digging deeper into the consumers’ purses at the point of purchase through encouraging impulsive (unplanned) purchases.

Majority of the retailers are able to earn the revenue through impulsive purchase due to their in-store activities that influence their potential consumers through creating enjoyable, attractive and modern looking environments. Researchers also found that demographic variables like age, gender, marital status; income also has impact on impulsive buying.

Impulsive consumer buying behaviour is a widely recognized phenomenon in the United States. It accounts for up to 80% of all purchases in certain product categories (Abrahams, 1997; Smith, 1996), and it has been suggested that purchases of new products result more from impulse purchasing than from prior planning (Siligo, 1996). In 1997 a study found that an estimated $4.2 billion annual store volume was generated by impulse sales of items such as candy and magazines (Mogelson, 1998).

Impulse buying is defined as ‘an unplanned purchase’ that is characterized by (1) relatively rapid decision-making, and (2) a subjective bias in favor of immediate possession’ (Rook & Gardner, 1993, p. 3; see also Rook, 1987; Rook & Hoch, 1985).

Impulse buying disrupts the normal decision making models in consumers’ brains. The logical sequence of the consumers’
actions is replaced with an irrational moment of self gratification. Impulse items appeal to the emotional side of consumers. Some items bought on impulse are not considered functional or necessary in the consumers' lives.

**Literature Review**

**Impulsive Buying**

Dennis W. Rook, Stephen J. Hoch (1985), has investigated on Consumer Impulses. He has focused on psychological model of consumer impulse buying episodes. They have distinguish impulsive buying and unplanned buying by following five elements: 1) a sudden and spontaneous desire to act; 2) a state of psychological disequilibrium; 3) the onset of psychological conflict and struggle; 4) a reduction in cognitive evaluation; 5) lack of regard for the consequences of impulse buying. They have developed scale for measuring impulsive buying.

Dennis W. Rook (1987) has conducted research on the Buying Impulse and tried to differentiate impulsive buying and unplanned buying and defined what is impulsive buying. He has defined impulsive buying in the following way: 'Impulse buying occurs when a consumer experiences a sudden, often powerful and persistent urge to buy some-thing immediately. The impulse to buy is hedonically complex and may stimulate emotional conflict.'

**Gender**

Helga Dittmar, Jane Beattie, Susanne Friese (1995) has investigated on gender identity and material symbols: Objects and decision considerations in impulse purchases they have presented a new model of impulse buying, based on a social constructionist theory, which addresses some of the shortcomings of previous models from economics, consumer behaviour and psychology. Thus gender, as a major social category, should influence both the products bought impulsively and the buying considerations used.

Study suggested that men tend to impulsively buy instrumental and leisure items projecting independence and activity, while women tend to buy symbolic and self-expressive goods concerned with appearance and emotional aspects of self.

Michael Wood (1998) found that gender and impulsive buying were weakly related.

Angela Hausman (2000) has used Multiple correlation and ANOVA analysis to check hypothesis from correlation analysis and found that impulse buying trait did not correlate with any of the demographic variables like age, sex, marital status, employment type.

**Age**

Muhammad Ali Tirmizi, Kashif-Ur-Rehman, M and Iqbal Saif in their study said, it's true that young people more often get attracted to products displayed on store shelves and has greater tendency of impulse buying behaviour but results of this paper showed no association of impulse buying in higher income group of young people having prevalent impulse buying tendencies.

Bellenger, Robertson & Hirshman (1978) have found a relationship between age and impulsive buying. Impulsive buying tendency is high between the ages 18 to 39, and then it declines thereafter. An inverse relationship was found between age and impulsive buying. It was also found that the relationship is non monotonic.

Wood (1998) also said that tendency for Impulsive Buying is high between age 18 to 39 and at a lower level thereafter.

**Income**

Kollat and Willet (1967) reported that incomes do not have any influence on rate of unplanned purchase. Cobb and Hoyer (1986) said that shopping lifestyle is defined as the behaviour exhibited by purchaser with regard to the series of personal responses and opinions about purchase of the products. They found that shopping life style and impulse buying behaviour were closely related but only in the case of impulse buyers.

**Background music**

Millman (1982 and 86), shoppers in the first study spent more time and money in a slow music tempo retail environment and North and Hargreaves (1998) studied that music is capable of evoking complex affective and behavioural responses in consumers.

Mattila A S, Wirtz J (2001) have done research on 'Congruency of scent and music as a driver of in-store evaluations and behaviour.' they found that Music may impact on both how long consumers spend in a shop and also on how much they buy. A study suggests that customers in a slow music condition took more time to eat their meals compared to those in the fast-music condition.

**Proximity**


Rook (1987), Rook & Hoch (1985) studied that Consumers have indicated that by just looking at the items in stores or catalogues can stimulate desires for the purchase of goods Voh & Faber (2007) said that physical proximity also stimulate sensory inputs such as (1) touching goods in store (2) tasting free sample of foods, which also affect desire.
Impact of peers

Xuening Luo (2005) has investigated how shopping with others influences impulsive purchasing. He noted that most research in consumer psychology assumed that impulsive purchasing can be best explained by factors at the individual level. In contrast, this research examined how the presence of others’ influences this behavior. Results of two experiments suggested that the presence of peers increased the urge to purchase, and the presence of family members decreased it. However, this difference was greater when the group (peers or family) is cohesive and when participants were susceptible to social influence.

From the literature review it was found that majority of research related to impulsive buying has been conducted in western countries. Very few researches have been undertaken in East countries and very little researches have been undertaken in India. Researchers have studied few factors which affect impulsive buying. This study tried to identify factors related to impulsive buying in organized retail stores. Further, they tried to identify impact of demographics like age, gender, marital status, household income on impulsive buying for apparels.

