Shobhit University
Shobhit Institute of Engineering & Technology, Meerut
A University declared by GoI u/s 3 of UGC Act 1956

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SHOBHIT UNIVERSITY, MEERUT

Shobhit University, notified by the Government of India as a Deemed University, under Section 3 of the University Grants Commission Act, 1956, was envisaged and inspired by Babu Vijendra Kumar ji, an eminent agriculturist and social worker from Gangoh (Saharanpur) of U.P. The University stands for going beyond the established standards and for nurturing technocrats and managers that have a global vision and insight in their chosen field, with a focus on the requirement of professionals in the 21st century.

SCHOOL OF BUSINESS STUDIES

School of Business Studies (SBS) is an integral part of the Shobhit University, Meerut. It inherits the academic legacy of the NICE Management College (Established in 1995), and got a fresh window of autonomy in curriculum-designing and flexibility of foreign collaborations, through academic exchange, credit-transfer mechanism, and bringing in increased industry component. The SBS offers MBA programmes with numerous specialisations, including marketing, finance, human resource management, production and operations management, pharmaceuticals marketing, supply-chain management, and insurance and risk management. It also offers M.Phil. in management and Ph.D. programme in major areas of business.

NICE JOURNAL OF BUSINESS

NICE Journal of Business is a half-yearly journal, earlier published by NICE Management College, Meerut, and now brought out by the School of Business Studies, Shobhit University, Meerut. It seeks to provide a platform to research scholars, practising managers, and academicians in business management, commerce, economics, and allied fields, to present their research findings and share their views and experiences.

The Journal aims at disseminating research output and information about recent developments in the relevant fields, by way of research articles, book reviews, Ph.D. thesis abstracts, case studies, and bibliographies, on topics related to business and allied areas. It is listed in *Cabell's Management Directory* (USA).

Original contributions received for publication in the Journal are subjected to a blind review by experts in the relevant fields.

From the Editor's Desk

I am pleased to place before the readers the present issue of *NICE Journal of Business*. It presents a panorama of research papers, a comment, a bibliography, and book reviews on various aspects of business. The research papers and the short communication pertain to major business areas: *marketin*g (customer perception, consumerism and grievance-redress systems, television advertising, CRM), *finance* (mutual funds and investors' behaviour, and the Internet banking), *human resource management* (influence of job satisfaction on organisational commitment), *Indian economy* (strategies for global competitiveness and increasing economic inequality after economic liberalisation), and *tourism* (influence of destination personality and image on tourist loyalty).

Professor Prem Vrat proposes strategic interventions required to enhance India's global competitiveness in the knowledge-driven, global economy. Recognising the key strengths of India's immense intellectual capital, huge demographic dividend potential, robust economy, and the strength and stability, a set of twenty-one strategic interventions are suggested to overcome the weaknesses associated with low quality and productivity of products and services, imbalances in the system, and low global employability of the output of the educational system. The focus is on education, ethics, innovation, energy, entrepreneurship, and a holistic and long-term perspective in decision-making in converting the potential into global competitiveness.

Dr. Komal Nagar assesses the influence of destination personality and image on the tourists' loyalty towards a tourist destination (a hill station in Northern India). Her study has revealed that the tourist loyalty towards a destination is largely influenced by the image of the destination and its 'personality'. The study has also revealed that tourist perception of destination personality has a positive effect on the perceived image of a tourist destination.

Dr. Kanagasabai Kajendra seeks to identify the determinants of the perceived value at the point where the purchase intention for a mobile phone arises in the consumer's mind. By using factor analysis, integrating several key variables of customer value into one theoretical framework, he argues that by enhancing the customer delivered value, a supplier can acquire a competitive advantage, by paying attention to changes in the customer's desired value. He suggests that the vendors take either a reactive or proactive position in relation to the customer's desired value toward mobile phones in his own country, Sri Lanka.

Redressing of consumer grievances is a pre-requisite for ensuring long-term customer loyalty and increasing profit and market share for any business concern. Through a comprehensive review of recent researches on the subject of consumer-grievance redress, Dr. Deepa Sharma gives a critical look at the Western as well as the Indian studies to record the evolution of consumerism, awareness of consumer protection measures, complaining behaviour of aggrieved consumers, impact of their complaints on companies' marketing practices, and the functioning of the grievance-redress systems in India. The author has found that the subject has not attracted due attention of research scholars in India.

A mutual fund mobilises the savings of numerous investors from various segments of population, for investment in diversified portfolio for earning return and capital appreciation. A number of mutual funds are available in India to cater to the investors' needs of liquidity, funds availability, risk-tolerance, and the expected rate of return. Dr. Neelam Dhanda and Ms. Savita Sindhu seek to identify the investor-related factors to be considered by a mutual funds company for developing and promoting the various instruments.

It is necessary to understand the relationship between employees' job satisfaction and organisational commitment. Dr. Babita Agrawal and Mr. Manohar Kapse examine the demographic characterstics that influenced their satisfaction level. They have found that management may increase the level of employee commitment to the organisation by increasing his satisfaction with compensation, managerial policies, and working environment.

With the spread and penetration of the Internet in India, the Internet banking plays an important role in acquiring and retaining bank customers. Through a survey of bank customers, Dr. Shamsher Singh finds that the Internet banking has not been exploited to its full potential and there is still a need to convert the non-user customers into the users' category, through certain specified measures.

Mr. Amit Girdharwal assesses the impact of India's New Economic Reforms, introduced in 1991, on the distribution of income and levels of living. He argues that despite an appreciable improvement in the growth rate of India's GDP, the Reforms have failed to provide inclusive growth and have led to further increase in the uneven distribution of people's income and levels of living.

The subject of television advertising and its influence on children has received keen attention from scholars, psychologists, and consumer activists across the world, especially in the US and the UK. Dr. Neeru Kapoor's comprehensive bibliography on such a fascinating subject includes standard text and reference books, research articles, and selected unpublished Ph.D. theses from India and foreign universities.

In the section on book reviews, we have four reviews by experts in the relevant fields. The books reviewed pertain to subjects as diverse as project management, media planning and buying, business research methods, and supply chain management.

I express my gratitude to the eminent authors of research papers, short article, and a scholarly bibliography, and to the expert book-reviewers, for their valuable contribution to the journal. Several experts made available their time and expertise in assessing the articles and making critical comments and suggestions for improving their quality. I owe a word of thanks to each one of them.

I must use this opportunity to express my sincere thanks to Mr. Shobhit Kumar, Chancellor; Kunwar Shekhar Vijendra, Pro-Chancellor; and Professor Anoop Swarup, Vice-Chancellor, Shobhit University; for their support and keen interest in this endeavour intended to promote business research.

DPS Verma
Editor

INDIAN ECONOMY IN THE 21ST CENTURY
Strategies for Global Competitiveness*

Prem Vrat**

Abstract

This paper examines the intrinsic strengths of the Indian economy that enabled it to sustain its growth rate even during the recent recession that severely hit the developed economies. While the developed world saw a major economic downturn, India could have a growth rate only at a slightly lower rate than that what it had before the recession. The paper proposes a major shift in the way of doing business where its strengths can get leveraged, and it overcomes the weaknesses that come in the way of making it a globally-competitive economy. A set of 21 e-mantras which are crucial to the process of economic recovery and to the gaining of global-competitive advantage is envisaged. An attempt has also been made to identify the major weaknesses plaguing the development and to treat them as opportunities to facilitate the improvement for global competitiveness, leveraging inherent strengths in the Indian economy. The focus is on education, employability, energy, ethics, enforcement of rules and entrepreneurship. If these 21 strategies are practised in a holistic manner and for all the aspects of the economy, India can emerge as a knowledge superpower because it has all the ingredients of being such a nation.

Key words : ***Indian economy, Revival strategies, Global competitiveness, Education, Employability***

INTRODUCTION

Recent years have witnessed a cascading downturn in the world economy resulting in tremendous decline in businesses and employment globally, particularly in the developed world. Fortunately, India has remained largely unaffected by this recession, staying virtually at the same level as some of the most developed countries. This feat of survival from recession brings to the fore the inherent strengths in the Indian economy that enabled it to face one of the worst economic crises of the recent times. In fact, while the developed world was mauled by the meltdown of their economies, Indian economy only slowed down in maintaining its growth trajectory. It suggests that the Indian economy has a sound fundamental strength, which if leveraged properly, can give it a lead over others.

This paper seeks to identify the factors that need to be addressed in achieving that goal. In the absence of these enablers, India may not be able to

* Invited Paper

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show its inherent economic prowess. It provides India an opportunity to reflect and identify its key strategies which will take it towards the goal of making it a developed nation.

About 700 years ago, during the 14th century, India and China together accounted for more than half the world trade. The economic trends, today, kindle the hope that if India develops a right roadmap for facing the global competition, it can once again regain its past glory. China is almost there. The emergence of the 21st century as a knowledge society gives India a core advantage in leveraging its 'demographic dividend' effervescent in its young and inherently brilliant and innovative human capital. Even from the international perspective, the 19th century belonged to Europe, 20th century to America, and now it is the turn of Asia to lead in the 21st century. For this to happen, India and China are obviously the two major economies provided they build on their inherent strengths and overcome the weaknesses blocking their respective progress. It may be hypothesised here that India is not a poor country, but a poorly-managed country. Since the socio-economic systems, being open systems, are 'negentropic', this state of economy can be changed for the better by striving for the twin goals of being a developed nation and a knowledge superpower.

The SWOT Analysis enables us to identify the national strengths and weaknesses and identify the future opportunities as well as threats to exploit the opportunities that globalisation offers by leveraging the strengths and overcoming the weaknesses, treating each weakness as an opportunity to improve. To facilitate the thought process, the author decided to impose a constraint to identify all the major stumbling blocks which hinder the growth of India's economy to reach its full potential. A set of 21 action points (say 21, *e-mantras*, as each of these action points start with the letter 'e') are proposed for revival of the economy in the 21st century. It is envisaged that if all these action points/ strategies are handled in an integrated manner, and implemented with passion, the results should be positive and spectacular.

Economic Development: A Holistic Approach

This is the first keyword. Indian economy has been compared with an elephant, because of a negative perspective of slow growth rate and sluggish response to changes in policies and strategies. There is another angle to look at the elephant analogy contained in the folk story of 'Six Blind Men and an Elephant', wherein the six blind men look at the different body parts of an elephant in their own narrow perspective. Similarly, the huge Indian economy, in the absence of a holistic

Table 1
Macroeconomic Trends: Growth of GDP

	Sector				
Years	*Agriculture*	*Manufacturing*	*Industry*	*Services*	*Total*
1980s	4.4	6.9	6.2	6.7	5.6
1990s	3.0	5.9	5.81	7.6	5.8
1992-1997	4.7	9.8	7.6	7.6	6.7
1997-2002	2.1	3.8	4.6	8.1	5.5
2002-2005	0.9	6.7	8.3	8.4	6.6
2005-2006	5.9	9.0	10.1	10.3	9.4
2006-2007	3.8	12.0	11.0	11.1	9.6
2007-2008	4.6	8.9	8.5	10.8	9.0
2008-2009	1.9	2.5	4.0	9.7	6.8
2009-2010: Q1	2.4	3.4	5.0	7.8	6.1
2009-2010: Q2	0.9	9.2	8.3	9.3	7.9

Source: NCAER, 2010

perspective, can suffer perception gaps in shaping the policies due to a narrow thinking. The sector-wise growth of the Indian economy during the past three years is shown in Table 1.

It is evident from the table that some sectors have achieved a good growth rate despite the slow-down, whereas some other sectors, particularly the agriculture sector, have registered a very low growth.

The share of agriculture and the value addition from agriculture over the recent years is depicted in **Figure 1**.

This reflects an imbalanced growth trajectory and hence an integrated view of the economy as a whole is needed to perceive the massive animal as an elephant.

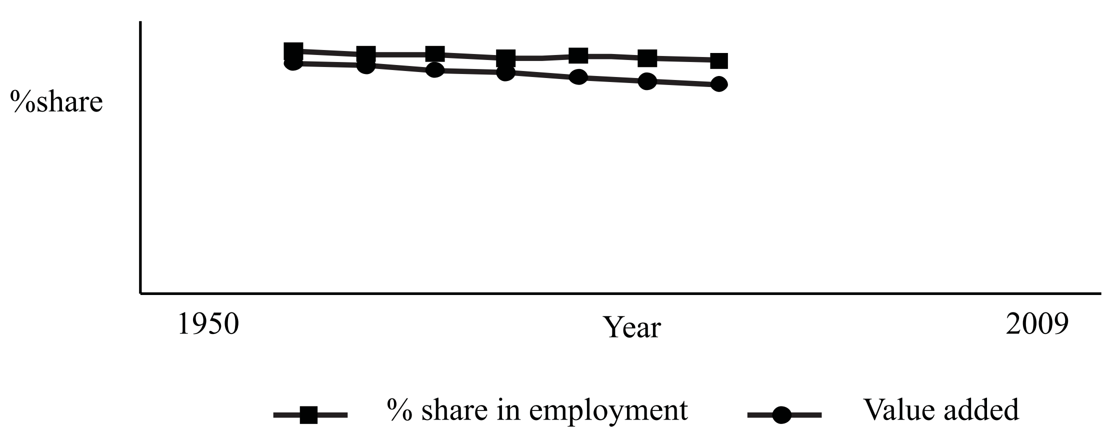
This suggests the need for a co-ordinated, integrated and holistic approach in identifying the problems and solving the issues confronting the Indian economy. In the absence of this, different people with their narrow perspective and a narrow vision and sometimes due to their self-interest may look at the problems and issues through their own coloured lenses.

This often leads to a sub-optimal solution to the problem; and sometimes the solution may be worse than the problem. Thus, a holistic approach to decision-making by looking at the problem in its integrated framework should be a major focus of all strategic decisions so as to optimise the effectiveness of the solution in the interest of the economy as a whole. In a large system, if managed in an un-coordinated manner, different sub-systems may be working at cross-purposes, nullifying each other's efforts.

In order to be globally competitive, there is a need to develop the systems, thinking almost as a natural habit in the decision-making process. There is also another positive way to look at the economy as an elephant, i.e., a mighty system in terms of its size, stability, solidity, robustness, strength, power and perhaps intelligence. These intrinsic strengths of the Indian economy seem to be responsible for sustaining it through the global recession. Therefore, this analogy can be used to cultivate the holistic thinking and to enable the Indian economy to leverage its sound and robust fundamental strength to have the agility to respond to changes very quickly. One of the major reasons for low quality, low productivity, and hence low competitive ability of Indian manufacturing and service organisations is the lack of holistic perspective in problem-formulation and lack of co-ordinated efforts in solving the problem.

Figure 1

Share of Agriculture in Employment and Value-added



Source: NCAER, 2010

Education

The second keyword for India's transformation is education. Ignored for long, education is the main *mantra* to make India a truly knowledge superpower. This is the most opportune time to do so for various reasons:

This century is often termed as the knowledge-driven century, when India has the advantage because it has the core competence in the form of its demographic dividend. More than 55 per cent Indians are under 25 years of age and a good quality education can make them an intellectual asset of the society. A typical Indian is a very intelligent person who can be very innovative if he/she finds a purpose in it to personally benefit either in terms of money or satisfaction. It is, therefore, important to nurture this talent to make them globally employable. If nurtured well, then they will be assets, who will not only transform India to the status of a developed economy but also prove to be the most sought-after talent pool globally because most of the developed world is ageing and they will have to depend on Indian talent to sustain their own quality of life. However, this is only possible if they are globally employable with quality of hand, head, and heart with knowledge, skills and positive attitude. If India fails to avail this opportunity, the same demographic dividend can be a major curse of the society. Thus, a holistic-value-based education is imperative if India is to avail this golden opportunity. Otherwise, the stakes are very high. Threats are real that it can become a demographic liability instead of dividend.

The Indian parenting is something to be saluted when it comes to affording quality education to their child even at the cost of their own personal comforts. Thus, there is almost an infinite demand for quality education in the country. However, the quality of supply is sadly missing, particularly at the primary/basic education in the rural areas and in the professional education. Due to enormous gap between the quality demand and the quality supply, a large number of players have entered the fray. This has led to serious quality problem and has caused imbalance that needs to be addressed. Vrat (2009) has addressed these issues in detail and has outlined an action plan to remedy the situation in the context of higher technical education. Faculty shortage is another issue that plagues education in general and technical and professional education in particular. Unless the society creates the conditions, where the best and the brightest prefer to join teaching and research as a preferred career option, this scenario is not going to change. Vrat (2004) has raised these issues and has suggested that the faculty issue being at the core of educational processes, one must address the issue in its totality and focus on faculty development as a key factor in educational institutions. The role of a teacher is not to be confined only to transmitting information in the class rooms but for the holistic development of the pupils to make them not only good engineers, scientists, managers, etc., but good human being as well. A great teacher is perceived by the students as a role model and, therefore, the skill-sets required are: apart from scholarly brilliance, an inspiring communication skill and a role model personality pre-disposition in terms of ethics and moral values, compassion and empathy for the students.

It is time the society looks at education as a nation-building process and not as a drain on the national resources. In a wider perspective, education is what shapes the future of a nation and if educational investments are examined in that perspective, one would find that there is an enormous gap and so much needs to be done. Excellence, equity in access, and inclusion are the three pillars on which education needs to be based. Fortunately, in recent times, this feeling seems to be driving the educational policies but much more needs to be done. The job description of a good teacher is contained in the acronym IIT – Inspire, Involve, and Transform. If that happens, the demographic dividend will surely materialise. There is also a need to develop the value-based global mind-set so that Indians can fit easily in the globalised world. Managing time and respect for self and respect for others is a part of that value inculcation process that needs particular attention.