Objectives

1. To identify the variables related to impulsive buying of consumer in organized retail stores.
2. To study impact of impulsive buying in various product categories in organized retail stores.
3. To understand impact of demographics like age, Income, Education and Gender on Impulsive Buying.
4. To study impact of In-store environment like Price, Promotion offers, Music, Behaviour of staff, Proximity on impulsive buying.
5. To study impact of Hedonic feelings on impulsive Buying.
6. To understand impact of having credit card on impulsive buying.
7. To study the relationship between peers and impulsive buying.
8. To understand impact of availability of time on impulsive buying.

Hypothesis

H1: There is a difference in impulsive buying among males and females.
H2: There is a difference in impulsive buying according to marital status.
H3: There is a difference in impulsive buying according to Income.
H4: There is a difference in impulsive buying according to age.
H5: Consumer who purchase impulsively are influenced by displays.
H6: Consumer who purchase impulsively are influenced by promotional offers.
H7: Consumer who purchase are influenced by nearness of clothes (Proximity).
H8: Consumer who purchase impulsively are influenced by price.
H9: Consumer who purchase impulsively are influenced by Music.
H10: Individual consumer’s impulse buying is correlated with their desires to fulfill their hedonic needs, such as fun, novelty and surprise.
H11: Consumer who purchase impulsively are influenced by presence of peers.
H12: Consumer who purchase impulsively are influenced by availability of time.

Measures used for Impulsive buying

Impulsive Buying

Impulsive buying was measured asking the following question:

- Did you purchase the product which you did not plan?

Responses were measured using 4-point scale ranging from ‘Never’ to ‘Always’.

Product Displays

Impact of impulsive buying through product displays was measured using scale developed by Han (1987), Rook and Fisher (1995). Responses on all items were given using five-point Likert scale, and items were coded 1 for strongly agree and 5 for strongly disagree. Further, to check the reliability of this scale Cronbach alpha was performed and (a = 0.723) showed good internal reliability.

Promotional Offers

Impact of impulsive buying through promotional offers was measured using scale developed by Rook & Hoch (1985), Weun, Jones, & Betty(1997) Youn & Faber (2000). Responses on all items were given using five-point Likert scale and items were coded 1 for strongly agree and 5 for strongly disagree. In addition, to check the reliability of this scale Cronbach alpha was performed and (a = 0.714) showed good internal reliability.

Hedonic feelings

This was measured by asking the following question:
I like to shop for novelty of it.
Shopping satisfies my sense of curiosities.
I go shopping to be entertained and other such few questions.

To check the reliability, Cronbach alpha test was performed and we found the alpha value = 0.839 which shows a good internal reliability.

**Music**

Impact of music on impulsive buying was measured using scale developed by Matila and Wirtz (1997). Responses on all items are given using five-point Likert scales and items were coded 1 for strongly agree and 5 for strongly disagree. To find the reliability of this scale Cronbach alpha was performed and (a = 0.810) showed good internal reliability.

**Peers**

Impact of peers on impulsive buying was measured by asking following questions:
- I tend to purchase without any plan when I go for shopping with family members/friends.

Responses on all items were given using five-point Likert scale and items were coded 1 for strongly agree and 5 for strongly disagree. For checking the reliability of this scale Cronbach alpha was performed and (a = 0.756) depicted good internal reliability.

**Time**

Impact of availability of time on impulsive buying was measured by asking the following question:
- I tend to purchase products without any plan when I go for shopping with family members/friends.

Responses on all items were given using five-point Likert scale and items were coded 1 for strongly agree and 5 for strongly disagree. For reliability of this scale, Cronbach alpha was performed and (a = .778) showed good internal reliability.

**Analysis and Interpretation**

<table>
<thead>
<tr>
<th>Gender</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>84</td>
</tr>
<tr>
<td>Female</td>
<td>48</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 20</td>
<td>10</td>
</tr>
<tr>
<td>20-30</td>
<td>86</td>
</tr>
<tr>
<td>31-40</td>
<td>14</td>
</tr>
</tbody>
</table>

**Table 1: Demographic Study for Impulsive Buying**

**Table 2: Products Purchased Impulsively**

<table>
<thead>
<tr>
<th>Products</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bags</td>
<td>6.00%</td>
</tr>
<tr>
<td>Jewellery</td>
<td>4.30%</td>
</tr>
<tr>
<td>Vegetables</td>
<td>4.60%</td>
</tr>
<tr>
<td>Food</td>
<td>15.50%</td>
</tr>
<tr>
<td>Cosmetics</td>
<td>9.20%</td>
</tr>
<tr>
<td>Electronic Items</td>
<td>3.60%</td>
</tr>
<tr>
<td>Chocolates</td>
<td>14.70%</td>
</tr>
<tr>
<td>Footwear</td>
<td>9.50%</td>
</tr>
<tr>
<td>Accessories</td>
<td>4.60%</td>
</tr>
<tr>
<td>Books/CDs</td>
<td>6.60%</td>
</tr>
<tr>
<td>Apparels</td>
<td>10.90%</td>
</tr>
<tr>
<td>Beverages</td>
<td>8.70%</td>
</tr>
<tr>
<td>Detergent</td>
<td>1.90%</td>
</tr>
</tbody>
</table>

Table 2 showed that, food (15.50%), chocolates (14.70%), apparels (10.90%) were purchased more impulsively than other products; while products like detergent (1.90%), accessories (4.60%), Electronic items (3.60%), Jewellery (4.30%) were purchased less impulsively.