Figure 2

Proposed Value Grid for Value Mapping

Concern for others		
High	Iconic	Ideal
Low	Inifferent	Individualistic
	Low	High
	Concern for self	

It is often said that the problem is not with Indian minds, but perhaps with their mind-set. This dichotomy is a major stumbling block in the economic prosperity of a nation. This can be characterised by the Value Grid, proposed in **Figure 2.** At present, if a survey is done, one may find that most people will fall either under 'Individualistic' quadrant or in 'Indifferent' quadrant.

Not all can be expected to be included in the saintly category of 'Icon'. Therefore, let there be at least a balance between the 'Concern for Self' and the 'Concern for Others'. This single change in the mind-set and the required self-discipline can transform India. In the absence of this, there shall be cut-throat individualism. Thus, realistically, the 'Ideal' quadrant, as a balanced concern, reflects a win-win situation of a 'TEAM' (Together Everyone Achieves More). Due to the utmost selfishness in the 'Individualistic' category, one may land up in lose-lose situation of 'MAD' (Mutually Assured Disadvantage) syndrome. Such syndrome can be experienced at busy traffic signals in a metropolis, particularly if the signal lights are not working and there is no traffic controller present. In the chaos that ensues, everyone loses time; wastes fuel, pollutes air, and hurts feelings. A self-disciplined traffic could be a win-win proposition.

Energy

The third keyword is energy. Energy security and self reliance are vital since the state of the development and per capita energy consumption are strongly correlated (Vij, *et al.,* 1988). Most developed countries have reliable, continuous and affordable supply of energy to meet their requirement. In India, the exploitation of renewable sources of energy had been ignored in the past and the energy options focused on were mostly the fossil fuel-based energy sources, such as coal and petroleum. India is blessed with an enormous amount of sunshine almost throughout the year. Had these sources of energy been exploited economically, India would have been self-reliant on this front and would have the capability to export surplus power to other countries. Renewable energy programme should have been a top-priority energy option because the solar, wind, biomass, geothermal, tidal wave, small hydro and perhaps nuclear energy are not only environment-friendly technologies but also are naturally available resources.

The R and D efforts to develop these energy sources have become an extremely important development agenda. Vij, *et al.* (1988) point out how the waste dimension in the process of energy planning in the country was ignored even in the traditional oil-based energy sector, where the oil being the main goal, the gas that came out as a by-product, was taken as a 'necessary evil' that needed to be flared leading to colossal waste and environmental degradation. If the gas was treated to be as major a product as oil, India would have developed long back, gas-based manufacturing system instead of wasting it. This realisation came rather late and, of course, now the efforts are on to taking care of the gas that comes out along with oil in the process of oil exploration and refining. A holistic long-term energy policy based on renewable resources deserves to be a strong priority area.

Apart from the generation of energy, the energy conservation also needs attention because the kinds of losses that take place in the process of transmission and distribution, as well as theft, pilferage and use of energy-guzzling inefficient equipments and processes in manufacturing can hardly make Indian manufacturing globally competitive. The energy losses in India can be as high as 30-50 per cent of the generated capacity. It is ironic that energy shortage and wastage are taking place simultaneously. Energy conservation, use of energy-efficient technology, machines, lighting and buildings are vital for ensuring that whatever is generated is put to use efficiently and effectively. Despite so much sunshine, many buildings in India, based on the western culture, are so designed, that even during a shiny day; the offices use the artificial lights extensively. Energy conservation in the real sense should be a priority agenda. The wastage is even more colossal where (particularly in rural areas), electricity is charged at a flat rate. There is often a human tendency to indulge is unacceptable level of waste, particularly if someone else is paying the bill. Sushil and Prem Vrat (1989) have proposed an integrated approach to waste management policy deployment as waste management is a vital, but an ignored problem area in India

Environment and Ecology

The issue of ecology and environment is becoming a centre-stage problem due to the concern the global community is having about the global warming. Global warming is due to the consumption habits and technological options employed, among others. In the Gandhian model of development, the sustainable development meant preservation of resources, both natural and man-made, but the mass production technologies, luxury goods and conspicuous consumption have contributed to the current sorry state of affairs, leading to climate change. The only sustainable model of economic development that needs to be pursued is balancing the development needs and the preservation of natural resources to save the earth's resources for the future generations. There is a wrong notion that only the developed or the developing nations need to address this issue. In fact, it is equally relevant for both the developed and the developing nations that one needs to focus on ecological dimensions in all that is done. However, in the name of environment, we should not let the development suffer. Vrat, *et al.* (1993) developed a System Dynamics model to address the issue of global warming, where they suggested to address the causes of the problem and not treat only the symptoms of the problem.

Waste elimination, recycling, reuse, refurbishing and waste disposal aspects are vital but are generally neglected. If the waste can be plugged, one may well be able to avoid the shortage and protect the environment. Waste management in India is ignored both in its preventive and corrective aspects, and focusing on this itself can be so powerful an area to increase the competitive edge. There are evidences of enormous waste of almost every resource. Vrat (1979) and Sushil and Vrat (1988), Vij, *et al.* (1988), Saxena, *et al.* (1989) have addressed these issues in details. The best form of waste management is not to generate the waste at all. Thus, there is a need to focus on reverse supply-chain-related issues for quick and efficient waste-recycling to protect the environment, reduce the manufacturing cost and conserve the energy. In recent times, the e-waste of electronic and computer hardware due to high obsolescence rate is becoming a critical issue from the environmental point-of-view. The government, in recent times, appears to be sensitive to this aspect.

Excellence

One of the most powerful *mantras* for survival and growth in a highly global and competitive economy is 'excellence' in whatever is done. Quality, productivity, individual excellence, team excellence, process excellence, and organisational excellence are to be the goals to be pursued with a missionary zeal. Higher efficiency and effectiveness are very important but often neglected components in the work culture or at the best lip service is paid to them. The tolerance for ambiguity and '*chalta hai*' culture is a major stumbling block for India in exploiting its true intellectual potential of being a world knowledge leader. In fact, in the World Economic Forum ranking for global competitiveness index, in most of the rankings based on quality and excellence, India's rank has been quite low, but in the negative performance indicators such as crime, pollution, and corruption or, in number terms, the rankings are very high. This unfolds the paradox between quantity and quality and needs to be seriously addressed.

Indian firms, therefore, need to address the issue of excellence, quality and productivity on a priority basis. The general guiding philosophy should be that "anything worth doing has quality dimensions in it, and anything that does not have quality dimension is not worth doing". Total Quality Management (TQM) (Khanna, *et al.,* 2009) or business excellence models have to be employed extensively in managing corporate affairs on a massive scale to truly transform the Indian economy. The percentage as a basis of measuring rejections, failures, non-conformance has to be discarded and excellence driven matrices, such as zero-defect, zero-waste, zero-breakdown, zero-accident, and zero-failure have to be the new watchwords for attaining global leadership and the peak potential. This, of course, will not come through empty slogans or by paying lip-service but by sincere and committed leadership, human resource development, benchmarking with the best practices and, above all, a passion on the part of every employee to excel.

Excellence requires a nurturing environment at workplace, recognition of outstanding performers and a transparent performance measurement system that inspires confidence in the process. That alone can motivate people to put in their best efforts (Vrat, *et al.,* 2009). Motivation and commitment are two vital instruments of excellence. Motivation tells us what we do, whereas commitment tells us how well we do it. This message is effectively conveyed by the following equation (Vrat, 2004) which will motivate people to put in their best efforts in search of excellence:

$$E = M^*C^2$$

where,

M = Motivation,
C = Commitment, and
E = Excellence

Through this equation, one can gain insight into the process of achieving excellence. If C = 2, then E = 4, but if C = 0.5 (doing a thing in a half-hearted manner), E = 0.25. Therefore, excellence and indifference cannot co-exist. One is required to be doubly enthusiastic with the passion to excel. This indeed is a vital pre-requisite which is a major challenge in the Indian scenario. The key to excellence is, therefore, quality of the people and the commitment of the top management. With these two factors in place, one can overcome all resource constraints and evolve right policies and strategies in order to excel. In the absence of these factors, there will be 'blame-game' and explanations why one could not reach the goal but one will never reach the goal. Therefore, these are the two critical success factors the organisations must do all they can to ensure that these conditions of excellence exist. It is a paradox that Indians do wonders while abroad but are not able to achieve the same level of performance with a larger number of similar or even higher caliber people remaining within the country. There is a need to create a nurturing, excellence-driven, enabling work environment and then watch the wonders to happen in the performance levels.

Ethics

Strong ethics, at the level of the individual, family, profession, corporate, and the society are vital for Indian economy to gain global respect, market share and customer retention. There are empirical evidences that, in the long run, only the ethical businesses survive. Shortcut methods might succeed in the short run but they cut short in the long run. Ethics, human values, professional code of conduct and good moral values are vital in the long run. Technology and other professional disciplines, such as medicine, law, and business, can harm the society without good human values and professional ethics. Increase in the technology enabled crimes including cyber crimes in recent times point to the greater importance of ethical behaviour in a technology-driven world. If one compared the ancient Indian scenario with the present situation on the front of the value system, one will find major value-degradation. If India wishes to revive the economy to reach the level of being a global leader, it needs to instill these finer human values among its people. Recognizing the need of the engineers, managers, and other professionals covered under the technical education banner, the Uttar Pradesh Technical University has recently introduced a compulsory audit course on human values and professional ethics. The idea behind this initiative was to sensitise the young minds about the need for being ethical in whatever they do. Of course, the biggest difficulty is to find those role models among teachers whose very presence in the class rooms inspires because the teacher has to be a role model and living embodiment of these values. Values cannot be taught in a cook-book manner as these are best caught and not taught. Today, due to corruption the black economy may even be dominating the legitimate economy. Only a strong sense of ethical behaviour on the part of everyone can transform India to be a great knowledge super-power.

Employability-enhancement

'Employability' of ordinary graduates in general and of those with professional qualification in particular, continues to remain a cause of serious concern for policy-makers. A recent NASSCOM study had estimated that the immediate employability of IT graduates from the engineering colleges could be as low as 25 per cent. In the case of general education, it might even be lower than that. India can not be a globally-recognised knowledge economy with that dismal level of employability. Under such a scenario, even to talk of the demographic dividend is not a sustainable proposition. On the contrary, the large number of unemployable people can be a demographic liability leading to chaos, tension, crime and social upheaval. The early warning signals of these are already in evidence. This aspect needs to be immediately addressed. This is particularly important for the professional colleges, where the parents who pay higher fees, expect a good quality education with the hope of getting a good job after graduation. Thus, employability enhancement must be an important issue to be debated in all educational institutions.

It is quite obvious that the education sector *per se* is not in the business of giving employment, but it must have the obligation to impart global employability. High employability will eventually get employment, but with low employability, an employment even if already on hand cannot be sustained. It is advisable that the educational institutions do not promise employment but ensure employability. The institutions have to aim at 100 per cent employability and not merely be satisfied with incremental enhancement from 25 per cent to say 40 per cent, because even if few persons are unemployable, they could create enough tension in the society and it also reflects non-utilisation of the Indian talent. However, the employability depends on the nature of particular type of job, and even training them for social service or entrepreneurship comes within its purview. Employability comprises of capabilities of a person because of which he/ she gets hired in any organisation as a value-addition proposition.

Institutions should also focus on the global employability because of the demographic profile of the world that was referred to earlier. This calls for integration of knowledge, skills and attitude. In the skill-sets required, the most critical is the 'attitude'. With a positive attitude, they can solve any problem but with a negative attitude, they will find problems with every solution offered. Thus, a superior intelligence with a negative attitude is perhaps more harmful than mediocrity with a positive attitude. It is proposed for greater insights that the employability can be expressed as an equation:

$$\textit{Employability} = \textit{Attitude}\,[x.\,\textit{Knowledge} + (1\text{-}x).\,\textit{Skill}]$$

where, x lying between 0 and 1 determines the relative weight for knowledge,

and (1-x) for the skill which may depend on the level of education and the purpose of employment.

In vocational education, skill may get a higher weight. For research, it may be the knowledge. The attitudinal variable may range from -1 to +1. As can be seen from this equation, no one would like to hire an extremely negative person, even if he or she is very knowledgeable and highly skilled. This change of focus on employability calls for a fundamental rethink on the part of the educational process and involvement of all the stakeholders in the teaching-learning process to determine the attributes of the employability required. Without the involvement of employers, one cannot find such attributes. Thus, a close industry-academic interaction in the design and delivery of the courses is an operating necessity to enhance the employability of the student.

Encouraging Exploration and Innovation

This is a major paradox that Indians, as individuals, are very creative and innovative, but at the national level, their creativity index is very low. In a recently published *Global Innovation Indices* (GII) statistics (Dutta, 2010), India ranks 56 among the nations, with a score of 3.06, on a 5-point scale on the global innovation index. However, perhaps at the individual level, Indians could have scored much higher, at times may be 5 on 5. The concept of "*Jugaad*" (Krishnan, 2010), that is being talked about in recent times is a manifestation of that tremendous creative genius that resides in many, if not most, Indians, where there is a personal benefit from such an innovation. This needs to be leveraged to 'think out of box' to create innovative solutions to India's problems by creating enabling environment so that creativity and innovation flourish.

Research and development creates markets and newer products and thus, can be an engine of economic development. However, the focus on research in Indian industries and even in Indian universities is quite low. China, which was way behind India on publication index some 20 years back, is now so much ahead that it may perhaps be never possible to catch up with it. The best and the brightest persons of the society are not taking up research as a career due to availability of better compensation elsewhere. At times, taking up research becomes the last option. India will miss a great opportunity if this situation is not changed. It is a paradox that the best Indian brains go abroad and create software and other knowledge products which are then imported at much higher cost. The benefits of encouraging creativity, innovation and research in the country will, in the long run, be far more than its cost and hence will be more economic than importing technology.

Research and innovation, though a major intrinsic strength of India, has not been leveraged due to lack of focus of the industry in hiring research scientists. As a result, some kind of 'Diminishing Calibre Syndrome' appears to be prevailing as one goes up in senior degree programmes in even reputed universities and institutions with excellent calibre visible at the B.Tech. level, but relatively less bright scholars go to higher-level degree programmes because they know that such higher degrees are not going to add better hiring value at least in the short run.

Industry in India does not invest in research, because there the expenditure is deterministic whereas the outcomes are probabilistic. Only a strong focus on research will make Indian industry globally competitive. Another feature of Indian innovation is that most of the research budget is government-funded and the industry as an 'end user' of that output does not spend much out of its own profits on research. A fundamental change in the mind-set is imperative for the research and innovation as these are vital pre-requisites to survive in the global market today.

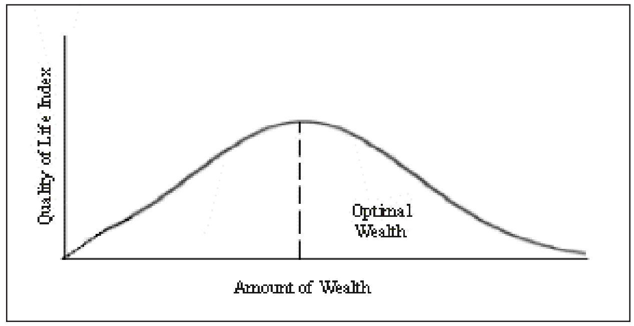
Exporting Knowledge Products and Expertise

India has to substantially enhance its share of export earnings. The trade imbalance against India was -6.5 per cent of the GDP in the year 2006-07, -7.4 per cent in the year 2007-08, -9.8 per cent in the year 2008-09, may end up -10.2 per cent in the year 2009-10. The export-orientation is important on two counts, firstly, to balance the trade deficits, and, secondly to exploit the inherent demographic dividend. In the manufacturing sector, the country perhaps, will take time to have a lead over China, which has already taken a tremendous lead in its cost advantage, productivity level, infrastructure, and quality focus. This, perhaps, at the moment does not make India a clear winner over China in the manufacturing sector. Although in the automobile sector, telecom sector and perhaps in pharmaceuticals sector, the manufacturing revolution is happening. However, focusing on export of knowledge products and knowledge workers because of their superior intellect, good English communication skills, and flexibility to speedily adapt to an alien environment, and putting hard work in an outside environment if it enables and compensates for that hard work. The export of products and people may be focussed in the areas of software, books, journals, periodicals, knowledge processes outsourcing, models and algorithms, CDs, DVDs, films, artifacts, paintings, research outcomes through contract research outsourcing, and of course, professionals in any aspect of knowledge society, such as teachers, researchers, engineers, architects, and so on. It calls for focus on educating and training globally employable "Indian talent". Thus, the canvas of IT should be expanded to go beyond information technology, so as to cover all kinds of professionals. That is a new paradigm in IT – Indian Talent, proposed here.

Equitable Distribution of Resources

One of the symptoms of a developed society is the sense of equity in the sharing of its resources and a reasonable gap between the two ends of the spectrum in terms of their economic and social well being. If the quality of life is the goal, too much money or too little money, both are undesirable propositions. A hypothetical relationship between the quality of life and the amount of wealth is shown in **Figure 3**.

Figure 3
Quality of Life as a Function of Wealth



Having too little or too much, both erode the quality of life. In India, this is one of the biggest challenges. If it is not overcome, it can disturb the social fabric of the society.

The paradox which the Indian society reveals in terms of the inequality is mind-boggling, where the richest of the world and the poorest of the world co-exist side by side. The extremes can be seen in the much-hyped Indian Premier League's (IPL) Rs. 1702-crore bid, reportedly made for the IPL Pune Team, while 500 million Indians survive on a mere Rs. 50, per day. Such gap between the IPL and the BPL (Below Poverty Line) is worrisome, and calls for a balanced and equitable allocation and distribution of resources so that efforts are made to develop all regions, states, and all cross-sections of the society, with a 'judicious' compensation package. Unusually high pay package alone does not guarantee superior performance. This might mean that one may have to put a cap on the compensation of the highly placed and a major push upwards for those who are in the lower rung of the organisational hierarchy. The abnormal gaps in the salary among different professions, levels, and regions can be socially disturbing. Lavish consumption and abject poverty are not signs of a good economy. With extreme inequitable share of resources manifesting Pareto's law of mal-distribution in the society is not a sustainable proposition. This has to be checked even for the purpose of peace, tranquility, a good quality of life, and a good human development index, with greater human happiness.

The human satisfaction in any organisation or society depends, to a large extent, upon the perceived equity, fairness and justice in the organisation or the society. Unreasonable salary differentials cause frustration, reduce the dignity of labour, under-rate or over-rate the jobs and, eventually, lead to low morale, low productivity, and poor industrial-relations climate. Imbalance of any kind is a sign of disease in a system; only a balanced system achieves optimal results.

There is no job that is too great or too small. The importance of the so-called menial job is released when it is not done at all or not done well. Thus, the extreme anomalies help none. In any case, salary is only a 'hygiene factor' and fat salaries do not necessarily mean great performance, but poor wages certainly mean low productivity and inferior quality, which impact customer satisfaction and competitiveness. India has inequitable distribution of resources. No great economy can afford to have that symptom. However, here it must be noted that equitable does not mean equal but it means fair and rational.

e-Governance

This e-mantra will transform the way one manages administrative and managerial affairs. With the advent of information technology, a fundamental rethink is necessary. It is now possible, about the way systems transact business – be it the government, or the corporates or elsewhere. e-governance, therefore, necessitates a re-engineering of the key business processes to make these IT-enabled. The Internet has, almost in a revolutionary way, ushered in enormous possibilities, having profound impact on the human society which perhaps is unparalleled in the recent human history. These concepts are applicable at the government level; both State and the Centre, corporate level and at any basic entity level .There are enormous benefits and certain challenges too, in adopting e-governance in almost every human endeavour. Gupta, *et al.* (2004) suggested that e -governance has two connotations: the application of electronic means in the interaction between government and the citizens and the government and the business, as well as in internal government operations to simplify and improve all aspects, including the democratisation. The major benefits of e-governance are as follows:

1. Citizens get on-line access to information, which is otherwise difficult to get and it also brings in more transparency in the government systems and processes.
2. Response times both ways are extremely faster and mid-term corrections on policies are possible and are lot easier. There is a check on corruption due to transparency and there are many other technology-driven advantages, e-governance and computerisation can be a powerful strategic intervention.

e-Governance, at the level of corporate, state, national and even at the grass-root level needs to be implemented at the earliest by enabling adequate allocation of resources, training of people, enacting laws to facilitate smooth implementation and curb malpractices and cyber-crimes as a result of introducing e-governance. e-Procurement will eliminate or, at least, reduce the tender mafia menace; reduce collusion and cartel formation; e-tendering, e-business, e-commerce, are derivatives of introducing e-governance through which the policies are quickly and strictly implemented. It is such a vital economic enabler that even if it requires enacting a law to make it mandatory, perhaps it will pay dividends in the long run.

e-Learning

e-Learning has been separately discussed here to highlight its importance in the context of education and its potential in maximising the reach of this powerful medium of teaching-learning process. Given the low GER (Gross Enrolment Ratio) in higher education, e-learning can enhance the availability of good quality education to anyone, anywhere, anytime on anything. It could be either Just-in-Time (JIT) or Made-to-Stock (MTS) through videos. It is a powerful mode to implement the policy to economically enhance the reach of education and make good quality education inclusive and accessible. Thus, with e-learning, the three goals of education – access, inclusiveness, and excellence – can be simultaneously achieved, that too in a cost-effective manner.

e-Learning can be at every level; both in the stand alone mode, as well as in the supplementing mode. The latter is quite effective. e-Learning has started taking shape in India. The Ministry of Human Resource Development initiative, through the NPTEL (National Programme on Technology-Enhanced Learning) is a very promising initiative in the context of technical education, particularly due to acute shortage of talented and committed faculty. e-Learning can and should step up our extension services to share new products, methods and technologies with common people. It can improve efficiency and effectiveness of extension services taking the latest developments in technology and management to people. Extension has also been also one of our weaknesses. Except in agriculture, there is no strong network of extension services in technical institutes. Virtualisation of technical education through e-learning can also focus on more effective extension of technical developments to common people to improve their quality of life.

Another closely-related issue is the knowledge management (KM) which has implications in terms of managing technology, processes and people in a co-ordinated manner, and can also preserve even the tacit ancient knowledge. Given the rich cultural, and educational heritage of India, KM becomes a powerful agenda for development of the economy. Even issues associated with languages, adult education can be economically and effectively handled by leveraging e-learning in the educational programmes at all levels, in all fields of knowledge. However, the issues, like technology dependability, capital investments, change management and unethical misuse of Web and Internet or cellular telephony are the major challenges in its effective implementation. But this has to be done if Indian economy has to be a global knowledge superpower. Technology can be misused but the same technology also enables to nab the culprits.

On-line examination is another major area in e-learning, which can transform the way institutions test and evaluate their students. There are so many phobias associated with examinations that it is causing stressful distortions in personality profile of learners. On-line-examination, conducted in a flexible and facilitating environment, can substantially change that scenario and can handle the menace of copying and cheating, which can negatively impact on students' ethical behaviour.

Entrepreneurship

Indians, individually, are very enterprising. They are quick to adopt a technology, if it is evidently advantageous. They are quick to find an opportunity in every problem. They can easily go wherever the opportunities are and can make a mark in exploiting that opportunity. Majority of the Silicon Valley entrepreneurs in the U.S. are Indians and Chinese. It is necessary to leverage this spirit of innovation, enterprise and hard work that motivates Indians, provided they find a purpose or profit in it for them. Logically, therefore, India should create enabling environment for this native enterprising spirit to blossom by promoting entrepreneurship, put enabling environment, rules, and policies in proper place and in proper perspective. It must also ensure that bureaucratic delays, permit/ license regime and the corrupt practices do not dilute the spirit of entrepreneurship.

A recent survey by the CII indicates that on the basis of average time to register a company, India ranked 81st as compared to the 9th rank of the US. In order to encourage the spirit of entrepreneurship, there is a need to simplify the processes and proactively advise the potential entrepreneurs about the opportunities and threats associated with various business propositions and options. India has enormous native creativity which may not be necessarily linked with jobs alone. There is, perhaps, a need to nurture this creative venture and to become job-givers rather than job seekers. Simultaneously, the institutes must introduce programmes in entrepreneurship at the undergraduate level, graduate level, increase the IPR awareness and facilitation process and create more venture funds, develop idea incubators in technology and business to facilitate the rural youth to convert an innovative idea into a successful product. Entrepreneurship needs a massive push as compared to what has been done so far.

Exposure to the Best Practices

Benchmarking with the best in the class or emulation of the role model is an effective and a quick method of transformation towards excellence. This saves time, efforts and costs associated with too much experimentation with the reality. Benchmarking is a powerful implementation strategy in TQM.

Benchmarking with the best practices requires exposure to a large spectrum of best practices which have delivered superior performance, so that an appropriate practice, best suited to a given situational context can be adopted. This exposure can be at the local, regional, national and the international level. However, there can be the best practices within the country, within one's own company, around in the neighborhood. Hence, an extensive exposure is called for. Even the global exposure is of vital importance, particularly when it comes to infrastructure, systems and processes, documentation, integrated/co-ordinated planning and implementation, adherence to norms, time schedules, waste disposal practices, discipline, and concern for others. Therefore, one should have an open mind to accept the best practice irrespective of its source, but it must be carefully chosen and if required, be adapted to suit the situation. Blindly copying and transplanting a practice; even if it had done well elsewhere is no guarantee for it to succeed in some other context, because management is situation-specific.

There is a need to cultivate the culture of sharing information, practices and have an open mind to adopt the best course of action. Extensive exposure to best practices and careful adoption to suit in the context is an effective mantra to quickly take the economy to greater heights.

Expenditure Control

In India, even though the cost of labour and materials and the cost of living may be lower as compared to the developed economies, but due to low productivity, low quality and excessive wastages, the ultimate "delivered-to-customer cost" is not very competitive globally. That is perhaps the reason why on global competitiveness rankings, India ranks quite low despite the cheap labour availability in abundance. Only a major cost advantage drives global investments. India must not loose that capability. However, it calls for utmost focus on cost avoidance, cost reduction, and cost control.

In order to exercise an effective cost control, there is a need to adopt the Total Quality Management (TQM) philosophy and Value Analysis/ Value Engineering (VA/VE) approaches for identifying and then cutting down unnecessary costs that do not add to the customer value. The major elements of this concept are:

1. Elimination of waste;
2. Reduction of variations;
3. Effective materials management to maximise inventory turnover ratio without jeopardising the supply chain objectives;
4. Preventive focus in problem-solving – "A stitch in time, saves nine"; and
5. Employ Pareto's law of 'Vital Few' and give utmost attention to control those costs.

The materials cost some 60 to 70 per cent of the total cost of goods sold, as compared to the 5-10 per cent cost in manpower. Thus, effective materials management provides an enormous scope for cost reduction.

Enforcement of Rules and Law

One of the weakest links in the policy-implementation process in India is the effective enforcement of the rules, plans, policies and the law. As a result, most attempts to alter the state of the economy through strategic policy-interventions fail to get the intended outcome. There is a general tendency to short-circuit a rule to gain a quick advantage. While the compliance of rules is generally low, implementation of plans is weak and slow. A wide gap exists between intention and the accomplishment. In general, conformance to the customer's requirements is a measure of quality. However, in India, project schedules have slippages and there are often cost-overruns. Most functions start later than the scheduled time. Even a conference on 'Time Management' may start late and end late. There is tremendous tolerance for ambiguity when it comes to managing time.

Speedy and effective delivery of justice through effective grievance-redressal needs a closer look. The backlog of cases waiting for the delivery of justice is itself alarmingly high The rules and laws themselves need to be re-looked into, but most importantly, whatever has been planned must be effectively implemented. Then only people will have respect for plans, schedules, specifications, norms, rules, and the law. A great and developed economy respects the law and implements it sincerely. India must do it, if it wishes to be that. Justice V.R. Krishna Iyer (2010), writing recently in *The Hindu*, forcefully argues in favour of "a universally-accessible democratic system that can deliver justice in an inexpensive manner and can ensure early finality", which he perceives to be an essential pre-requisite for India today. Almost all legal experts want stricter implementation of laws and an institutional mechanism to ensure greater transparency, and faster, stricter enforcement.

Promises must be made only when these can be kept. It is better to under-psromise and over-deliver, rather than to over-promise and under-deliver. This represents a part of the ancient Indian value system and these must be cherished and inculcated in children, right from the childhood. Parents, teachers, and other societal stake-holders must awaken to this need. Then only one can create a global market and universal respect for the Indian nation. Learn to follow rules, schedules, queues, norms and see its impact on the society.

This calls for training and sensitisation workshops, for increasing the awareness for enforcing the law. However, on a corrective front, one needs to be a more stringent and quick to deliver. To start with, let punctuality in starting meetings on time, be a starting point. If one cannot manage time, it is doubtful if one can manage anything else more complex or difficult.

Ensuring Right Goals Priority

It is now generally accepted that the most problems in decision-making are multi-criteria in nature. This means that for each alternative, there are multiple goals and outcomes. That is why the 'Multi-Criteria Decision-Making (MCDM)' has become a full-fledged discipline in the management science models. However, the presence of multiplicity of goals implicitly means that there is a need to prioritise them from the most important objectives to the least important ones. The entire process of decision-making can be structured through a 'decision-matrix' framework as shown in **Table 2**.

Thus, the effectiveness in evaluating the choices depends upon the priority (Wj) or

Table 2
Decision Matrix for
Multi-Criteria Decision-Making

	(Objective, Relative Importance)	
Alternatives	*(O_1, w_1) (O_2, w_2) - - - (O_n, W_n)*	*Total Weighted Score (TCi)*
A1	(P_{ij}) Normalised Pay-off from the 'i'th alternative to the 'j'th objective	n TCi = Wj. Pij j=1
A2		
–		
–		
–		
–		
Am		

importance assigned to the jth objective. Therefore, with wrong emphasis on the priority structure, one may end up taking wrong decisions even with the help of the management-science models.

Emphasis on the right set of priorities is vital to take correct decisions, particularly at the strategic level. To set these priorities rationally, there are numbers of techniques available, such as AHP (Saaty, 1999) and the paired comparison technique.

However, the ground reality is that due to lack of rational approaches, particularly in the context of the implementation of large development projects, many a times one focusses on trivial issues more and ignores the vital ones. This is hypothesised here as the 'Misplaced Emphasis Syndrome', wherein the tertiary objectives become primary and the primary objectives get relegated to tertiary status. With the misplaced priority structure, one ends up missing the main purpose. One can see the manifestation of the 'Misplaced Emphasis Syndrome' in many day-to-day activities in life, particularly in large public systems. Sometimes, the means to an end become the end in itself. The tendency is evident in the following cases:

> *Case I:* In the context of the universal basic education, the concept of mid-day meal was thought of as a means to encourage children in rural areas to attend schools so that this will enthuse parents to send them to schools. Thus, it was a means to an end. But it seems to have become an end in itself, where the entire focus is on the mid-day meal, including the reported incidents of corruption in it. People often talk about the poor quality and quantity of preparation and tastelessness of meals. The entire media focus on the mid-day meals, which puts the primary focus on education behind on the back burner. The adequate availability of quality teachers, academic schedules, teaching learning process, gets relegated to a tertiary objective, as if the mid-day meal was the main objective. Educational consequences of this are not good, as the basic foundation of education at those formative years may get neglected, because of over-enthusiasm about the mid-day meals.

> *Case II:* The other case is from the professional-higher education, with its misplaced emphasis on 'physical infrastructure vs. intellectual infrastructure'. There may be a focus on the five-star buildings and not on the top-grade faculty. One can never achieve what a first-rate faculty even in a second-rate building can achieve. Yet, the faculty related-issue, particularly its talent quotient, does not get primary attention in many cases. Similarly in teaching-learning system, the focus is more on the examination and the placements, and not on the 'employability'. Examinations are only a means to test learning, but in Indian scenario, the means becomes an end.

A fundamental change of the mind-set is called for if one wishes to deliver products and services effectively in a globalised world. By focussing on trivialities, one may ignore the critical issues. Thus, it is important to focus on correct priorities and ensure that the organisations do not feel elated in achieving their tertiary goals at the cost of the primary one.

Education, Research, and Planning (ERP) are perhaps the most fundamental goals in the process of nation-building. Education shapes future generations, research and innovations create economic and efficient solutions to human problems, and planning shows the right path to develop. If plans are effective, these are bound to accomplish the goals. These three should get the highest priority in the national agenda to ensure that the best and the brightest of the society choose these career options as their first preference. One may have to pay a heavy price for ignoring these in the long run. Fortunately, a realisation appears to have dawned recently and one can hope that it is sustained.

If India wishes to really avail this great opportunity of leading in the knowledge economy, it needs to focus on the first things first. By evolving the right-priority vector, one can plan optimally to reach the end objective. If missed due to a 'mix–up' in the priority structure, it would be a great missed opportunity. Hence, there is an urgent need to brainstorm, in order to evolve the right priority structure for the economy, and ensure there is no major departure from the top-priority goals.

Empowering the People

Excellence-driven organisations, systems and countries give priority to develop and empower their people. In total quality management, the word 'total' means involving everyone from the 'top floor' to the 'shop floor'. Therefore, there is an urgent need to empower people down the line. Involving grass-root people in the planning, decision-making, monitoring, and control is the only effective way of total development. This enthuses people as active partners in the development process. Planning will be more realistic and implementation a lot more easy, if they are involved in the process. Decentralised decision-making at the village level in the development planning, and similarly in other sectors of planning particularly at the operations level in an organisation will be helpful for effective goal achievement.

However, this empowerment has to be real; not on paper. For instance, in the Jidoka system in Japan, the shop floor worker has the power to stop the whole production-line, if he knows that the manufacturing process has started malfunctioning. This way, they can prevent large number of defective items from being produced. Empowerment of front-line salesperson can win customer loyalty through effective and quick redressal of grievances and complaints. The empowerment must be supported by system, policy and logistics support to ensure that it is real.

There is a need to empower the weak, the women, and the wise elements of the society so that they become enthusiastic participants in the process of economic revival. Total development requires total involvement, which is possible only through empowerment of the weaker sections of the society. However, empowerment calls for integrity, wisdom, honesty, sincerity of purpose, education, and placing the nation before self. Thus, empowerment and human resource development are concurrent processes. Through development of people and empowering them, they can deliver performance expected of them. In the ultimate analysis, the sincerity of top leadership and the quality of people determines the status of development of an economy.

Empathising with the Customer

Customer-orientation is very weak in many Indian organisations. In a competitive world, one lives in the customer-driven society. The lack of customer orientation has been a major hindrance for India becoming a lead global market player. In the most global competitiveness ranking, Indian customer-orientation is very low – almost in the lowest quartile range. However, it is interesting to note that many books and references on quality management quote Mahatma Gandhi about the customer-orientation.

> "A customer is the most important visitor to our premises. He is not dependent on us, we are dependent on him. He is not an interruption in our work; he is the purpose of it. He is not external to our business; he is a part of it. We are not doing him a favour by serving him; he is doing so by giving us an opportunity to do so".

Indian organisations need to take a serious note of these words of wisdom on customer-orientation. If India had paid attention to it earlier, the business in India would have become globally attractive long back. Customer-orientation comes through value orientation. Unless there is high concerns for 'others', customer orientation will remain weak. In that context the concept of the Value Grid mentioned earlier becomes all the more relevant

This calls for understanding of the needs of the customer - both explicit and implicit, and attempting to fulfill these with empathy, concern, and care. It can enable the Indian companies to get a lead role in the 21st century which is increasingly becoming customer-driven. There is no dearth of literature on customer-need assessment, Customer Relationship Management (CRM), customer surveys and feedback, but what is needed first is to empathise with the customer – both internal and external. Let companies put themselves into the customer's shoes, and then do what they should have done if they were the customer.