**Table 3: In-store factors affect on impulsive buying behaviour**

<table>
<thead>
<tr>
<th>Factors</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>1.3267</td>
</tr>
<tr>
<td>Promotional offer</td>
<td>2.58</td>
</tr>
<tr>
<td>In store display</td>
<td>3.84</td>
</tr>
<tr>
<td>Behavior of Staff</td>
<td>4.1867</td>
</tr>
</tbody>
</table>

Table 3 showed that factors like price, promotional offer, in store display, and behavior of staff affect impulsive buying behaviour.
To measure impact of in-store factors on impulsive buying rating scale was used. To understand influence of in store factors on impulsive buying mean was calculated. Table 3 showed that Price (1.82) had more influence on impulsive buying. After that promotional offer (2.58) influenced for impulsive buying. Behaviour of staff (4.18) and Music (4.54) had least influence on impulsive buying.

**Impact of Demographic variables**

### 1. Gender


To study the difference in impulsive buying among male and female, first normality of the data was checked using K-S test (Table 4); result showed that data were not normally distributed. To study the difference in impulsive buying among male and female Mann Whitney-U test was performed and p-value was greater than level of significance. Hence there is no difference in impulsive buying among male and female. Hence, result is in line with the study of Wood (1998) and Angela (2000).

<table>
<thead>
<tr>
<th>Gender</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>.000</td>
</tr>
<tr>
<td>Female</td>
<td>.011</td>
</tr>
</tbody>
</table>

**Table 5: Mann- Whitney U Test Statistics**

<table>
<thead>
<tr>
<th>Mann-Whitney U Test</th>
<th>2000.000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant Value</td>
<td>.936</td>
</tr>
</tbody>
</table>

### 2. Age

Previous researchers found a relationship between age and impulsive buying (Bellenger & Robertson & Hirshman (1978), Wood (1987).

To study the difference in impulsive buying according to age, first normality of data was checked using K-S test (Table 6) and results showed that data were not normally distributed. To study difference in impulsive buying according to age, Kruskal Wallis test was performed (Table 7) p-value was .299 which is greater than level of significance (0.05). As a result, there is no significance difference in rate of impulsive buying according to age which is contradictory to the previous study conducted by Bellenger (1978) and Wood (1987).

### 3. Marital Status

Based on previous research, it was found that marital status and impulsive buying were weekly related (Angela Hausman, 2000).

To study the difference in impulsive buying according to marital status, first normality of data was checked using k-s test (Table 8). Results showed that data were not normally distributed. Further to study difference in impulsive buying according to marital status, Mann Whitney U test was performed and p-value (Table 9) was greater than level of significance. Hence there was no difference in impulsive buying according to marital status. So, our result is not in line with study of Angela (2000).

<table>
<thead>
<tr>
<th>Gender</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married</td>
<td>.005</td>
</tr>
<tr>
<td>Unmarried</td>
<td>.000</td>
</tr>
</tbody>
</table>

### 4. Income

Previous researches demonstrated that incomes do not have any influence on the rate of unplanned purchase Kollat and Willet (1967). Cobb and Hoyer (1986) found that shopping life style and impulsive buying behaviour were closely related but only in the case of impulse buyers.

To study the difference in impulsive buying according to different income category, first normality of data was checked using K-S test (Table 10) and results showed that data were not normally distributed. To study difference in impulsive buying according to income, Kruskal Wallis test was performed (Table 11) p-value was .000 which is less than level of significance (0.05). So, difference exists in rate of impulsive buying according to income which is in line with the results of Kollat and Willet (1967).
Table 10: K-S Test

<table>
<thead>
<tr>
<th>Income Category</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;25000</td>
<td>.000</td>
</tr>
<tr>
<td>25000-50000</td>
<td>.068</td>
</tr>
<tr>
<td>&gt;50000</td>
<td>.016</td>
</tr>
</tbody>
</table>

Table 11: Kruskal Wallis Test

<table>
<thead>
<tr>
<th>Chi-Square</th>
<th>df</th>
<th>Asymp. Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.919</td>
<td>3</td>
<td>.000</td>
</tr>
</tbody>
</table>

Regression Model

To study factors which influence for impulsive buying, multiple regression was performed. Impulsive buying was considered as dependent variable and product display, promotional offers, price, background music, proximity, hedonic feelings, peers and time were taken as independent variables.

Results of regression analysis are shown in Table 12. The value of $R^2 = .863$ shows the model is fit and 86% changes can be predicted in dependent variable due to all these independent variables. Table 13 shows p-value and beta-value for all independent variables. Product display, promotion offers, proximity, price and hedonic feelings have significance relation with dependent variable impulsive buying because all independent variables have p-value less than level of significance which is 0.05. As a result of this, hypothesis H5, H6, H7, H10 and H11 are accepted. Further, Product display, promotion, proximity, hedonic feelings have positive relation with impulsive buying and price has negative relation with impulsive buying which means if price of product is less, consumers prefer to do more impulsive buying. The results also show that music, peers and time do not have any significance impact on impulsive buying.

Table 12: Regression Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.929</td>
<td>.863</td>
<td>.854</td>
<td>.36247</td>
</tr>
</tbody>
</table>

Table 13: p-value and beta-value

<table>
<thead>
<tr>
<th></th>
<th>Beta-Value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-.861</td>
<td>.000</td>
</tr>
<tr>
<td>Mannequin</td>
<td>.141</td>
<td>.000</td>
</tr>
<tr>
<td>Promotion</td>
<td>.288</td>
<td>.000</td>
</tr>
<tr>
<td>Proximity</td>
<td>.748</td>
<td>.000</td>
</tr>
<tr>
<td>Price</td>
<td>-.138</td>
<td>.033</td>
</tr>
<tr>
<td>Music</td>
<td>-.050</td>
<td>.310</td>
</tr>
<tr>
<td>Hedonic feelings</td>
<td>.154</td>
<td>.000</td>
</tr>
</tbody>
</table>