Employing Life-Cycle Costing

Business firms in India tend to be quite myopic in their perception and take a short-term view of the situation, leading to ad-hoc handling of immediate problems, ignoring the long-term impact of that short-term solution. As Forrester (1971) opines, the short-term view may adversely affect the long-term one. What looks appealing in the short term may be unattractive in the long run and vice versa. As a result, a series of short-term populist moves can spell disaster for the system in the long run. In this short-vs.-long-term view, decision-makers may generally address the symptoms of the problem rather than the root-cause, and as a result, sometimes the solution they prescribe may be worse than the problem. If one conducted a study on the decline and even 'demise' of once-great organisation, that will support the validation of this view.

While taking a decision to purchase a machine, one may get swayed by its initial purchase price only, and not its life-cycle cost. When a student chooses a career, he may get swayed by the 'package' of salary offered, and not the long-term success in the career chosen, and so on. It is important to reconcile the short-term, intermediate-term, and the long-term goals in problem-solving. The moment an organisation adopts the life-cycle concept in evaluating the alternatives in the decision-making process, the outcome will be surprising.

The so-called shortest route may be quite long. The perceived cheapest vendor may be a very costly proposition. There will be a paradigm shift in one's perspective, the moment one looks at the long-term consequences of one's action. For example, if one looks at the long-term impact of education, there will a paradigm shift in the approach towards education. Seen in the long-term perspective, no amount of investment in education is too high because the future of a nation is shaped there. Hence, decision-makers should evaluate options on the Life-Cycle Costing (LCC) basis and the costs must be interpreted in a generic sense to capture visible and the hidden, the tangible as well as the intangible.

Eyeing for the Details

An eye for details is critical if the goal is to be achieved. Sometimes, a great event is marred due to a trivial mistake or an oversight. A good manager will be strategic in thought but will have tremendous capacity to look at the details while implementing that decision. In India, many a times, people talk big, and might even be well-meaning in saying so. However, due to lack of eye on details, while implementing, they experience that due to a very minor 'mix-up' or a trivial oversight, a great project gets stalled. In general, people may not link up strategic, tactical and operational plans. As a result, many well-intentioned projects fail to accomplish their goals because their implementation gets 'stuck up' in some 'unforeseen' trivial problems. A detailed operational plan, which would examine all possible difficult spots and take preventive and remedial action, including handling of contingencies, can help realise the strategic intent.

Lack of eye for details, perhaps stems from the fact that low importance is given to operations planning, and the management may get swayed by strategic policy issues. However, it should be realised that it is only at the operations stage – be it manufacturing of goods or rendering of services – that the value-addition takes place. Major success of the Japanese production system is an outcome of detailed operations planning with Poka-Yoke system, where, even by mistake, one cannot make a mistake. Eye for details will ensure performance as per plans. This will improve quality and productivity. A good manager should look ahead, look back as well as look around and look within. An eye for details enhances performance and does not diminish the status of a manager.

CONCLUDING REMARKS: THE PROGNOSIS

This century, being projected to be knowledge-driven, unfolds a tremendous opportunity for India to leverage its demographic dividend in a big way, because it is an opportune time when the situational variables point out the emergence of India as a major economic giant (Pangariya, 2008). This is possible if the issues raised in this paper are seriously examined and a holistic view is taken of the developmental process. India needs to develop its strategic intent to be a lead player in the emerging knowledge-driven society and use its superior collective intellectual strength to cultivate core competences to identify a growth trajectory in which there is a balanced development. The 21-point strategic roadmap, outlined in this paper might serve as a thought-starter for integrated economic development, removing some negative side-effects of the development India has seen in the past sixty years. It is hoped that this paper provides an agenda for a serious debate and research in the systems perspective.

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INFLUENCE OF DESTINATION PERSONALITY AND IMAGE ON TOURIST LOYALTY
A Study of a Hill Station in Northern India

Komal Nagar*

Abstract

The present study is based on a survey conducted among 419 tourists visiting a hill station in Northern India. The study has revealed that tourists' loyalty towards a destination is influenced by the image and the personality of the destination, and that the tourist perception of the destination personality has a positive impact on the perceived destination image. The study makes a theoretical contribution to the understanding of relationship among destination personality, destination image, and tourist loyalty. However, the study being limited to one destination only, the results may not be generalised.

Key words : ***Destination personality, Destination image, Tourist loyalty, Tourist's perception***

INTRODUCTION

The application of the concept of brand loyalty to the consumer goods domain can be traced back to the thirties of the 20th century. The nineties of that century saw the publication of a number of research studies to understand the theoretical framework of brand, brand image, brand building, and brand management (Keller, 1993; Aaker, 1996; Kapferer, 1997; de Chernatony, 2001). They extended the application of brand image and brand personality to destination image and destination personality (Ekinci and Hosany, 2006). For instance, Honsay, Ekinci, and Uysal (2006) applied branding theories to places, in particular to tourism destinations to examine the relationship between the destination image and destination personality. Other researchers have made important theoretical contribution to the understanding of destination personality and its relationship with destination image and intention to purchase (Ekinci and Hosany, 2006). Earlier studies have also attempted to provide an explanation too the brand image, brand personality relationship, but in most of the cases, the discussion has been only theoretical (e.g., Karande, *et al.*, 1997; Plummer, 1985).

The branding of destination has proved to be a significant challenge to the marketers of tourist destinations. Goodrich (1978) and Woodside and Lysonski (1989) have found that the destinations with strong positive images are more likely to be considered and chosen in travel decisions. Moutinho (1984) and Woodside and Lysonski (1989) have found destination image as

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an important factor in various models of travel decision-making. However, theoretical research studies on relationship between brand image and brand personality, in the context of tourism destination, are limited.

On the other hand, in their role as tourist destinations, countries and regional areas have devoted considerable efforts and resources towards improving their image among travellers (Ritchie and Crouch, 2000). But neither all the places are similar, nor is the perception of the tourists of a particular destination. Ogba and Tan (2009) have suggested that the impact of destination image on key marketing and organisational components is of significant importance. Faullant, Matzler, and Fuller (2008) have found that the destination image is important for the design of effective place-marketing strategies. An important behavioural outcome in consumer research is the intention to continue buying the same product, intention to buy more of the same product, and the willingness to recommend the product to others (Hepworth and Mateus, 1994). Among the studies on tourist behaviour, repeat visitation has been used as one of the ways to assess the tourists' destination loyalty. Kandampully and Suhartanto (2000) have found that the image is one of the two most important factors for the guests of a hotel to consider repurchase and recommendation. The investigation and application of brand loyalty in the consumer goods domain have been traced back to the early 1930s. However, research on tourist loyalty is a recent phenomenon.

Although research has been undertaken in the past to study the relationship between destination image and destination personality (Hosany, Ekinci, and Uysal, 2006), and between brand image and customer loyalty (Ogba and Tan, 2009), there has been no such study on destinations in India. In fact, to the best of our knowledge, no empirical study has been carried out in India to identify the relationship between the destination image, destination personality, and the tourist loyalty. Thus, the present study is a follow up on the previous studies to explore these relationships in the Indian context.

REVIEW OF LITERATURE

The major studies on the subject are reviewed here under three headings: destination personality, destination image, and tourist loyalty.

Destination Personality

Brand personality can be defined as "the set of human characteristics associated with a brand" (Aaker, 1997). It is very much like the human personality comprising the traits, like sincerity, sophistication, energy, and youthful (Keller, 1998). Accordingly, destination personality can be defined as a set of human characteristics associated with a destination as perceived from a tourist's, point of view which is distinct and different from a local resident's viewpoint (Ekinci and Hosany, 2006).

From the marketers point of view, the importance of relating a product/brand with a personality not only helps in differentiating a brand from its competitors but also helps in distinguishing the product variants by creating a differentiation within a brand (Govers and Schoormans, 2005). The brand personality serves as an enduring basis for differentiation (Crask and Henry, 1990). Branding and differentiating places are particularly important for developing countries in their attempt to attract tourists (Papadopulous, 2004). The concept of differentiating commercial brands through unique human identities, including personality, may be traced back to the1930s (Domizlaff, 1992) and, even today, destination marketers are increasingly branding tourist destinations to differentiate and position themselves away from competitors.

The concept of destination personality used in this study relies on the work by Aaker (1997), who proposed that a brand possessed well-defined personality. While human personality perception is formed on the basis of behaviour, physical and demographic characteristics, and attitudes and beliefs (Aaker, 1997; Park, 1986). The brand personality reflects the "set of human characteristics associated with the typical user of the brand" (Aaker, 1997). For instance, if the users perceives that rugged-looking people often use a particular product, the product develops a rugged brand personality. This is a more direct way of associating personality with a brand. In an indirect route, brand personality forms through attributes related with a product, such as advertising style, symbols and logos, price, and distribution outlets. In this way, the personality traits of the people associated with the brand are transferred directly to the brand.

It is often argued that a consumer views his preferred product as an extension of himself, and therefore, a greater congruity between a consumer's actual and ideal self and the characteristics that describe the brand, create greater preference for that brand (Malhotra, 1988; Sirgy, 1982). Similarly, while selecting from amongst the competing brands, consumers assess the degree of similarity between the personality traits communicated by the product (Plummer, 1985) and the personality traits they wish to project of themselves (Zinkhan, Haytko, and Ward, 1996). By buying a product with a strong personality, the consumer can enhance his self-consistency and self-esteem (Hong and Zinkhan, 1995) and develop trust and loyalty with the brand (Fournier, 1998), ultimately enhancing the brand equity (Aaker, 1996) and providing an enduring basis for differentiation (Aaker and Fourneir, 1995). Whereas brand personality tends to be traditionally associated mainly with consumer goods, promoters of destinations are also increasingly adopting the technique (Henderson, 2000).

Despite the importance of creating distinctive brand personality (Bull and Oxley, 1996), there is a paucity of empirical research in the tourism literature to guide them in leveraging the concept. Further, there has been much ambiguity in the use of the terms 'brand image' and 'brand personality' as they are often used interchangeably (Gardner and Levy, 1955). The results about the contentious relationship between brand image and brand personality in the context of tourism destinations indicate that destination image and personality are related concepts (Hosany, Ekinci, and Uysal, 2006). However, what is important is to understand from the marketer's perspective, is the impact of a strong positive destination image on its personality.

In their brand model, Heylen, *et al.* (1995) proposed that brand personality and brand identity were two antecedents of brand image. In the context of tourism destinations, Hosany, Ekinci, and Uysal (2006) made an important contribution to the understanding of brand image and personality. Their study revealed that destination image and personality were related concepts. The findings were partially complimented by Plummer (1985) and Patterson (1999), who argued that brand image and brand personality were related concepts. Based on the above argument, the following hypothesis is proposed:

H_{01}: The destination image and destination personality are positively correlated.

Destination Image

The concept of destination image has been an important and well-researched area, with studies on the subject dating back to the 1970s, when Hunt (1975) examined the role of image in tourism development. In consumer behaviour analysis, probably the most commonly accepted definition of brand image is: "the perception about a brand reflected as association in the memory of the consumers" (Keller, 1993; Herzog, 1963). It is, therefore, a mental picture or perception of a brand, product, or service, including the symbolic meaning that consumers associate with the specific attributes of a product or service (Dobni and Zinkhan, 1990). Like the consumer behaviour researchers, tourism researchers have also used the concept of brand image and extend it to the destination brand image. Building a destination brand image means identifying the most relevant associations for the destination and strengthening their linkages to the destination brand (Keller, 1993).

The concept of brand image was first introduced by Gardner and Levy (1955). Since then, several attempts at understanding the concept have been made. One concept of brand image was that the consumer buys a brand not only for its physical attributes and functions, but also because of the meaning connected with it (Levy and Glick, 1973). For example, Levi's well-known jeans-wear brand has developed core urban-hip-user imagery among young consumers. Thus, brand image is "the sum total of impressions the consumer receives from many sources: from actual experience and hear-say about the brand itself as well as its packaging, its name, the company making it, the type of people using the brand, what was said in its advertising, as well as from the tone, format, and the type of advertising vehicle in which the product story was told" (Britt, 1966).

In Ekinci's (2003) model, destination image is made up of three components: the overall image, the destination brand, and within the destination brand the destination personality. A core link between the destination image and the consumer self-image is the brand personality concept. Brand personality is an important component of the brand image. Plummer (1985) noted that brand image consisted of three essential features: (1) physical attributes (e.g., colour is blue); (2) functional characteristics (e.g., picture clarity); and (3) characterisation (e.g., beautiful). This characterisation process was termed brand personality. Some previous studies used the two terms – brand image and brand personality, interchangeably. Given that brand personality constitutes an essential part of brand image, there is much confusion about the two terms.

To some authors, brand image is much more than a set of psychological associations. They argue that the scope of brand image is broader, and consists of, among others, brand personality, user image, product attributes, and consumer benefits (Plummer, 1985). Another school of thought (Howard, 1989) views brand image as consisting of three components: (1) Brand recognition – the physical characteristics by which the customer recognises the brand; (2) Attitude – the strength of the brand of each of the relevant benefits on a "favourable-unfavourable" scale, as judged by the consumer; and (3) Confidence – the strength of the consumer's feeling about his ability to determine accurately the quality of the brand.

Brand personality, on the other hand, is seen as the emotional side of brand image (Biel, 1993). Accordingly, brand personality has been shown to positively influence the consumer choice (Sirgy, 1982; Malhotra, 1988), the intention to purchase, and to recommend (Biel, 1993; Fournier, 1998). For destination marketers, understanding the distinction between these constructs, is of vital importance in order to fully appreciate their customers' views regarding the destination.

In consumer behaviour research, scholars have focussed on how brand personality with different variables affects brand preference. Similarly, in tourism, a clearly defined destination personality can help the marketers build and maintain the destination image. Tourists perceive many images of their destinations and these images influence their attitudes and behaviour (Ahmed, 1996). Brand loyalty exists as a result of the interaction between a consumer's relative attitude to a special brand, and due to their repeat purchase behaviour for that brand. Knowledge of brand loyalty is, therefore, necessary for building brand image, as brand image can be tailored to meet the needs and wants of a target market so as to facilitate brand loyalty (Wood, 2000). We, therefore, proposes the following hypothesis:

H_{02}: The destination image has a positive influence on tourist loyalty.

Tourist Loyalty

The importance of loyalty has been emphasised only recently, because loyal customers may be worth upto ten times as much as its average customer and bring many benefits and be considered as one of the critical indicators used to measure the success of marketing strategy (Anderson and Srinivasan, 2003; Yoon and Uysal, 2005). Whereas the linking of loyalty to destinations is a useful development, it remains to be understood what loyalty is. In marketing and tourism analysis, repeat visits have generally been regarded as desirable (Oppermann, 2000), because it is considered that the marketing costs required to attract the repeat visitors are lower than those required for the first-time tourists. In consumer marketing research, customer loyalty is often measured by three different indicators, namely (1) the intention to continue buying the same product, (2) the intention to buy more of the same product, and (3) the willingness to recommend the product to others (Hepworth and Mateus, 1994). In tourist behavioural studies, repeat visitation has often been used to assess tourists' destination loyalty (Oppermann, 1998). However, repeat visitation may not truly represent tourists' loyalty. Tourists might revisit a familiar destination to avoid taking chances or to avoid risk of visiting a new destination and not liking it. On the other hand, tourists might visit a new destination with the desire to get to know new places, new cultures, new people or the search for new adventure and excitement. But when tourists visit a place, they develop emotional link with it, and this information is essential in understanding the tourist's behaviour, including repeat visits (Iwasaki and Haritz, 1998; Lee, Backman, and Backman, 1997).

According to Chen and Gursoy (2001), while non-repeat behaviour may not preclude an individual's loyalty to a destination he previously visited, a repeat visit to a particular destination may not warrant tourist loyalty to that destination. They consider destination loyalty as the level of tourists' perception of a destination as a recommendable place. Thus, willingness to recommend a destination to other tourists is one of the variables available to measure tourist loyalty. On the other hand, Oppermann (1999) understands loyalty in tourism as the point of time when tourists make multiple visits to a tourist destination and do not remain confined to only one visit.

In order to sell a tourism destination, marketers have to understand how the mind of the tourist works, thus knowing how he acquires and organises the information available (Moutinho, 1987). The knowledge of loyalty towards a brand, product or service is, therefore, the main aim of any marketer and the same is true for a tourism destination, as a tourism destination is linked to a brand and product (Lee, 2001). According to Ibrahim and Jacqueline (2005), a tourist's intention of making frequent visits is influenced by a two-way relationship between tourist's image and satisfaction, where image plays a critical role in the tourist destination choice (Lee, 2001). Further, as brand personality is a component of destination image (Ekinci, 2003), there must exist an influence of tourist's perception of destination personality on their loyalty towards the tourism destination of choice. There is also evidence that consumers view their preferred products as an extension of themselves and their purchasing behaviour is motivated by the symbolic value of the product (Mowen, 1990). Therefore, consumers are likely to repurchase a product if they have a positive perception of the personality of the brand. Likewise, a tourist's destination loyalty, which is expressed by recommendation or revisit, is influenced by his perception of the destination personality.

Despite considerable amount of research regarding destination personality and the importance of developing strong, positive brand personality, the amount of empirical evidence identifying the relationship between destination personality and tourist loyalty is negligible. Some of the empirical studies suggest that a favourable brand personality increases the level of trust and loyalty (Fournier, 1998). There is a clear need for empirical research that investigates their relationship in the tourism destination context. Hence, we propose the third hypothesis:

H_{03}: The higher the tourists' perception of destination personality, the higher shall be the level of tourist loyalty.

OBJECTIVES OF THE STUDY

The main objective of this study is to explore the influence of destination image and personality on the tourist loyalty, with special reference to a popular hill station in Jammu and Kashmir, namely Patnitop. The destination has an inflow of approximately 50,000 tourists every year, a majority of which are domestic. The study applies Jennifer Aaker's personality dimensions to the selected tourist destination, and seeks to ascertain the image associated with it. The study also seeks:

1. To evaluate the image and personality of Patnitop as a tourist destination;
2. To examine the relationship between the image and the personality of the tourist destination; and
3. To ascertain whether destination brand personality and destination image have an impact on tourists' loyalty towards the destination.