Table 14: Summary of Hypotheses

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: There is difference in impulsive buying among male and female</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H2: There is difference in impulsive buying according to Marital status</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H3: There is difference in impulsive buying according to Income</td>
<td>Supported</td>
</tr>
<tr>
<td>H4: There is difference in impulsive buying according to age wise.</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H5: Consumer who purchase impulsively are influenced by product displays</td>
<td>Supported</td>
</tr>
<tr>
<td>H6: Consumer who purchase impulsively are influenced by Promotional offers</td>
<td>Supported</td>
</tr>
<tr>
<td>H7: Consumer who purchase impulsively are influenced by proximity</td>
<td>Supported</td>
</tr>
<tr>
<td>H8: Consumer who purchase impulsively are influenced by price</td>
<td>Supported</td>
</tr>
<tr>
<td>H9: Consumer who purchase impulsively are influenced by music</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H10: Individual consumers’ impulse buying for is correlated with their desires to fulfil hedonic needs, such as for fun, novelty, and surprise.</td>
<td>Supported</td>
</tr>
<tr>
<td>H11: Consumer who purchase impulsively are influenced by presence of peers.</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H12: Consumer who purchase impulsively are influenced by availability of time</td>
<td>Not Supported</td>
</tr>
</tbody>
</table>

Conclusion and Limitations

Through this survey, the researchers majorly found that maximum people did impulsive buying which is more among higher income people. There is no difference in impulsive buying according to gender, marital status and age. The major factors responsible for impulsive buying were product display, promotional offers, proximity, price and hedonic feelings. Factors which were not found effective for impulsive purchase were music, presence of peers and availability of time.

This study was conducted in Ahmedabad with 132 sample size and hence, these results cannot be generalized. Further, biasness among the respondents may have deviated the results.

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An Empirical Study on Consumers’ Perception towards Inconvenience during Operation of RTGS Service

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Abstract

Now services of banks are available at the fingertips in mobile and customer can do practically all type of banking transactions from anywhere and at any time. An effort to make the remittance or payment transactions convenient, fast and at affordable cost, in the last few years, the use of information technology-enabled payment and settlements systems such as Real Time Gross Settlement (RTGS), National Electronic Fund Transfer (NEFT) and National Electronic Clearing Service (NECS) had grown significantly. Customers’ migration to electronic payments has also been growing extensively. The present study is focusing on analyzing the Reason for failure of RTGS service in Rajkot City.

Keywords: Payment, Transactions, RTGS Services

Introduction

The RTGS system had been launched by RBI on 26th March 2004 in the Indian financial market after a comprehensive audit and review of the software and also by conducting extensive training of users at commercial banks. The RTGS provides for an electronic based settlement of interbank & customer based transactions with Intraday Collateralized Liquidity (ICL) support from the RBI to participants of the system. It is a system of transferring funds from one bank/financial institutions to another on immediate basis. In this system, the interbank payment instructions are processed and settled transaction-by-transaction, one by one, continuously i.e. in real time. In other words, these transactions are settled individually without netting debits against credits. It is fully integrated with the accounting system of the RBI & other settlement services such as Deferred Net Settlement (DNS) system, the settlement of which is performed as RTGS transactions through a facility for multi lateral net settlement batch processing.

The RTGS system has several unique features. It is a single, all India system, with the settlement being affected in Mumbai. The payments are settled transaction-by-transaction. The settlement of funds is final & irrevocable. The settlement is done in real time; the funds settled can be further used immediately. It is a fully secure system, which uses digital signatures & Public Key Infrastructure (PKI) based encryption for safe and secure message transmission. It provides for intraday collateralized liquidity support for the member-banks to smoothen the temporary mismatches of fund flows & thereby ensuring smooth settlements. Under the RTGS system, inter bank transactions; customer based interbank transactions and net clearing transactions can be settled. Both high value and retail payment can be effective through the RTGS system. Thus, it provide less risk based fund transfers for both banks & for their customers apart from providing for more efficient funds management at the treasuries of banks. Thus, the RTGS arrangement enables banks to ensure transfer of funds instantaneously among the member banks of the system all over the country through electronic transfer mechanism availing the benefit of pooling of funds at different centers for optimum utilization. The system has also enabled for Straight through Processing (STP) of customer transaction without manual transactions.

‘Real Time Gross Settlement’, RTGS, is the fastest possible money transfer system through the banking channel. Because settlements are made in real time, transactions are not subject to any waiting periods. With RTGS, transferring money becomes an easier, faster process.

Literature review


Shri Karunesh Saxena and Naval Kishor (1996) on “Quality in Tourism Industry: A Key to customer satisfaction” published in “ABHIGYAN” in winter; PP. 55-65 concluded in their study that “The improved tourism service quality will attract a large number of domestic and foreign customer to India. The key to customer satisfaction is quality of services being offered”.

Naumann Earl, and Donald W. Jackson Jr., (May/June 1999) in their article entitled “One More Time. How Do You Satisfy Customers?” published in the ‘Business Horizons’; PP 71-76 has modified work of Fredrick Herzberg. They have developed a similar type of modified two-factor theory applied to customer satisfaction. According to them exploring the process of value creation will give firms a better grasp of the ups and downs of customer satisfaction.
Scope of the Study
Keeping in view the availability of time, finance and ability of the researcher, the study is restricted to the geographical area of Rajkot City. The Users of RTGS Services of Public Sector Banks, Private Sector Banks & co-operative Banks in Rajkot City are the main source of Primary Data.

Objectives of the Study
1. To examine the existing operations of RTGS Services.
2. To examine the customer's level of awareness & usage of RTGS Services.
3. To analyze the factor reasonable for utilizing RTGS Services.
4. To identify gaps, if any and develop appropriate strategies for using RTGS.
5. To make suggestion for improvement or change in the RTGS services of banks.

Significance of Research
This study gives a clear picture of RTGS Services of Banks related to the customers. It draws an attention towards the problems faced by the customers for services and suggestions made by them. It may help the bank to improve operational efficiency. The study gives an idea of customer satisfaction and RTGS Services of banks.

Hypothesis

$H_0$: There is no significant difference between Service sector and business sector users in relation to Inconvenience during operation of RTGS.

$H_1$: There is significant difference between Service sector and business sector users in relation to Inconvenience during operation of RTGS.

Sample design
The population of the study consists of all types of bank's account holders using RTGS Services in the Rajkot City. They all may be different in Occupation viz. employee of Government sector, Private sector; Businessman, self-employed, Professional, Students, retired etc. are considered. Questionnaires were distributed among 130 respondents randomly out of them 105 respondents have returned it. Out of them 100 questionnaire were found fully filled up with adequate information, which was considered for the present study.

Data collection
The study is based mainly on primary data. The primary data is collected with the help of questionnaire from the customers of RTGS Services to evaluate 'Inconvenience during operation of RTGS services'. For this, a questionnaire is used by the researcher regarding parameters and problems as well as suggestion from the customer's point of view.

Data analysis
Data analysis is an important part of research work to test the hypothesis. First of all researcher has processed the collected primary data through questionnaires. Further the processed data has been analyzed by statistical tools and techniques. The tools and techniques used by researcher for data analysis are as under.

- Simple Percentage
- Averages
- Likert Scale
- Wilcoxon’s Matched – Pairs Test
- Sandler’s A - Test

Scales are developed by utilizing the item analysis approach. Wherein a particular item is evaluated on the basis of how well it discriminates between those persons whose total score is high and those whose total score is low. Those items or statements that best meet this sort of discrimination test are included in the final instrument.

In Likert scale, the respondent was asked to respond to each of the statements and items of several degrees, usually 5 degrees of agreement.

The duly filled in questionnaires were edited by the researcher and in accordance with the requirements of the objectives and hypothesis table was prepared. For hypothesis testing, Wilcoxon’s Matched- Pairs Test and Sandler’s A -Test was used as non-parametric tests at 5% level of significance.

The researcher made an effort to know the Inconvenience during operation of RTGS services from the RTGS users. Different responses of reasons are given in Tables 1 to 7. In this connection 7 major inconveniences were

1. Unskilled employees
2. Lack of training & guidance
3. Out of order problems
4. Crime & Cheating
5. Lack of knowledge
6. No detail information of service
7. No customize service.

The details of responses in Tables 1 to 7 have been further processed & analyzed in Table 8.
Table 1: Responses of the RTGS Users towards Various Reasons for Inconvenience during Operation of RTGS on a 5 Point Scale – Unskilled Employees

<table>
<thead>
<tr>
<th>Level of agreement &amp; score point</th>
<th>No of Respondents</th>
<th>Total Score of the Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Service</td>
<td>Business</td>
</tr>
<tr>
<td>Strongly agree (5)</td>
<td>6.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Agree (4)</td>
<td>19.00</td>
<td>20.00</td>
</tr>
<tr>
<td>Undecided (3)</td>
<td>12.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Disagree (2)</td>
<td>25.00</td>
<td>8.00</td>
</tr>
<tr>
<td>Strongly disagree (1)</td>
<td>3.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Total</td>
<td>65.00</td>
<td>35.00</td>
</tr>
</tbody>
</table>

(Source: Computed From Questionnaires)

Table 2: Responses of the RTGS Users towards Various Reasons for Inconvenience during Operation of RTGS on a 5 Point Scale – Lack of Training & Guidance

<table>
<thead>
<tr>
<th>Level of agreement &amp; score point</th>
<th>No of Respondents</th>
<th>Total Score of the Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Service</td>
<td>Business</td>
</tr>
<tr>
<td>Strongly agree (5)</td>
<td>4.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Agree (4)</td>
<td>25.00</td>
<td>20.00</td>
</tr>
<tr>
<td>Undecided (3)</td>
<td>22.00</td>
<td>9.00</td>
</tr>
<tr>
<td>Disagree (2)</td>
<td>12.00</td>
<td>6.00</td>
</tr>
<tr>
<td>Strongly disagree (1)</td>
<td>3.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Total</td>
<td>66.00</td>
<td>35.00</td>
</tr>
</tbody>
</table>

(Source: Computed From Questionnaires)

Table 3: Responses of the RTGS Users towards Various Reasons for Inconvenience during Operation of RTGS on a 5 Point Scale – Out of order Problem

<table>
<thead>
<tr>
<th>Level of agreement &amp; score point</th>
<th>No of Respondents</th>
<th>Total Score of the Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Service</td>
<td>Business</td>
</tr>
<tr>
<td>Strongly agree (5)</td>
<td>13.00</td>
<td>12.00</td>
</tr>
<tr>
<td>Agree (4)</td>
<td>26.00</td>
<td>13.00</td>
</tr>
<tr>
<td>Undecided (3)</td>
<td>18.00</td>
<td>8.00</td>
</tr>
<tr>
<td>Disagree (2)</td>
<td>6.00</td>
<td>2.00</td>
</tr>
</tbody>
</table>

(Sankalpa: Journal of Management & Research ♦ Volume 3 ♦ Issue 2 ♦ July - December 2013)
### Table 4: Responses of the RTGS Users towards Various Reasons for Inconvenience during Operation of RTGS on a 5 Point Scale – Crime & Cheating Problem