RESEARCH METHODOLOGY

The measures for destination personality and image and tourist loyalty were drawn from earlier studies on the subject. A brief discussion of each study variable and its measurement is as follows:

Destination Personality

Studies on product and brand personality can be traced back to the 1960s (Ekinci and Hosany, 2006). Several attempts at measuring brand personality have been made. But early studies on brand personality could not reach on consensual traits of personality that could be used to describe a product. To address these short comings, Aaker (1997) developed a reliable and generalisable brand personality construct, which has been tested on a number of product categories.

On the basis of the 'Big Five' human personality dimensions, namely, extroversion/introversion, agreeableness, consciousness, emotional stability, and culture, Aaker (1997) identified the new 'Big Five' dimensions related to brands. These are: sincerity, excitement, competence, sophistication, and ruggedness. Aaker's Brand Personality Scale (BPS) measures the extent to which a given brand possesses any of these personality traits. It is the most comprehensive instrument for measuring brand or product personality which has been used by several studies in the past (e.g., Siguaw, Mattila and Austin, 1999) to measure brand personality. In addition, many tourism academicians have embraced the brand personality research in tourism and acknowledged the importance of destination personality by embracing the face validity of the destination personality construct (Henderson, 2000; Morgan, *et al.,* 2002; Crockett and Wood, 2002). The attributes, such as down-to-earth, real, sincere, and honest, represent the sincerity dimension. The traits, such as daring, exciting, imaginative and contemporary, illustrate the excitement. Attributes, such as intelligent, reliable, secure and confident characterise the competence. Attributes, such as glamorous, upper class, good looking, and charming personify sophistication. The ruggedness dimension feature traits, such as tough, outdoorsy, masculine, and western. Since Aaker's work, the literature reports several applications of the BPS in different settings and across cultures (Aaker, *et al.,* 2001; Siguaw, *et al.,* 1999; Supphellen and Gronhaug, 2003).

Therefore, destination personality was operationalised using Aaker's five-dimensional Brand Personality Scale (BPS). The content validity of the BPS 42 personality traits was tested with 32 subjects (16 male and 16 female) to assess if the 42 brand personality variables were relevant to their description of tourism destinations and could, thus, be used in the study. Some traits were found to be redundant, as they were not suitable to define a tourism destination. The criterion set out for content validity was that a trait had to be selected by at least 70 per cent of the pre-test respondents, that is, they thought the words to be suitable for defining a tourism destination. This approach has been used by researchers in the past (e.g., Churchill, 1979; Ekinci and Hosany, 2006). A final set of twenty items, split across four dimensions, was retained. The items were measured, using a five-point Likert-type scale, with anchors one not at all descriptive; and five extremely descriptive, consistent with Aaker's study.

Destination Image

Destination image was captured in terms of both affective and cognitive components (Crompton, 1979; Dichter, 1985). The affective image was measured on a five-point scale, using four bi-polar items initially developed by Russell (1980) and later used by other tourism researchers (e.g., Hosany, Ekinci, and Uysal, 2006). The four bi-polar adjective items were: distressing/relaxing, gloomy/exciting, sleepy/charming, and unpleasant/pleasant. The cognitive image measure was adapted from Ong and Horbunluekit's (1997) study, and consisted of 17 bi-polar adjectives. The items for the cognitive and affective components were measured on a five-point scale.

Tourist Loyalty

Tourist loyalty was measured by the items of 'word of mouth' (Lee, 2001), 'recommendable' (Chen and Gursoy, 2001), 'repurchase' (Niininem, *et al.,* 2004; Lee, 2001; Riley, *et al.,* 2001; Oppermann, 1999), and 'resistance to counter-persuasion' (Riley, *et al.,* 2001; Keller, 1993). Tourist loyalty was operationalised, using a five-point Likert-type scale, with one representing strongly disagree and five strongly agree.

The Sample and Data Collection

The present study was carried out at a popular hill station, namely, Patnitop, in Jammu and Kashmir (India), the help of a personally-administered questionnaire. Randomly-approached participants were instructed to indicate their level of agreement (for destination personality and tourist loyalty) and their perception of the image of Patnitop. A total number of 419 tourists were purposively selected and a questionnaire was developed to collect the information from the tourists.. The sample was 33 per cent males and 67 per cent females, and in terms of age group, 12 per cent were between 16 and 24 years, 45 per cent were between 25 and 34 years, 33 per cent were between 35 and 44 years, and 10 per cent were 45 years and above.

DATA ANALYSIS AND INTERPRETATION

As a first step, the analysis involved testing the validity of the destination image and destination personality scales. For this purpose, two separate factor analyses were conducted for both scales. To investigate the underlying dimensionality of the destination personality scale, we conducted a principal component factor analysis, using varimax rotation. The KMO value was 0.72 and Bartlett's test was significant at 0.00 level. This demonstrates the sampling adequacy for conducting factor analysis (Malhotra, 2005).

Principal component factor analysis, with varimax rotation, was used to identify the underlying dimensions. Items exhibiting low factor loadings (<0.45), high cross loadings (>0.40), or low communalities (<0.30) were eliminated (Hair, *et al.*, 1998). Accordingly, four items were eliminated from the destination image scale. A final three-factor model was estimated with remaining seventeen items. The factor solution accounted for 61.11 per cent of the total variance. Furthermore, all factors had high alpha reliability coefficients, ranging between 0.70 and 0.77. The factors were labelled as affective, conviviality, and physical atmosphere. These are shown in **Table 1**.

Similarly, the 27 items of destination personality scale were subjected to exploratory factor analysis. Applying the same empirical and substantive considerations in item reduction as for destination image scale, a 20-item, four-factor model emerged. This is shown in **Table 2**.

All the eigen values were greater than one and accounted for 62.51 per cent of the total variance. The first factor was competence and explained most of the variance (23.11 per cent). The second factor was labelled as excitement and explained 18.47 per cent of the total variance. The third and the fourth factors were labelled as ruggedness and sincerity. They accounted for 14.84 per cent and 6.09 per cent of the variance, respectively.

Relationship between Destination Image and Destination Personality

The relationship between destination image and destination personality was tested using

Table 1
Factor Extraction Result for Destination Image

Name of the Factor	*Factor-wise Dimension*	*Factor Loading Values*	*%age of Variance*	*Coefficient Alpha*
1. Affective	Interesting/Boring	0.790	25.52%	0.77
	Lively/Stagnant	0.775		
	Natural/Artificial	0.642		
	Pretty/Ugly	0.614		
	Quiet/Noisy	0.531		
	Safe/Unsafe	0.529		
	Sophisticated/Simple	0.511		
2. Conviviality	Distressing/Relaxing	0.821	19.97%	0.72
	Gloomy/Exciting	0.833		
	Sleepy/Arousing	0.790		
	Touristy/Not touristy	0.782		
	Unpleasant/Pleasant	0.776		
	Friendly/Cold	0.724		
3. Physical Atmosphere	Dirty/Clean	0.739	15.62%	0.70
	Overcrowded/Sparse	0.733		
	Underdeveloped/Overdeveloped	0.654		
	Easily accessible/Isolated	0.643		

Table 2
Factor Extraction Result for Destination Personality

Name of the Factor	*Factor-wise Dimension*	*Factor Loading Values*	*%age of Variance*	*Coefficient Alpha*
1. Competence	Successful	0.804	23.11%	0.77
	Western	0.790		
	Reliable	0.780		
	Secure	0.775		
	Up-to-date	0.567		
2. Excitement	Cheerful	0.765	18.47%	0.80
	Friendly	0.758		
	Spirited	0.685		
	Exciting	0.573		
	Wholesome/Complete	0.532		
3. Ruggedness	Tough	0.820	14.84%	0.78
	Rugged	0.771		
	Upper-class	0.763		
	Outdoorsy	0.751		
	Masculine	0.739		
	Daring	0.521		
4. Sincerity	Imaginative	0.840	6.09%	0.72
	Down to earth	0.652		
	Family oriented	0.600		

regression. In order to predict the destination image perception among tourists due to the perception of destination personality, we used regression analysis. The basic formulation of the regression equation is:

$$Y = a + bX$$

where:

Y= dependent variable, i.e., destination image

X= independent variable, i.e., destination personality

This study explores the effect of destination personality perceptions on destination image. Thus, the dependent variable represents the destination image and the independent variable represents destination personality.

Interpretation of Results

The strength of association between destination image and destination personality is shown in **Table 3**.

Table 3
Regression output for Destination Image and Destination Personality

Multiple R	0.295
R-Squared	0.387

Here, the coefficient of determination, R^2 =0.387. This implies that 39 per cent of the variation in the destination image perceptions is explained by the regression and the remaining 61 per cent of the variation by error.

Also, the coefficient of correlation, r = 0.295

Here, '*r*' has a positive sign. This indicates that the direction of relationship between the dependent variable, i.e., destination image, and independent variable, i.e., destination personality, is direct. This implies that as the destination personality perception of the tourists' increases, the destination image perception also increases. Therefore, the first hypothesis is supported.

Table 4
Co-efficients Output

	Coefficients	*Std. Error*	*t-stat*	*P-value*
Intercept	1.116	0.248	0.103	0.000
X-Variable	0.314	0.280	1.345	0.000

Interpretation of Results

From **Table 4**, we find that the regression equation is:

Destination Image = 1.116+0.314 (*Destination Personality*)

The regression coefficient B= 0.314 indicates that the destination image changes by 0.3 units for each unit change in destination personality.

Thus, we find that destination image is influenced by destination personality perception, and the value of R^2 = 0.387 indicates that 39 per cent of this change in the destination image perception is due to change in destination personality.

Relationship between Destination Image and Tourist Loyalty

We first looked at the relationship between destination image and destination personality and found that they were related concepts and that an increase in the destination personality perception would cause an increase in the destination image as well. Next, in order to test for the effect of destination image on tourist loyalty, we derive a multiple regression analysis to find out the overall regression and to ascertain the contribution of each of the factors of destination image in causing variation in tourist loyalty.

In order to find the extent of variation caused by different dimensions of destination image in determining the degree of loyalty, multiple regression equation was drawn through the SPSS. The equation and ANOVA analysis revealed that the influence of different factor varies. The value of coefficient of determination, R^2 =0.331. This implies that 33 per cent of the variation in the destination image perceptions is explained by regression. Further, the F statistic for multiple regression revealed that the overall regression equation is significant at 5 per cent, as F_{cal} (3, 415) (13.497) is greater than F_{tab} (2.60). This implies that the aspect of destination image plays an important role in influencing tourist loyalty. Therefore, the second hypothesis, that destination image is positively related to tourist loyalty, is accepted.

Table 5
Co-efficients Table for Destination Image

Model	*B*	*Std. Error*	*Beta*	*t*	*Sig.*
Constant	1.151	0.436	0.060	2.642	0.010
Affective	0.213	0.161		0.400	0.691
Conviviality	0.459	0.158	0.377	2.901	0.005
Physical Atmosphere	0.209	0.142	0.202	1.471	0.145

From **Table 5**, the following equation was derived:

Tourist Loyalty = 1.151+ 0.213 (*Affective*) + 0.459 (*Conviviality*) + 0.209 (*Physical Atmosphere*)

The above equation reveals the contribution of the individual dimensions of destination image in determining the degree of tourist loyalty. Testing for the significance of the dimensions of destination image reveals that only the second factor, namely, conviviality, significantly contributed in explaining the change in tourist loyalty. Thus, it can be concluded that the overall destination image is positively correlated with tourist loyalty, but the extent of influence exerted by the individual dimensions of destination image is different.

Relationship between Destination Personality and Tourist Loyalty

In order to find out the relationship between destination personality and tourist loyalty, multiple regression was worked out. The analysis reveals that as the positive perception of destination personality increases, the level of tourist loyalty also increases. Although the increase is small (R^2 = 0.28), yet the F statistic shows that the overall regression equation is significant. Thus, the third hypothesis is also accepted.

Table 6

Co-efficients for Destination Personality

Model	*B*	*Std. Error*	*Beta*	*t*	*Sig.*
Constant	2.712	0.660	0.111	4.108	0.000
Competence	0.117	0.147		0.795	0.805
Excitement	0.335	0.179	0.256	1.865	0.023
Ruggedness	0.580	0.151	0.048	0.407	0.370
Sincerity	0.641	0.139	0.076	0.621	0.641

From **Table 6**, the following equation was derived:

Tourist Loyalty=2.712 + 0.117 (*Competence*)+0.335 (*Excitement*)+0.580 (*Ruggedness*)+0.641(*Sincerity*)

In order to test whether the four dimensions of destination personality significantly contribute to overall variance accounted by regression, *t*-test was applied to each of the B co-efficients. It is noticed that 'excitement' and 'ruggedness' factors are significant and the remaining two variables do not significantly contribute to the variation in tourist loyalty. Thus, the increments in R2 produced by competence and sincerity are insignificant. However, the overall regression equation is significant.

CONCLUSION

The results of the study provided important strategic directions for the state to improve its destination competitiveness. The present study directly contributes to the destination image, destination personality and tourist loyalty literature, both theoretically and empirically. Particularly, the last of these areas, which is barely emerging but already lagging behind practitioners, is in need of further development and contributions in the tourism context.

The study has sought to contribute to the understanding of destination image, destination personality and tourist loyalty by considering how they are linked to each other. While research in the past has demonstrated that destination image and destination personality are related, our research findings show that the relationship is positive and destination personality contributes largely in improving the destination image. In particular, destination marketing practitioners need to concentrate in improving destination personality in order to improve overall destination image, because it is one of the important drivers for positively positioning the destination in the minds of the tourists.

The study explores the possible impact of destination image on tourist loyalty, in the light of tourist's perception of the image of a destination in India. Following the results from the review of literature and the conceptual framework relating to destination image and tourist loyalty, the hypothesis developed was that destination image has a positive effect on tourist loyalty. The outcome from the study suggests that loyalty towards a destination is dependent on a tourist's perception of the destination image.

The outcome also supports the assumption that destination personality has a positive impact on tourist loyalty. The findings are considered fundamental indeed, as previous researchers have done less work on establishing a relationship between destination image and tourist loyalty and between destination personality and tourist loyalty. The study can, thus, be seen as important and relevant as it contributes and extends a growing research stream by documenting the role of destination image and destination personality on tourist loyalty, which has hitherto remained a rarely-researched relationship.

Implications for Managers

This study offers substantial insights into the need for developing distinction between destinations in the minds of the tourists, especially in the light of the competitive climate being faced by destination marketers. There is a need for tourism professionals to acquaint themselves with the knowledge of the consumer's mindset regarding their travel behaviour. It is imperative for destination marketers to improve the desirability of a destination and to innovate ways to differentiate themselves in today's competitive environment by concentrating on both the personality and image of the destination. In fact, repeat visitation and favourable recommendation by a tourist can go a long way in improving business. Tourist loyalty was found to be positively affected by destination image as well as destination personality. Destination marketers can, thus, improve the positive impact of both the image and personality on tourist loyalty by designing a marketing-mix for effective destination management.

In addition, marketers should make arrangements not only to ensure repeat visits to the destination, but also to encourage longer stay time. Thus, the advantage of a positive destination image should be put to use by encouraging longer stay duration. For this purpose, the marketers will have to offer attractions that are hard to resist. Support from the government will, in a way, help to meet many of the imminent challenges.

Furthermore, continuous research in the area of destination marketing and the factors affecting the destination image formation and tourist loyalty need to become a regular exercise as consumer's tastes and preferences keep changing. Results of such studies will benefit destination marketers in tailor-making their marketing-mix package according to what the consumers want and not only to what is available.

Limitations and Future Research

Although this study took a positive approach in reviewing previous literature and analysing the data, there are some limitations worth acknowledging. The research examined destination image, destination personality and tourist loyalty for a popular hill station in the Northern part of India. Therefore, it is difficult to draw conclusions beyond this context to other destinations. This constraint may have direct impact on possible generalisation of the research outcome and may, therefore, call for further research on destinations in other parts of the country.

Moreover, the findings are based on the opinion of tourists from India alone. Therefore, the research is limited to the extent that the overall opinion of foreign tourists about India may also affect their destination image perception and, subsequently, their loyalty towards it, which may be different for a domestic tourist. In order to resolve this problem, further research may be undertaken for destinations located elsewhere, which attract foreign tourists, and a comparison may be made between the destination image perception of foreign and domestic tourists.

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Nature is ever at work building and pulling down, creating and destroying,
keeping everything whirling and flowing, allowing no rest but in rhythmical motion,
chasing everything in endless song out of one beautiful form into another.

John Muir, naturalist and explorer (1838-1914)

★★★★★

Every man is a creature of the age in which he lives,
and few are able to raise themselves above the ideas of the time.

Voltaire, philosopher (1694-1778)

CUSTOMER PERCEPTION OF DELIVERED VALUE
A Study of Consumers and Vendors of Mobile Phones in Sri Lanka

Kanagasabai Kajendra*

Abstract

Understanding the customer perception has always been a challenging task for marketers. It is necessary to understand the consumer buying-decision process. A mobile phone is now-a-days more common than a wristwatch or a pen; it has become a basic instrument of personal communication across the world. This article seeks to develop and test customer delivered values in relation to the customers' and the vendors' perspectives. The findings of the study will help the mobile phone vendors in recognising the changes in the customer delivered value and in having a deeper understanding of such changes.

Key words: ***Customer perception, Customers' delivered value, Vendors' perception, Customer satisfaction, Mobile telephone***

INTRODUCTION

The value or 'reason for purchase' of an average consumer has changed dramatically in recent times. During the fifties of the last century, consumers were price-driven; during the seventies, the consumers started taking interest in the quality of the products/ services; during the eighties, the consumers became quite alert about the price, quality, and the time involved in buying and using the product/ service; during the nineties, the lifestyle of the consumers became hectic and stressful and they took to the habit of considering quality, enjoyment, entertainment value of the product, the time taken in purchasing/ receiving the product, the energy needed in using the product/ service, the stress involved in purchasing, and ultimately the price.