<table>
<thead>
<tr>
<th>Level of agreement &amp; score point</th>
<th>No of Respondents</th>
<th>Total Score of the Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Service</td>
<td>Business</td>
</tr>
<tr>
<td>Strongly agree (5)</td>
<td>7.00</td>
<td>3.00</td>
</tr>
<tr>
<td>Agree (4)</td>
<td>20.00</td>
<td>12.00</td>
</tr>
<tr>
<td>Undecided (3)</td>
<td>20.00</td>
<td>8.00</td>
</tr>
<tr>
<td>Disagree (2)</td>
<td>15.00</td>
<td>11.00</td>
</tr>
<tr>
<td>Strongly disagree (1)</td>
<td>3.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Total</td>
<td>65.00</td>
<td>35.00</td>
</tr>
</tbody>
</table>

(Source: Computed From Questionnaires)

### Table 5: Responses of the RTGS Users towards Various Reasons for Inconvenience during Operation of RTGS on a 5 Point Scale – Lack of Knowledge

<table>
<thead>
<tr>
<th>Level of agreement &amp; score point</th>
<th>No of Respondents</th>
<th>Total Score of the Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Service</td>
<td>Business</td>
</tr>
<tr>
<td>Strongly agree (5)</td>
<td>6.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Agree (4)</td>
<td>22.00</td>
<td>13.00</td>
</tr>
<tr>
<td>Undecided (3)</td>
<td>15.00</td>
<td>11.00</td>
</tr>
<tr>
<td>Disagree (2)</td>
<td>19.00</td>
<td>6.00</td>
</tr>
<tr>
<td>Strongly disagree (1)</td>
<td>3.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Total</td>
<td>65.00</td>
<td>35.00</td>
</tr>
</tbody>
</table>

(Source: Computed From Questionnaires)

### Table 6: Responses of the RTGS Users towards Various Reasons for Inconvenience during Operation of RTGS on a 5 Point Scale – No detailed Information of services

<table>
<thead>
<tr>
<th>Level of agreement &amp; score point</th>
<th>No of Respondents</th>
<th>Total Score of the Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Service</td>
<td>Business</td>
</tr>
<tr>
<td>Strongly agree (5)</td>
<td>7.00</td>
<td>2.00</td>
</tr>
</tbody>
</table>
### Table 7: Responses of the RTGS Users towards Various Reasons for Inconvenience during Operation of RTGS on a 5 Point Scale – No Customized Service based on income & status

<table>
<thead>
<tr>
<th>Level of agreement &amp; score point</th>
<th>No of Respondents</th>
<th>Total Score of the Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Service</td>
<td>Business</td>
</tr>
<tr>
<td>Strongly agree (5)</td>
<td>6.00</td>
<td>4.00</td>
</tr>
<tr>
<td>Agree (4)</td>
<td>24.00</td>
<td>14.00</td>
</tr>
<tr>
<td>Undecided (3)</td>
<td>19.00</td>
<td>9.00</td>
</tr>
<tr>
<td>Disagree (2)</td>
<td>13.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Strongly disagree (1)</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>Total</td>
<td>65.00</td>
<td>35.00</td>
</tr>
</tbody>
</table>

### Table 8: Average Score and Differences Therein Regarding Inconvenience during Operation of RTGS

<table>
<thead>
<tr>
<th>Serial no of Reasons</th>
<th>Average Scores</th>
<th>Differences (P1-P2)</th>
<th>D2</th>
<th>Ranks of Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Service (P1)</td>
<td>Business (P2)</td>
<td>All</td>
<td>D</td>
</tr>
<tr>
<td>1</td>
<td>3.00</td>
<td>3.34</td>
<td>3.12</td>
<td>-0.34</td>
</tr>
<tr>
<td>2</td>
<td>3.23</td>
<td>3.40</td>
<td>3.32</td>
<td>-0.17</td>
</tr>
<tr>
<td>3</td>
<td>3.65</td>
<td>4.00</td>
<td>3.77</td>
<td>-0.35</td>
</tr>
<tr>
<td>4</td>
<td>3.20</td>
<td>3.14</td>
<td>3.18</td>
<td>0.06</td>
</tr>
<tr>
<td>5</td>
<td>3.14</td>
<td>3.49</td>
<td>3.26</td>
<td>-0.35</td>
</tr>
<tr>
<td>6</td>
<td>3.28</td>
<td>3.34</td>
<td>3.30</td>
<td>-0.06</td>
</tr>
<tr>
<td>7</td>
<td>3.26</td>
<td>3.31</td>
<td>3.28</td>
<td>-0.05</td>
</tr>
<tr>
<td>Overall average/Total</td>
<td>3.25</td>
<td>3.43</td>
<td>3.32</td>
<td>-1.26</td>
</tr>
</tbody>
</table>

(Source: Computed From Questionnaires)
Figure 1: Average Score and Differences Therein Regarding Inconvenience during Operation of RTGS

- Level of significance = 5%
- Degree of Freedom (7-1) = 6
- Wilcoxon’s Matched Pairs Test (Wilcoxon’s Test)
  Calculated Value of T-Statistic = 2.5
  Table Value of T-Statistic = 0
- Sandler’s A Test
  Calculated Value of A-Statistic = 0.3992
  Table Value of A-Statistic = 0.286
- \( H_0: \mu_1 = \mu_2, \quad H_1: \mu_1 \neq \mu_2 \)

As per Table 8, the average scores for all 7 inconveniency was 3.25 for service sector and 3.43 for business sector users on a five point scale. But, the difference between these two averages was not found statistically significant as per Wilcoxon’s Test and Sandler’s Test at 5% level of significance. For the calculated value of T-Statistic was 2.5 as against its table value zero (0) and the calculated value of A-Statistic was 0.25 as against its corresponding table value 0.286, a condition leading to the acceptance of the Null Hypothesis denoting that both the averages were not different. In other words, the average scores for both the categories of the users were found uniform having the value 3.32 on 5 point scale.