The first decade of the present century saw the products, competitors, and the markets becoming globalised. Product innovation has become more rapid than what it was in the yesteryears; products life-cycle is getting shorter, and even when delivered by global corporations, products are getting more customised. This has been made possible by the new production, distribution, and decision-support systems have made it possible. But systems alone are not enough.

It is necessary to be customer-focussed to keep an organisation closer to its market, so that its product development is closely aligned to what the market needs. Companies have to understand their customers better, not just to listen to their needs but often to anticipate them.

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Based on the changing values of the consumer, Mark Ambrose (2003) stated that understanding customer and customer value is a way to achieve customer-centricity. Therefore, the marketeers need to understand the perception of the individuals. This leads marketing organisations to understand and appreciate the concept of 'total customer value', which comprises customer's current value, his future value, and the associated value. Therefore, marketing managers are pushed to adopt customer value strategies in order to increase profits and ensure long-term survival (Gale, 1994). This has led to the need of understanding the 'customer delivered value'. Customers make their decision to buy products and services based on their perception of value. Value is simply the product quality. However, it needs to be offered at the right price. Value is an intrinsically personal preference. It involves a comparison between products or services to decide which of them offers the better value.

Customer value is mainly defined in the marketplace and not in the factory or in the store. A small but growing number of companies in the market draw on their knowledge of what customers value or the value to gain marketplace advantages over their less knowledgeable competitors (Anderson and Narus, 1998). Therefore, providing superior customer value is the key to staying competitive and is the fundamental driver of profitability, growth, and shareholder value in the present day context. Customer loyalty is the indication of fulfilling customer preferences that is commonly referred to as the 'loyalty ladder'. A genuine long-term relationship with consumers occurs when an emotional bond or connection develops through lasting loyalty. This, in turn, is achieved through successful customer retention, brought about by consistent customer satisfaction. With the changing face of the consumers, it is of great importance for the marketer to understand how the consumers perceive when making a purchase decision. As building and sustaining customer relationship is one of the crucial factors which make or break a company, the owners need to study the consumer's perception of the extrinsic and intrinsic cues of a product.

In recent years, the adoption of mobile phones has been exceptionally rapid in many parts of the world. In Sri Lanka, cellular phones, now-a-days, is a very common thing. Although the mobile phone has become the basic instrument of personal communication across the world, consumer research has devoted little attention on studying the behaviour of mobile phone buyers. Only a few studies are found in the recent literature. Although the large players in the telecommunications business, such as Nokia, Sony-Ericsson, and Motorola, often conduct market research and survey consumers, the problem is that the results obtained are usually kept as a well-guarded secret within the four walls of the company.

LITERATURE REVIEW

Concept of Customer Value

Peter Drucker insightfully observed that a company's first task was to create customers. However, creating customers is a difficult task. Today, a customer has, before him, a vast variety of products, brands, price offers, and suppliers. The company, therefore, study how the customers make choices and decisions. Customers are value-maximisers within the bounds of search costs and limited knowledge, mobility and income; they form expectations of value and act upon them. Then they compare the actual value they receive with the value they expect. This affects their satisfaction and repurchasing behaviour (Kotler and Armstrong, 2008). The customer value approach focusses on how people choose among competing suppliers (attraction, retention and customer market share gains). This approach leads companies to search for the answers to three customer-value questions (Gale, 2000):

1. What are the key buying factors that customers value, when they choose among a company and its competitors?
2. What is the relative importance of these components of customer value?
3. How do customers rate a company's performance vis-à-vis its competitors on each key buying factor?

On similar lines, Crego and Schiffman (1997) observe that market-driven organisations must study what the customers' value and then prepare an offering that exceeds their expectations. They see the process in three steps:

1. Defining the product and the relevant factors that influence the customers' perception of value;
2. Building the customer-value hierarchy, that is, assigning each factor to one of the four groups, basic, expected, desired, and unanticipated; and
3. Deciding on value-packaging, that is, choosing the combination of tangible and intangible items, experiences and outcomes, designed to out-perform the competitors and win the customer's delight, loyalty and long-term profitability to the organisation.

Thus, the first and the most important element in the endeavour of customer-value management is to develop a thorough understanding of the customer value and its drivers. Based on the empirical study, they observed that there existed a linkage between value, intentions and satisfaction. The value was found to have a strong and significant impact on the satisfaction (and dissatisfaction) which, in turn, has a significant effect on intentions (Patterson and Spring, 1997).

Some progress has been made in understanding of how consumers perceive value. Typically, customers may perceive value in many aspects of an exchange, which may involve a product, brand, store, or an interaction with the salesperson (Halbrook, 1994: Zeithaml, 1988). Furthermore, the customer-value perception may occur throughout all the stages of consumption.

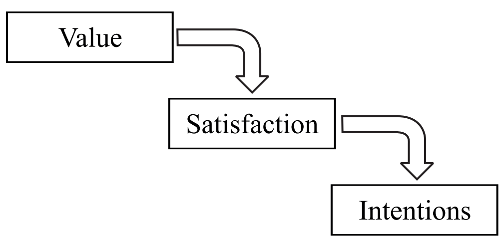

Figure 1: Linkage between Intentions, Satisfaction, and Value

Source: **Patterson and Spring (1997), p. 427**

Understanding value in business markets and doing business based on value delivered gives suppliers the means to get an equitable return on their investment (Anderson, 1998). Therefore, both parties in the customer-firm relationship will benefit from the customer retention. That will not only be in the best interest of the organisation to build and maintain a loyal customer base, but the customers themselves will also benefit from the long-term association (Zeithaml, Bitner, Drenlar, and Pandit, 2008).

Therefore, consumers' repurchase intentions and recommending behaviour are the ultimate goal of any business. According to Zeithaml, *et al.* (2008), consumers heavily use quality (or service quality for services) and satisfaction to infer repurchasing intentions and recommending behaviour. In addition to quality and satisfaction, a more recent concept has appeared in consumer behaviour models, the "value perception of consumers". Compared to quality and satisfaction, the concept of value perception has been studied very little (Holbrook, 1999) and a growing concern has been noted in the consumer behaviour literature for the perceived-value concept [Cronin, Brady, and Hult, 2000; Bolton and Drew, 1991).

The most common concentration on perceived value suggests a trade-off between whatever one gets versus whatever one gives. Consumers give four meanings to the value concept: low price, aspects wanted in a product, the quality that consumer receives for the price paid, or what the consumer gets for what she/he gives. The latter meaning has been the concern for most researchers. A broad representation of give-and-get components of the perceived value have been proposed as a trade-off between the perceived benefits and the perceived sacrifice (Zeithaml, 1988; Zeithaml, Bitner, Drenlar and Pandit, 2008).

Monroe (1990) defined perceived value as the ratio between the perceived benefits and the perceived price (**Figure 2**).

$$\boxed{\text{Perceived Value}} = \frac{\boxed{\text{Perceived Benefits}}}{\boxed{\text{Perceived Sacrifice}}}$$

Figure 2: Perceived Value

Source: **Monroe (1990)**

The perceived benefits include physical attributes, service attributes, and technical support available in relation to the particulars product, as well as the purchase price and other indicators of perceived quality. The perceived price includes all the costs the buyer faces when making a purchase: purchase price, acquisition cost, transportation cost, installation cost, and order handling cost, repairs and maintenance cost, and risk of failure or poor performance.

Further, Kotler and Armstrong (2008) define customer delivered value as the consumer's assessment of the product's overall capacity to satisfy his or her needs. The difference between the total customer value and total customer cost is the profit to the customer. The customer delivered value is shown in **Figure 3**.

$$\boxed{\begin{array}{c}\text{Customer Delivered}\\ \text{Value}\end{array}} = \boxed{\begin{array}{c}\text{Total Customer}\\ \text{Value}\end{array}} - \boxed{\begin{array}{c}\text{Total Customer}\\ \text{Cost}\end{array}}$$

Figure 3: Customer Delivered Value

Total customer value is the sum total of all product, service, personnel and image values that the buyer receives from a marketing offer. Total customer cost is the total of all monetary, time, energy and 'psychic cost' associated with a marketing offer. Therefore, customers buy from the firm that offers the highest customer delivered value.

The components related to total customer value and total customer can be broken down into much more details to be managerially useful. The challenge for the manager becomes the identification of these key drivers of value, which are extremely significant for the customer. If the managers can identify and can manage these key drivers of value, their organisations will be extremely successful. This may even enable a manger to prioritise on expenditure and revenue which will ultimately result in the growth of the company. On the other hand, if the mangers are unable to identify the key customer drivers, this may eventually result in a dead-end for the company.

Determinants of Customer Delivered Value: The Construct

The conceptual model of customer perception, used in this study, is based on the model developed by Kotler (2000), shown in **Figure 4.**

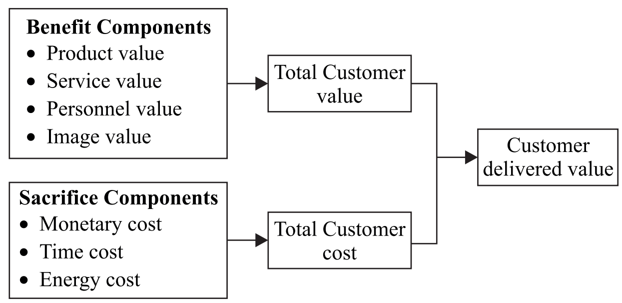

Figure 4: Conceptual Model of Determinants of Custom Delivered Value

Source: **Kotler, P. (2000),** ***Marketing Management*****, Millennium ed. (New Delhi: Prentice Hall of India).**

On the basis of the concept, the customer delivered value could be achieved through increasing the benefit component of total customer value and decreasing the sacrifice component of total customer cost. According to Kotler (2000), the total customer value could be achieved through the extrinsic and intrinsic cues of product value, service value, personnel value, image value and the total customer cost could be achieved through monetary cost, time and energy cost, and psychic cost.

Description of Determinant Factors

Product value: This determinant stands for a product's reliability, durability, product performance, and product offers.

Service Value: The service value is the perceived differences that the customer identifies concerning things, such as delivery, training, maintenance, and warranties.

Personnel Value: The personnel of the delivering company can be more or less knowledgeable, responsive, and courteous.

Image Value: The brand of a company communicates different images. This includes brand name, innovation, brand advertising, country of origin, and gifts.

Sacrifice Components: The sacrifice component has three determinants:

1. *Monetary Cost:* This incorporates most of the prices of the product or service.
2. *Time and Energy Cost:* While the cost a customer incurs while waiting in the line, the energy cost is the cost that the customer incurs in selecting the desired service.
3. *Psychic Cost:* Psychic cost refers to the mental tension and agony a customer has to suffer before/after purchase or before getting a service done, e.g., tension due to lack of information about a product, tension because the service is delayed or not available.

OBJECTIVES AND HYPOTHESES

The study seeks to examine the concept of customer delivered value in relation to the customers' perspective and mobile dealers' perspective. It also attempts to compare the vendor perception vis-à-vis the customer perception to ascertain whether both the parties view customer delivered value from the same angle. After literature review, we developed the following hypotheses:

H_{01}: Customer perception and vendor perception in relation to the product value are insignificant.

H_{02}: Customer perception and vendor perception in relation to the service value are insignificant.

H_{03}: Customer perception and vendor perception in relation to the personnel value are insignificant.

H_{04}: Customer perception and vendor perception in relation to the image value are insignificant

H_{05}: Customer perception and vendor perception in relation to the monetary value are insignificant.

H_{06}: Customer perception and vendor perception in relation to the time and energy cost are insignificant.

H_{07}: Customer perception and vendor perception in relation to the psychic cost are insignificant.

The *t*-test was used for testing the above hypotheses.

METHODOLOGY

Sample and Data Collection

The sampling frame for the study was the Capital City of Colombo in Sri Lanka. Two hundred each of the mobile users and mobile vendors were selected from the city. They were interviewed, using a self-administered, multi-focussed, convenience-cum-judgmental questionnaire.

The mall intercept method was used to collect the data on customers. The justification for using the mall intercept method is that the mobile using population has increased tremendously and today the two chosen malls reflect as a popular place for shopping, eating out, and for hanging out in the Colombo city.

This method of selection ensured the diversity of age, social status, education, and occupation in order to 'manufacture' distance (McCracken, 1998). The questionnaire was given to the subjects at the two malls, which were the Majestic City and the Crescent Boulevard. The week-end days were selected for this purpose as a mix of subjects could be selected having varying demographic backgrounds. The vendors were randomly picked up from the mobile telephone shops within the city limits of Colombo.

The questionnaire items were based upon the seven main variables identified by Kotler (2000), in respect of customer delivered value (**Figure 4**). A 5-point Likert scale was used to assess the subject's responsiveness toward these items.

The questionnaire was pre-tested by using 20 subjects and refinements were made based on the feedback. The questionnaire was further reviewed by a mobile phone marketer to ensure all relevant questions in relation to mobile phone products were included.

Since the objective of this study was to understand and identify the determinants of the perceived value at the point where the purchase intention of a mobile phone originated in the user's mind, the respondents were instructed to imagine their most recent purchasing experience of a mobile phone, during which they seriously considered the following factors before answering the questionnaire:

Product value: The items which were measured under the product value category included features, performance, technology, environmental and physical effects, physical appearance, durability, ease of use, weight, conformity to standards, battery function, additional features, and customization of features.

Service value: The service value included variables, such as warranties, availability of repair and maintenance services, and availability of spare parts.

Personnel value: The personnel value was measured in terms of six variables, viz., competence, courtesy, credibility, reliability, responsiveness, and knowledge of the service-provider.

Image value: This variable comprised brand name, country of origin, additional innovative features, number one brand in the international market, advertisements, celebrities, professionals' endorsement, and reparability of the phone

Monetary value: The monetary cost was measured in terms of price of the product, discounts offered, free gifts, exchange offers, and the price of spare parts.

Time and energy cost: The time and energy cost was measured from the following aspects: availability, purchasing through the Internet market, accessibility of the outlets, and the ease of purchasing/ordering of the phone.

Psychic cost: The psychic cost was measured via the following aspects: availability of information, free trials, money-back trials, endorsed by general users, remark by a dealer, behaviour of sales personnel /managers, music/ colour/ lighting of the phone, and the reliability of the information provided by the advertisements

DATA ANALYSIS AND INTERPRETATION

Exploratory Factor Analysis (EFA) was used to reduce a large number of correlated variables to a smaller number of 'super variables'. We did it by attempting to account for the pattern of correlation between the variables in terms of a much smaller. The *t*-test was used for testing the differences between two means. It indicates whether the difference between the group means is statistically significant or not.

Factor Reduction

The EFA was conducted as a first step in the confirmation of the research constructs. The 45 variables were analysed using the EFA, as it produces to confirm as to whether the arbitrary method of identifying the variables for seven constructs of product value, service value, image value, personnel value, etc., was in conformity with the marketing research science. The factor analysis has the ability to give descriptive summaries of the data matrices, which aid in detecting the presence of meaningful patterns among a set of variables (Dess and Davis, 1984). However, before using the factor `analyses, a number of initial tests were conducted to determine the suitability of the data for such an analysis.

When the original 45 variables were analysed by the principal component factor analysis with varimax rotation, a seven-factor solution emerged with 13 rotations. The total analysis explained a cumulative variance of 73 per cent. As the objective was "to retain the best item in a given conceptual pair, the item with the lowest loading, reliability coefficient, and/or item-to-total correlation was dropped and an iterative sequence of deleting items with low loadings was carried out until the cleanest structure with the highest loadings was obtained" (Otto, 1997, p. 154). The authorities on factor analysis observe that loadings equal to or greater than 0.40 are large enough to warrant interpretation (Kerlinger, 1979). The higher the factor-loading the more its test reflects or measures on a factor. Therefore, only the factor-loadings, greater than 0.40, are shown in **Table 1**.

Table 1
Exploratory Factor Analysis for Customer Perception of Delivered Value

Rotated Component Matrix

		Components						
S.N	*Total Customer Delivered Value*	*1*	*2*	*3*	*4*	*5*	*6*	*7*
	Attributes	*Product Value*	*Personnel Value*	*Image Value*	*Psychic Cost Value*	*Service Value*	*Monetary Cost Value*	*Time and Energy Value*
1	Brand name			0.49				
2	Country of origin			0.70				
3	Innovative features			0.53				
4	Brands endorsed by celebrities			0.69				
5	Brand advertising			0.45				
6	International brands			0.62				
7	Free gifts						0.63	
8	Brands endorsed by general users				0.47			
9	Price of product						0.55	
10	Price of spare parts						0.65	
11	Exchange offers						0.53	
12	Discounts						0.48	
13	Competency of the service provider		0.89					
14	Courtesy of the service provider		0.86					
15	Credibility of the service provider		0.87					
16	Responsiveness of the service provider		0.85					
17	Knowledge of the service provider		0.70					
18	Behaviour of sales personnel		0.70					
19	Ease of purchasing							0.55
20	Wide availability of brands							0.60
21	Market via internet							0.74
22	Easy accessibility of outlets							0.53
23	Features	0.80						
24	Performance	0.75						
25	Technology	0.79						
26	Physical appearance	0.80						
27	Durability	0.75						
28	Battery function	0.75						
29	Weight	0.80						
30	Additional features	0.69						
31	Environmental & Physical effects	0.83						
32	Confirmation to standards	0.79						
33	Ease of use	0.82						
34	Customerisation of features	0.69						
35	Reparability	0.79						
36	Explicit information on usage of product	0.60						
37	Warranties					0.79		
38	Repairs and maintenance					0.73		
39	Availability of spares					0.49		
40	Free trials				0.74			
41	Money back trials				0.65			
42	Image of sales outlet				0.81			
43	Information on advertisements				0.47			
44	Brands endorsed by professional				0.62			
45	Remarks by vendors				0.84			

Extraction Method: Principal component Analysis
Rotation Method : Varimax with Kaiser
Rotation coverged in 13 iterrations

FINDINGS

Customer and Vendor Perception of Product Value

The mean value of significance of various product value variables and *t*-statistics for difference of means as perceived by the customers and the vendors are presented in **Table 2**. The variables such as 'weight' , 'reparability' , 'durability' and 'customisation of features' are perceived high by the customers as compared to the vendor mean values. It suggests that the customers believe that these factors will generate better value when considering the value of a product. But except for 'customisation of features', even though 'weight', 'reparability' and 'durability' were perceived high by the customers.

Table 2
Comparison of Customer and Vendor Perception of Significance of Product Value

Product Value	*Customer*		*Vendor*		*t-value*
	Mean	*Std. Dev.*	*Mean*	*Std. Dev.*	
Explicit information on the usage of the phone	4.08	0.77	4.97	0.17	-11.222*
Physical appearance	4.43	0.64	4.74	0.46	-3.925*
Performance	4.65	0.54	4.87	0.34	-3.458*
Features	4.43	0.69	4.72	0.49	-3.432*
Functioning of the battery	4.66	0.54	4.77	0.42	-1.611
Environmental and physical effects	3.89	1.25	4.02	1.01	-0.809
Technology	4.48	0.63	4.53	0.54	-0.604
Ease of use	4.37	0.65	4.42	0.57	-0.58
Conformance to standards	3.71	1.09	3.72	0.98	-0.069
Additional features	4.03	0.78	4.03	0.78	0
Weight	4.47	0.54	4.45	0.58	0.253
Reparability	4.36	0.73	4.32	0.80	0.368
Durability	4.62	0.55	4.59	0.53	0.393
Customisation of features	4.25	0.96	3.64	0.88	4.686*

Significance level: * $P<0.01$

On the other hand, the vendors contributed significance towards variables such as 'explicit information on the usage of the phone', 'physical appearance', 'performance', and 'features'. These variables were significantly less important from the customers' view whereas the vendors perceived high on theses variables.

The '*t*' test results indicate some significant differences between the customers and vendors in respect of the following factors: explicit information on the usage of phone, physical appearance, performance, features, and customerisation of features. The mean scores of customer perception which recorded the lowest mean scores (4.08, SD= 0.77; 4.43, SD= 0.64; 4.65, SD= 0.54; 4.43, SD= 0.69; 4.25, SD= 0.96) was significantly different from the mean score of vendors perception (4.97, SD=0.17; 4.74, SD= 0.46; 4.87, SD= 0.34; 4.72, SD= 0.49; 3.64, SD= 0.88) at 0.01 level of significance, respectively. However, with respect to other factors, no statistically significant differences were found between the customers and vendors. The factors which were identified as statistically significant differences imply that those factors affect both customers and vendors perception at a different level.

Hypothesis 1

The hypothesis was put to test: 'Customer perception and the vendor perception in relation to product value are insignificant'. The'*t*'-test results from testing the product value attribute as presented in **Table 2** signifies that there was a significant interaction between the customer perception and vendor perception in relation to product value. Therefore, the variables, such as 'explicit information on the usage of the phone', 'physical appearance', 'performance' and 'customisation of features' at [$P<0.01$ level] significantly vary among the perception of the vendor and the customer with regard to customer delivered value. Thus, the hypothesis on insignificant variance among the customer and vendor perception stands rejected.

Customer and Vendor Perception of Service Value

It is clear that the vendors value the factor under the consideration of service value has more important than the customers. All the factors were significantly high under the measurement of 'vendor perception' of service value.

Table 3
Comparison of Customer and Vendor Perception of Significance of Service Value

Service value	*Customer*		*Vendor*		*t-value*
	Mean	*Std. Dev.*	*Mean*	*Std. Dev.*	
Warranties	3.41	0.89	3.65	0.76	-2.056**
Repairs and maintenance	3.67	1.08	3.99	0.78	-2.393**
Availability of spares	4.05	0.86	4.38	0.65	-3.071*

Significance level: * P<0.01, ** P<0.05

In the case of warranties and repairs and maintenance, the mean score of customers perception, which recorded the lowest mean score (3.41, SD=0.89; and 3.67, SD=1.08), was significantly different from the mean score of the vendors perception (3.65, SD=0.76; 3.99, SD=0.78), at 0.05 and 0.01 levels of significance, respectively. Similarly, the mean score of the availability of spares under the customers perception, which recorded the lowest, mean score (4.05, SD=0.86), was significantly different from the mean score of the vendors perception (4.38, SD=0.65), at the 0.01 level of significance.

Hypothesis 2

The following hypothesis was put to test 'Customer perception and the vendor perception in relation to service value are insignificant'. All the factors which come under service value significantly vary with the perception of the vendors and the customers in relation to the service value at different levels of significance. Therefore, the hypothesis assuming insignificant variance among the vendor perception and the customer perception is rejected.

Customer and Vendor Perception of Personnel Value

Comparison among the vendor's perception and customer perception in relation to personnel value is shown in **Table 4**.

Table 4
Comparison of Customer and Vendor Perception of Significance of Personnel Value

Personnel value	*Customer*		*Vendor*		*t-value*
	Mean	*Std. Dev.*	*Mean*	*Std. Dev.*	
Knowledge of the service-provider	4.94	0.24	4.98	0.14	-1.444
Competency of the service-provider	4.89	0.31	4.94	0.24	-1.266
Courtesy of the service-provider	4.88	0.33	4.93	0.26	-1.204
Responsiveness of the service-provider	4.91	0.29	4.95	0.22	-1.106
Credibility of the service-provider	4.88	0.33	4.92	0.27	-0.94
Behaviour of sales personnel	4.82	0.39	3.41	0.95	13.694*

Significance level: *P<0.01

The results show that the vendor gives high importance in relation to personnel value than the customer perception.

Variables, such as 'knowledge of the service-provider', 'competence of the service-provider', 'courtesy of the service-provider' and the 'responsiveness of the service-provider', gained a significant importance under the vendor perception of service value. But all the factors, except the behaviour of sales personnel, come under service value, which were reported that no statistically significant differences were found between the customers and vendors. In the case of the behaviour of sales personnel, the mean score of vendor perception, which recorded the lowest mean score (3.41, SD= 0.95) was significantly different from the mean score of customer perception, at .01 level of significance.

Hypothesis 3

The following hypothesis was put to test: 'Customer perception and the vendor perception in relation to personnel value are insignificant'. Based on the results of the *t*-test 'behaviour of sales personnel' (P<0.01) has a significant variance among the customer and the vendor perceptions. Therefore, the hypothesis is not supported and it can be derived that the customer and the vendor perceptions of personnel value differ.

Customer and Vendor Perception of Image Value

The customer perception and vendor perception in relation to image value is presented in **Table 5.**

Table 5
Comparison of Customer and Vendor Perception of Significance of Image Value

Image value	*Customer*		*Vendor*		*t-value*
	Mean	*Std. Dev.*	*Mean*	*Std. Dev.*	
Country of origin	4.20	0.71	4.63	0.49	-4.997*
Brand Name	4.55	0.58	4.80	0.40	-3.563*
International Brands	4.42	0.50	4.62	0.49	-2.875*
Innovative Features	4.65	0.48	4.80	0.40	-2.398**
Brand Advertising	4.39	0.67	4.57	0.50	-2.167**
Brands endorsed by Celebrities	3.91	0.92	3.88	0.84	0.24

Significance level: * P<0.01, ** P<0.05

The variables, such as 'country of origin' , 'brand name', 'international brands', 'Innovative features', 'brand advertising', are highly viewed by the vendors as compared to the customers under the category of image value.

In comparison with customer perception and vendor perception of image value, the mean score of the country-of-origin, brand name, and international brand under the customer perception, which recorded the lowest mean score (4.20, SD=0.71; 4.55, SD=0.58; and 4.42, SD=0.50) was significantly different from the mean score of the vendor perception (4.63, SD=0.49; 4.80, SD=0.40; and 4.62, 0.49) at 0.01 level of significance. However, in the case of brand endorsed by celebrities, no significance difference was found between the customer and vendor perceptions.

Hypothesis 4

No significant interaction between the vendor perception and the customer perception of image value was put to test. It may be noticed from **Table 5** that there were significant variances among the variables, such as, 'country of origin' [P<0.01], 'brand name' (P<0.01), 'international brands' (P<0.01), 'innovative features' [P<0.05], and 'brand advertising' [P<0.05]. The hypothesis stands rejected. Thus, there is a significant variance among the customer and vendor perception in relation to the image value.

Customer and Vendor Perception of Monetary Cost

The comparison of perception of the vendor and customer delivered value is shown in **Table 6**.

Table 6
Comparison of Customer and Vendor Perception of Monetary Cost

Monetary Cost	*Customer*		*Vendor*		*t-value*
	Mean	*Std. Dev.*	*Mean*	*Std. Dev.*	
Price of Spare parts	3.65	0.73	3.89	0.72	-2.336**
Free Gifts	3.45	0.96	3.35	0.89	0.764
Price of product	4.86	0.57	4.76	0.65	1.154
Exchange Offers	3.70	1.01	3.25	0.90	3.321*
Discounts	4.01	0.99	2.74	1.18	8.257*

Significance Level: *P<0.01 ** P<0.05

It may be noticed that the customers perceive highly the variables of 'discounts', 'exchange offers' , 'price of the product' and 'free gifts' relative to the vendors, whereas the vendors have given more importance to the 'price of spare parts'. This implies that the vendors need to give more importance to the variables which the customers attach more importance. In comparison of perception of the vendor and customer on delivered value, the exchange offer and discounts where these two mean scores of customer perception were significantly different from the mean score of the vendor perception, at the 0.01 level of significance (mean difference 0.45 and 1.27 respectively). Similarly, the mean score of the price of spare parts, under the customer perception, which recorded the lowest mean score (3.65 and SD=0.73), was significantly different from the mean score of the vendor perception (3.89 and SD=0.72), at the 0.05 level of significance. However, with respect to the other factors, such as the free gifts and the price of the product, no statistically significant differences were noticed between the customer perception and the vendor perception.

Hypothesis 5

According to the result of *t*-test, there is a significant variance among the variables: 'discount' [P<0.01], 'exchange offers' (P<0.01) and price of spare parts (P<0.05). This rejects the hypothesis of insignificant variance among the vendor and customer perception in relation to the monetary cost.

Customer and Vendor Perception of Energy and Time Costs

The important mean score of customer and vendor perception of energy and time cost is shown in **Table 7.**

Table 7
Comparison of Customer and Vendor Perception of Significance of Time and Energy Cost

Time and Energy Cost	*Customer*		*Vendor*		*t-value*
	Mean	*Std. Dev.*	*Mean*	*Std. Dev.*	
Ease of purchasing	4.01	0.70	4.08	0.61	-0.75
Wide availability of brands	3.79	0.82	3.87	0.75	-0.721
Easy accessibility of outlets	4.11	0.79	3.97	0.72	1.312
Market via Internet	3.89	1.01	3.54	1.24	2.182*

Significant Level: * P<0.05

It may be noticed that the customers perceive greater value for variables, such as 'marketing via Internet' (P<0.05), and 'easy accessibility of outlets' (No significant difference). This need to be very carefully considered by the vendors as this factor depicts the convenience lifestyle of the new-generation customers. Variables, such as 'ease of purchasing' and 'wide availability of brands', are perceived highly by the customers and the vendors.

Hypothesis 6

No significant variance among the vendors and customer perceptions of time and energy cost was put to test. Since the variable 'market via Internet' (P<0.05) has gained a significant variance. Thus, there is a significant variance among the customer and vendor perception in relation to the time and energy costs. The hypothesis is rejected.

Customer and Vendor Perception of Psychic Cost

The importance means score of customer and vendor perception on the psychic cost is shown in **Table 8**.

Table 8
Comparison of Customer and Vendor Perception of Significance of Psychic Cost

Psychic Cost Cost	*Customer*		*Vendor*		*t-value*
	Mean	*Std. Dev.*	*Mean*	*Std. Dev.*	
Brands endorsed by general users	3.00	0.88	3.87	0.66	-7.925*
Remarks by vendors	3.89	1.23	4.17	0.79	-1.914
Brands endorsed by professional	3.85	0.86	3.87	0.73	-0.177
Image of outlet	4.17	0.92	3.97	1.11	1.39
Money-back trials	4.21	0.71	3.97	1.11	1.823
Information on advertisements	4.27	0.55	4.06	0.71	2.346**
Free trials	4.14	0.55	3.48	1.17	5.112*

Significanc Level: * P<0.01, ** P<0.05

From the table, it is noticed that while the customers have attached high importance to 'free trials' (P<0.01), 'information of the product in advertisements' (P<0.05), 'money-back trials' (not significant) and 'image of the outlet' (not significant), the vendors have given high importance to variables, such as 'brands endorsed by professionals', 'remarks by vendors',and brands endorsed by general users'.

In comparison with the customer perception and the vendor perception in relation to the psychic cost, the mean score of the country of brand endorsed by general users, which recorded the lowest mean score (3.00, SD=0.88) was significantly different from the mean score of vendor perception (3.87, SD=0.66). In the case of 'free trials', and 'information on advertisements', and the mean score of vendors perception which record the lowest score (3.48, SD=1.17; 4.06, SD=0.71;), was significantly different from the mean score of customer perception (4.14, SD=0.55; 4.27, SD=0.55), at 0.01 and 0.05 significance level. However, with respect to other factors, such as 'brands endorsed by professionals', 'remarks by vendors', 'image of outlet', and 'money-back trials', no statistically significant differences were found between the customer perception and the vendor perception.

Hypothesis 7

The hypothesis tested here is that the customer and vendor perception is not significantly varying in relation to the psychic cost value. But as the variables 'brands endorsed by general users' ($P<0.001$), 'free trials' ($P<0.001$), and 'information of the product on advertisements' ($P<0.005$) have gained a significant variance. It suggests that there is a significant variance among the vendor and the customer perceptions of psychic cost value. Therefore, the hypothesis is rejected.

CONCLUSION

The study contributes to the marketing literature by broadening the perceived customer value concept by synthesising the findings from the previous studies and by integrating several key variables into one theoretical framework. The significance of customer delivered value; the suppliers will be enabling to acquire an important source of competitive advantage by paying attention to changes in customers' desired value. Therefore, the findings of this study will eventually help the mobile phone vendors in recognising the changes in their customer delivered value and deeper understanding of those changes. Vendors may choose to take either a reactive or proactive position relative to customer desired value. Reactive marketers wait to respond to changes as they occur, such as when they are asked by customers. In contrast, proactive marketers actively influence the changes in the customers' desired value by helping the customers interpret the changes in their environment, respond to those changes, and possibly avoid undesirable changes. Therefore, it is vital that the vendors and the companies understand the customer delivered value and the individual constructs which contributes to that value.

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One cannot do right in one department of life whilst he is occupied in doing wrong in any other department. Life is one indivisible whole.

Mohandas Karamchand Gandhi (1869-1948)

★★★★★

Yesterday we obeyed kings and bent our necks before emperors.
But today we kneel only to truth, follow only beauty, and obey only love.

Khalil Gibran, mystic, poet, and artist (1883-1931)

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CONSUMERISM, CONSUMER COMPLAINTS AND GRIEVANCE REDRESS
Review of Recent Researches

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Abstract

Redressing of consumer grievances is a pre-requisite for ensuring long-term customer loyalty and increasing profit and market share for any business concern. The governments all over the world and many customer-oriented companies have set up formal systems for resolving consumer disputes and redressing their grievances. This paper presents a comprehensive review of recent researches on the subject of consumer-grievance redress, and gives a critical look at the Western as well as the Indian studies to record the evolution of consumerism, awareness of consumer protection measures, complaining behaviour of aggrieved consumers, impact of their complaints on companies' marketing practices, and the functioning of the grievance-redress systems in India. The author has found that the subject has not attracted due attention of research scholars in India. She notes that there is a vast scope of researching the diverse areas in this exciting field, particularly the areas where the consumers have close encounters with the service-providers, and are also prone to consumer dissatisfaction and grievances.

Key words: ***Consumerism, Consumer complaints, Grievance-redress systems, Research studies.***

INTRODUCTION

A review of literature in a particular area of study provides a rich store of valuable ideas. Such review is also useful in identifying different dimensions of the research topic and the researcher getting familiar with the studies already conducted in the field. Moreover, it helps the researcher in formulating the objectives and setting out the hypotheses or tentative solutions of the problem under study. The review also assists in discussing and evaluating the results of the study undertaken by the scholar by way of supporting or contradicting the results.

OBJECTIVES AND SCOPE

The article is intended to review the research studies in the area of consumerism, consumer complaints, and consumer grievance redress conducted in India and the Western world. Major

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studies available on the subject are grouped under five categories:

1. Studies on concept and dimensions of consumerism;
2. Studies on awareness of consumer protection measures;
3. Studies on consumer complaining behaviour;
4. Studies on impact of consumer complaints; and
5. Studies on the consumer-grievance redress systems.

The studies are reviewed in the following paragraphs.

STUDIES ON THE CONCEPT AND DIMENSIONS OF CONSUMERISM

In a pioneering study on the subject, Day and Aaker (1970) emphasised three facets of consumerism: (1) protection against clear-cut abuses, which is regarded as the least controversial and oldest aspect of consumerism; (2) provision of adequate information, the most controversial issue; and (3) protection of consumers against themselves and other consumers. With regard to the second facet of the concept, Bauer and Greyser (1967) identified two-polar positions on consumer information. On one extreme, there is the traditional view of the business that the buyer should be guided by his own judgement of the manufacturer's reputation and the quality of the brand. This view embodies the traditional Anglo-Saxon dictum of '*caveat emptor*' (let the buyer beware). On the other extreme, the information on the products, services and the seller should be provided by impartial sources to reveal the relevant performance characteristics.