As such, the average scores of the inconveniences separately for service sector and business sector users shown in table were not considered. Instead, the average score of each inconveniency for both sector users taken together were used for the conclusions. Out of the 7 reasons, 2 reasons had average score value equal to or more than 3.32 while other 5 reasons had values equal to or less than 3.30. As such in order of preference, the following 2 reasons with their score values were considered to be highly agreed (more than 80% level of agreement) reason for the inconvenience during operation of RTGS.

(1) Out of order problems (3.77)  (2) Lack of training and guidance (3.32)

The users of RTGS showed their less agreement for ‘Unskilled employees’, ‘Crime & Cheating’, ‘Lack of knowledge’, ‘No detail information of service’ & ‘No customize service’ as inconvenience during operation of RTGS.

**Limitations of the Study**

1. The information given by the respondents might be biased because some of them might not be interested to give correct information.
2. The research was carried out in a short period.
3. Because of small sample size the conclusions drawn cannot be applied in general.
4. The research is purely based on primary data collected through questionnaire being filled by the customer. Hence, the quality of outcome is largely depending on quality of data provided by individual respondents, personal judgment and attitude.

**Conclusion**

RTGS is a fully secured electronic funds transfer system where banks and customers can receive payments on real time basis. The outreach of RTGS transactions has also grown geographically. Based on the findings of the study, quite a few suggestions were given. If those are properly taken care of, it would be profitable to the banks and help them to popularize this wonderful payment system more and more.

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9. Business and Economy
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EVALUATING FACTORS ON CONSUMER IMPULSE BUYING THROUGH SEM APPROACH

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Research Scholar, Kadi Sarva Vidhalaya, Gandhinagar

Prof. (Dr.) Snehal Kumar H Mistry  
C.K.Pithawalla Institute of Management, Surat

INTRODUCTION

India is the fifth largest retail destination globally. Due to changing nature of consumer taste, disposable income, buying behavior, consumption pattern retail business is experiencing huge shift. Retailer’s ability to increase sell of merchandise depends on the marketing mix activities done by the retailer. Marketing activities like displays, promotions, discounts, variety of brands, staff behaviour, price of the product are motivating and winning factors for consumers. Impulsive buying behavior is a well known phenomenon in the United States. In some product categories like chocolates, books, candies, biscuits majority of purchase is due to impulsive buying. Through some in-store factors like enjoyable shopping environment, proper in-store display, background music, promotion schemes, visual merchandising retailers can influence impulsive purchase. Researchers also found that “individual” personal attributes are also responsible for impulsive buying. So marketer requires understanding how personal attributes like age, gender, mood, income affect on impulsive buying behavior.
LITERATURE REVIEW

Impulsive Buying Definition

Rook & Gardner, 1993, Rook, 1987; Rook & Hoch(1985) defined Impulse as “an unplanned purchase”, relatively rapid decision-making, and a immediate possession for something. Highly impulsive buyers are likely to be emotionally attracted to the object, to be unreflective in their thinking, and to desire immediate gratification (Hoch & Loewenstein, 1991; Thompson et al., 1990).

Stern(1950) through his research discovered impulse buying was influenced by a variety of factors like time, location, personality and cultural factors. Four classifications were made which included (1) pure impulse buying, (2) reminder impulse buying, (3) suggestion impulse buying, and (4) planned impulse buying. Further, he indicated that factors such as low piece, marginal need for item, mass distribution, self service, mass advertising, prominent store display, short product life, small size or light weight and ease of storage majorly influenced impulse buying.

Dennis W. Rook(1987) defined Impulse buying occurs when a consumer experiences a sudden, powerful and persistent urge to buy some-thing immediately. The impulse to buy is hedonically complex and may stimulate emotional conflict.

Store Related Factors


Behavior of Shop staff

Jones (1999) found importance of staff behavior in impulsive buying. Consumers tend to enjoy a shopping experience with supportive and friendly shop assistants. Salespeople can really
make the shopping experience fun and enjoyable by providing extraordinary service. Consumers enjoy shopping more without the presence of an overbearing salesperson although they do, however, appreciate when a salesperson is nearby and helpful.

**Proximity (Product Display)**

Researcher found relation with proximity and impulsive buying. Hoch & Lowenstein, (1991) Miskel, & Ayduk, (2004) and Mishcel & Ebbesen (1970) found that Proximity is also a factor that facilitates impulsive actions. Rook (1987), Rook & Hoch (1985) studied that Consumers have indicated that by just looking at the items in stores or catalogues can stimulate desires for the purchase of goods. Voh & Faber (2007) Physically proximity also stimulate sensory inputs such as (1) touching goods in store (2) tasting free sample of foods, which also affect desire. Tariq Jalees (2009) Proximity and impulsive buying have very strong relationship which support result of faber vohs (2004)

**Promotional Offers**

Ronald J. Faber (2000), Nina Koski (2004), Shu-Ling Liao (et.al 2009) has found positive relationship between promotional offer like items on sale, free samples, free gifts, coupons and impulsive buying. Promotional schemes encourage people to do more impulsive Buying.

**Credit Card**

Ronald J. Faber (2000), Nina Koski (2004), Shu-Ling Liao (et.al 2009) found relation with having credit card and impulsive Buying. People having credit card more pron to do impulsive Buying compare to people do not have credit card.

**RESEARCH METHODOLOGY**

In this present research paper Smart PLS software is used which allows simultaneous estimation and testing of the relationships of different latent variables. In PLS SEM causal
processes are presented by a series of structural equations which can be simulated graphically to aid in conceptualizing a theoretical framework (Byrne, 2001).

A descriptive research was used for the study of “Impact of impulsive buying in apparels in organized retail in Ahmedabad”. A survey approach was chosen to gather information. Non-probability sampling technique, Quota sampling was used. Structured questionnaire was developed and administered to 250 respondents, to study the impact of Promotional offer, Credit card, staff Behavior and window display on impulsive buying tendency in organized retail. Before finalizing the questionnaire opinion of experts was taken and it was followed by a pilot survey of 15 respondents of Ahmedabad.

DATA ANALYSIS

To test our hypotheses, partial least squares (PLS) path modeling was employed. PLS is a nonparametric estimation procedure (Wold 1982). Its conceptual core is an iterative combination of principal components analysis relating measures to constructs, and path analysis capturing the structural model of constructs. The structural model represents the direct and indirect no observational relationships among the constructs. The measurement model represents the epistemic relationships between the observed variables and the constructs. Using the bootstrap procedure packaged in the SmartPLS 2.0 software (Ringle, Wende, and Will 2005), one can calculate standard deviations and generate approximate t- statistics. This overcomes the nonparametric methods’ disadvantage of having no formal significance tests for the estimated parameters (Chin 1998).

Why PLS-SEM?

According to Joe F. Hair et al (2011), “PLS SEM path modeling can indeed be a “silver bullet” for estimating causal models in many theoretical model and empirical data situations. PLS-SEM is a promising method that offers vast potential for SEM researchers especially in the marketing and management information systems disciplines. PLS-SEM is, as the name implies,
a more “regression-based” approach that minimizes the residual variances of the endogenous constructs. Compared to CB SEM, it is more robust with fewer identification issues, works with much smaller as well as much larger samples, and readily incorporates formative as well as reflective constructs.” This study we have used predictive model for our research instead of the measurement model and for that regression based approach is appropriated.

Measurement Model

All the items were inserted in to Smart PLS through regression based structure equation model. Intension to buy is dependent variable and Promotion offer, Credit card , Staff Behavior and Window Display are independent Variable.

Measurement model provides the graphical representation between Intension to buy and all the independent variables like Promotion offer, Credit Card, Staff Behavior and Window Display.
Reliability and Validity

Reliability and validity is the most important aspect of the model testing. Croanbach’s alpha indicates the reliability of the model and it varies between 0.81 to 0.97 and it is also above the standard value 0.6. Convergent validity was tested through the factor loading and Average variance extracted (AVE). The factor loading for the structural model varies from 0.97 to 0.73 which is far greater than the standard value 0.7. AVE of all the latent variables varies between 0.63 to 0.97 which is greater than standard value which is 0.5. Hence, AVE of all the lantern variable are acceptable. Composite reliability varies between 0.87 to 0.94 which is greater than standard value 0.7 Hence, Composite reliability also provide the evidence for the validation of the proposed model.

Table 1

<table>
<thead>
<tr>
<th></th>
<th>AVE score</th>
<th>Composite Reliability</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Card</td>
<td>0.815</td>
<td>0.946</td>
<td>0.924</td>
</tr>
<tr>
<td>Intension to buy</td>
<td>0.696</td>
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<td>0.936</td>
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<tr>
<td>Promotion offer</td>
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<tr>
<td>Staff Behavior</td>
<td>0.978</td>
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<td>0.977</td>
</tr>
<tr>
<td>Window Display</td>
<td>0.639</td>
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</table>

Table 2 Factor Loading

<table>
<thead>
<tr>
<th>cc1</th>
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<th>itb1</th>
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<tr>
<td>0.979</td>
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<td></td>
<td>0.912</td>
</tr>
</tbody>
</table>
Path Analysis

A structural model has been estimated in order to examine the hypotheses. The final model and explains all causative relations between structures of brand personality, trust, attachment and commitment having positive significance.
Promotional offer, Credit Card, Staff Behavior and window Display have an impact on Intension to buy and impact of this regression found significant but whether this impact is statistically significant or not for that bootstrapping was performed which provides the information regarding the statistical significant of the structural impact.

**Bootstrapping**

Bootstrapping provides the t statistic value for the shown impact on in the model all the indicators are loaded on the latent variability. The structural relationship between Promotional offer and Intension to buy is 10.179 which is statistically significant at 5% and 1% level of significant. The structural relationship between Credit card and Intension to buy is 10.332 which is statistically significant at 5% and 1% level of significant. The structural relationship between Staff Behavior and Intension to buy is 6.542 which is statistically significant at 5% and 1%
level of significant. The structural relationship between Window Display and Intension to buy is 6.542 which is statistically significant at 5% and 1% level of significant. So, base on t statics window display, Promotional offer and Credit card is having higher impact on intension to buy impulsively.

Figure 3

Figure provides the t statistics for the proposed hypothesis. All the t values are above 2.58 which indicate the significant of the hypothesis at 1% level of significant. All the causal effects are highly significant.

The main objective of this research paper to check the impact of Promotion Offer, Credit card, staff Behavior and window display on the intension to purchase impulsively. Result of research paper is in line with past research that Window display, Promotion offer have significant impact on intension to buy impulsively. Staff Behavior have significant impact on Intension to buy impulsively but have less impact than other variable which is Promotiona offer, Credit card and window display.
CONCLUSIONS

Through this survey, we majorly found Promotional offer, Window display and having credit card have high significant impact on intension to buy impulsively. Staff Behavior have less significant impact on intension to buy impulsively so study conclude that Promotional offer, Window Display and having credit card are major factors responsible for intension to purchase impulsively. This study was conducted in Ahmedabad with 250 sample size and hence, these results cannot be generalized. Further, biasness among the respondents may deviate the results.

REFERENCES


5. Gardner Meryl Paula, Dennis, “Effects of impulse purchase on consumers’ affective state”.

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