A survey of 367 respondents (including 241 university students of marketing, 55 non-employed adult women and 71 businessmen) conducted in 1973, by Kangun, *et al.* (1975), revealed that an overwhelming majority (80 per cent) of the non-employed women and 60 per cent of students and businessmen agreed that the information on health and safety, product quality, repair and servicing, and pricing should be considered as part of consumerism. All issues except consumer representation in government were considered important by over 75 per cent of the students and non-employed women. The authors suggested a strong consensus for future action in these areas of interest. The respondents were unanimous on the importance of consumerism. Surprisingly, 70 per cent of the businessmen also shared the consumers' view.

A nation–wide survey of leading marketing managers and consumer advocates, conducted in the US in 1974, by Barksdale and French (1976), revealed that more than three-quarters of the consumer advocates agreed that the objectives of marketing were not in conflict with consumerism and that the movement had not yet reached its maturity. More than 85 per cent of these respondents felt that the work of Ralph Nader and other consumer activists in the US was not to disrupt the free-enterprise system. In their opinion, consumerism acted as a major factor behind increasing the government regulation of marketing and advertising.

Business executives of Europe, surveyed by Straver (1977), revealed that consumerism did not only pose threats, but also offered opportunities for future strategies. According to him, while the consumerists accused businessmen of lacking self-regulation in restraining the perceived marketing injustice, the marketers often criticised consumer organisations for their ''unreasonable aggressiveness and lack of technical competence.'' Straver observed that businessmen generally shun the presence of too many redress agencies, causing various restrictions on them.

In another Western research, Herrman (1970) studied the consumer movement in the West during the 1960's, and compared it with that of the 1900's and the 1930's. He noticed a common feature of the consumer movement in those decades; each was found to have taken place during a period of 'serious economic and social dislocation' and rising prices, leading to declining real income for people. Herrman also noted the growing consumer consciousness as well as the changing business behaviour. He discovered different kinds of coalitions that made up the consumer movement, which he termed as 'the adaptionists', 'the protectionists', and 'the reformers'. He emphasised that since the consumer movement had lacked a plan of action, its choice of issues arose from the historical incidents and which took place due to lack of leadership. Moreover, consumer problems aroused concern among the middle and upper-middle class families.

In his study of the consumer movement in selected European countries, Straver (1977) found Sweden as the country where the consumer movement had permeated most completely into society, followed by the US, the UK, France, and Germany, in that order. Moreover, the importance of the role of the government was found to be unique in the Swedish consumer movement, since it financed consumer education and information, widely using the mass media.

In a later study, Straver (1978), observed that the consumer must be in a position to determine for himself, what he considers to be a life of quality; he must be free to select safe products, be fully informed; must have a voice in the development of marketing strategies to the extent these affect the quality of life, as it is the consumer on whom the marketing concept is based.

Foxall (1978) sought to identify the major hardships suffered by the members of a comparatively young and well-intentioned movement, i.e., consumerism. He viewed some consumer activities as beneficial while others as 'valueless burdens' on both the businessmen and the buyers. Foxall felt that consumerism was a middle-class-dominated movement whose leaders should care for less-affluent, less-educated and less- articulate consumers. He warned that if consumerism led to decisions being made by others on behalf of consumers, rather than by consumers themselves, it would only harm the consumers.

In order to gain insight into the growth of the consumer movement in India, Varadrajan and Thirunarayana (1990) conducted a survey of households in Bangalore. They noted that the consumer movement in India was largely an urban phenomenon. However, they made no attempts to survey the rural population, due to their multi-lingual nature and lack of understanding of the English language. According to the authors, consumer movement was yet to come out as a major force in the in changing business environment of the Indian market. In terms of consumer responsibilities, Varadrajan and Thirunarayana noted that 51 per cent of the consumers felt that the consumers' problems were less serious in 1990 than ever before. Moreover, 80 per cent of consumers felt that the requisite information to become a well-informed consumer was not readily available.

Buskirk and Rothe (1970) explored the major factors which were discovered in earlier expressions of consumerism: (1) increased leisure time, rising income and higher educational levels; (2) inflation which led to high expectations of quality, which, if not achieved, led to increased frustration among consumers; (3) lower unemployment; (4) increased demand for product improvements leading to increased complexity in products; and (5) the success achieved by individuals, like Ralph Nader, as political support gained in favour of consumerism. All these factors symbolised the symptoms of growth of the consumer movement in the US.

A survey conducted by Greyser and Diamond (1974), on a random sample of 3418 *Harvard Business Review* subscribers, mainly from middle to top managers in industries (where marketing was regarded as an important function), revealed that the development of consumerism was an outcome of socio-economic conditions. They had selected five major factors: (1) inflation; (2) gap between product performance and the claims made by marketing; (3) consumer expectations of product quality; (4) decline in the product quality; and (5) the political appeal of consumer protection. The authors found that the consumers had become "more sophisticated, more price and quality–conscious, and more cynical to what marketers say or do".

Straver identified four factors that contributed to the rise of consumerism: (1) development of factors of production; (2) changes in environmental variables; (3) changes in managerial processes; and (4) changes in consumer satisfactions.

A survey, conducted in France by Chevalier and Lendrevie (1976), provided some insight into managers' perception of consumerism. It was found that 80 per cent managers agreed that businessmen should consult consumerists before launching new products, 81 per cent felt that the prevailing regulatory measures were inadequate to ensure protection of consumer interest, 69 per cent believed that business should be responsive to the consumers' demands. Only 26 per cent favoured the government control of the consumer movement.

In order to gain insight into the European marketers' views on issues relating to consumerism, Nicolaud (1987) conducted a survey of eighty-five managers associated with Food and Electrical Appliances companies, in France, Denmark, and the UK. The study revealed that the right to information (via improved labelling and packaging) and the right to safety were regarded as the two main consumerism issues. The respondent-marketers expressed deep concern over the kind of information provided by consumer associations. According to Nicolaud, marketers were worried about the validity and reliability of the methods used to analyse test results, more so, when they were not consulted by consumer organisations.

Moss and Richardson (1985) sought to examine certain aspects of trader-consumer transactions, crucial to customer satisfaction and its regulation by companies. They found that business firms recognised the pressures of consumerism and its continuity at higher levels in the future. Most successful companies regarded consumerism as an opportunity rather than a threat and responsive programmes had "yielded dividends through increased consumer confidence". They also felt that if they resisted, it would only result in increased government regulation accompanied by various problems, including "high costs, inflexibility and uneven administration". The authors concluded that it was the best time to accept consumerism and to satisfy the consumers.

The findings of Straver (1977) in this regard were almost similar. According to him, the government regulations will "suffocate" both the business and the consumers. Despite the fear of encroaching legislations, the survey revealed that some companies got the opportunities out of the consumerist phenomenon, which included the development ahead of competition, meeting the consumer demand for information, developing ahead of any expected legislation.

In a study, dealing with the future of consumerism, Straver (1978) concluded that, in Europe, consumerism would endure as long as the conditions that had favoured its development persisted. Further, as the consumer organisations moved deeper into the social, economic and technical impact of products and their marketing strategies, traders' professional competence must keep pace with the developments. However, as per Straver, unless activism and regulation are concerned with specific issues on which business and consumerists can come out with feasible solutions or agreeable decisions, the consumer movement would be ineffective.

On predicting the future course of consumerism, Herrman (1970) noted that among the consumer issues, health and safety problems would continue to arise as it was in the past. According to him, the increasing number of consumer organisations would also increase the likelihood of consumer unrest. He concluded that the challenge of consumerism might prove to be less threatening to marketing than ever before. In his view, consumerism can serve as an opportunity to improve the consumer services and relationships that are an integral part of the marketing concept.

Day and Aaker (1970) sounded a word of caution when they observed that it would be naïve to express consumerism as a static entity; rather, it had a dynamic past, it would continue to be as such, and would change at an increasingly rapid rate. According to them, the scope of consumerism would ultimately subsume or be subsumed by, two other areas of social concern: (1) 'distortions and inequities in the economic environment', and (2) 'the declining quality of the physical environment'. They further predicted that as the consumer movement joined with the conservationists and interested legislators, the government action would ensue.

Hilton (2003) developed a comprehensive history of consumerism as an organised social and political movement and a ground-breaking account of consumer movement, ideologies, and organisations in the 20th-century Britain. He explored how the consumer and consumerism came to be regarded by many as a 'third force' in society, with potential to free politics from the perceived stranglehold of the self-interested actions of employers and trade unions.

Based on an empirical study of Norwegian consumers, Hoist and Standbakken (2009) attempted to assess the four fundamental consumer rights (as formulated by US President John F. Kennedy, in 1962) in the context of the markets of nano-enabled products. Their hypothesis was that these rights, although revolutionary and necessary at the time they were introduced, can be considered almost self-evident and non-disputed in today's Western world. However, the study revealed that with regard to the right to safety, the current regulatory framework for these products was unclear and unsatisfactory; there was a significant group of products that actually do use nanotechnologies but fail to state as such (right to information). Realising the lack of solid scientific evidence in the field and complexity, nanotechnologies are not an easy field for consumer organisations to suggest knowledge-based policies for implementation of the right to be heard. They concluded that consumer rights in the nano-age are not self-evident but need to be strengthened, partly redefined, and revived for empowerment and protection of consumers.

STUDIES ON AWARENESS OF CONSUMER PROTECTION MEASURES

The emergence of consumer movement results in market regulation measures. The Central and State governments bring laws, rules and regulations to protect consumers. A number of research studies attempted to examine the impact of such measures. This section attempts to review the studies which have focussed on the consumer awareness of such measures.

A study conducted by Jobber and Bendelow (1979) examined whether: (a) the consumers in the UK were ignorant of their rights; (b) such ignorance was equally spread all over or was concentrated in certain sub-divisions; (c) the difference in the level of the awareness of their rights between various products and service categories; and (d) the frequency of complainants' visits to their Consumer Advice Centres (CAC), set up in the UK, for consumer assistance. The study revealed that there was a low awareness about the consumer rights and that only 2 per cent of the respondents, during 1974 and 1975, had visited the CAC. Surprisingly, despite an unsatisfactory experience with the product purchased, the respondents never visited the CAC for advice or assistance, even where they were well aware of its location.

After eliciting the opinion of educated consumers in the Guntur District of Andhra Pradesh, Subramanyam (1982) found that 72 per cent of the respondents were aware of the terms, such as 'consumer', 'consumer protection', and 'consumer movement'. This was a time when consumer movement in India was in its infancy.

A study conducted by Verhage (1987) in Holland to measure consumers' familiarity with various marketing practices and the legal remedies available to them under the consumer protection laws of the 1980s, and how far that awareness was similar to that in the US. A survey of 300 households and 79 lawyers revealed that: (a) The lawyers were, on the whole, more knowledgeable than consumers, with an average response rate of 65 per cent as against 57 per cent for the consumers, and (b) Men were more aware of consumer protection measures than women, due to higher education levels among men. Besides, significant consumer differences existed between the two countries (the US and Holland) in certain areas of the specified law. The study also revealed that while the Dutch consumers were more aware of false and deceptive advertising, Americans had a better understanding of the law of ' truth in lending'. No differences were, however, found in respect of the awareness about the labelling laws. Further, in respect of the Netherlands, Verhage noted a lower awareness of the law for both types of respondents, despite the fact that at least four television and radio shows in the Netherlands supplied such information to the consumers.

In an Indian study, Thanulingam and Kochadai (1989) noted that while only 46.7 per cent of consumers were aware of their rights, 52.5 per cent were aware of the Consumer Protection Act (CPA) measures, 42.5 per cent knew about the statutory bodies, set up under the CPA, and a mere 3.33 per cent of the consumers had made a complaint to any consumer organisation. Moreover, none of the respondents was a member of any consumer organisation.

In order to ascertain the extent of public awareness about consumer protection measures contained in the Consumer Protection Act, the then Ministry of Supplies, Consumer Affairs and Public Distribution, of the Government of India, commissioned a study in 1995, through the Indian Institute of Public Administration, New Delhi, which conducted a survey in 10 districts, spread over five states. The study revealed that out of the 1168 respondents, 976 (83.56 per cent) were not aware of the consumer protection measures, and 89.91 per cent did not even know the procedure of filing a complaint for redress of their grievance from the official agency set up for this purpose. The pathetic state of consumers' ignorance might have improved with various measures adopted by the Government.

In a survey in Marathwada in Western India, on a sample of 750 consumers, during the years 1994 and 1995, Sawarkar (1996) found that while a majority (51.33 per cent) of the respondents were totally ignorant of the CPA measures, 49.12 per cent were unaware of the Consumer Forums set up under the Act and 54.38 per cent did not even know the procedure of filing a complaint. Sawarkar found that the lack of awareness of the CPA measures and the absence of a purchase document, were the main reasons for dissatisfied consumers not filing a complaint before any Consumer Forum.

Bhashyam (2000) sought to evaluate the working of consumer forums in Andhra Pradesh and the extent of consumer awareness about the provisions of the CPA. The study revealed that while 82 per cent of the urban respondents were aware of the provisions of the CPA, only 68 per cent of the rural respondents were aware. Moreover, 78 per cent of the 175 urban respondents, and 77 per cent of the 225 rural respondents were aware of their rights. Furthermore, while 37.20 per cent of respondents from very low-income groups came to know about the CPA through television, people from the middle-income group and the high-income groups came to know it from newspapers and magazines. Among the illiterate groups, 50 per cent people became aware through radio, or through neighbours and friends.

The Australian Uniform Consumer Credit Code (AUCCC) seeks to protect consumers in consumer credit transactions by way of: (1) disclosure regulations applicable to entering into a credit contract, and (2) 'safety net' provisions applicable in case of unjust transactions. Wilson, Howell and Sheehan (2009) explored the limitations of both of these means of protection, particularly, in the case of the vulnerable and low-income consumers. The scope and application of the safety net provisions was criticised on a number of grounds, including: (1) the provisions relied on action taken by individual consumers to activate the protection offered; and (2) there is no scope for regulators to institute proceedings on affected consumers' behalf. Moreover, the research participants faced difficulty in understanding the consumer rights. They also stressed the need for disclosure requirement to be consumer-tested before finalisation of the regulations.

STUDIES ON CONSUMERS' COMPLAINING BEHAVIOUR

Why do consumers complain? Why some consumers complain and others do not? These are some of the questions that have baffled social activists and businessmen alike. This area has been an interesting area of study. This section attempts to review such studies to provide a backdrop to the research on the evaluation of grievance-redress systems for consumers.

After studying the growth of the US consumer movement during the 1960s, Herrman (1970) observed that the most frequent subject of the complaints received by the US Consumer Affairs Department was the product warranty, followed by high prices, particularly for the products that did not 'hold up'.

In order to ascertain the remedies that consumers might seek in four specified situations, Kangun, *et al.* (1975) conducted a survey in 1973. They found that in all of the situations, namely (a) malfunctioning of colour-tube component of a television set, (b) delayed delivery of a branded refrigerator, (c) rising prices of meat items, and (d) hazardous substance in a doll, except (c), the vast majority of respondents in either a moderate action or no action at all. The major reasons discovered by the authors for this not-so-surprising finding included: (a) the consumer belief that most consumer problems can be solved without resorting to strong action which were costly in terms of time and money, (b) lack of awareness among consumers about the legal remedies available to them in dealing with their problems; (c) consumers' fatalistic outlook and belief that market excesses were difficult to alleviate. By contrast, as noted by the authors, the situation involving rising meat prices provoked more students and women to choose stronger action. Unlike in India, meat is the staple food in many Western communities and almost every family consumes it.

In order to identify the nature of consumer problems, Diamond, *et al.* (1976) conducted a survey of 150 calls drawn from a universe of 3000 consumer calls on a hotline in the US. The survey revealed that 14 per cent of the calls related to pre-purchase complaints, which included deceptive and offensive advertising, 27 per cent to purchase transaction, which included non-delivery or wrong and damaged product, 17 per cent to defective product, 11 per cent to product guarantee/ warranty, 26 per cent to service/ repairs, and the remaining calls pertained to security deposits or refusal for credit.

Diener and Greyser (1978) sought to ascertain the extent of dissatisfaction among consumers of personal-care products, the action taken, and the reasons thereof. The telephone survey of 466 woman consumers revealed that 35 per cent of the respondents experienced certain problems in the preceding year. The products involving the highest problem incidents among the regular users were anti-perspirants, mascara, and hair spray. The problem most clearly remembered was quite product-specific, like skin irritations and cloth stains from the anti-perspirants. These findings were consistent with the general perception. The manufacturers had frequently countered these grievances by re-designing the product and developing a new product. The study also revealed that the action taken by consumers included complaining, returning the product, or doing nothing. Among the actions taken, 'complaining' was the most frequent (46 per cent, including 34 per cent sharing their dissatisfaction with their friends, 7 per cent complaining to the retail store, and only 1 per cent to the Better Business Bureau[1]). Besides complaining, 9 per cent of the consumers returned the product—8 per cent to the retail store and 1 per cent to the manufacturer. None of the respondents complained to any government agency—either at the Federal, State, or the local level. The study also revealed that the most significant reaction from dissatisfied consumers was 'not re-purchasing'. 80 per cent of the customers did not re-purchase the brand that created a problem. This proportion was higher if the problem was a skin irritation or personal injury (88 per cent), or disappointment in product performance (92 per cent).

In a study on consumer complaints conducted in England and Wales, Morris and Reeson (1978) concluded that the durable products of technically complex nature, having a higher unit price, and infrequently bought, were subject to more complaints than the non-durable products. This was attributed to infrequent purchasing of durables leading to little first-hand information about the product. Moreover, the complaint was found to be the highest (16.67 per cent) in Yorkshire and Humberside and the lowest (7.36 per cent) in the Southwest. The variation in complaint rates was due to the differing rates of expenditure on consumer advisory service centres.

According to Straver (1978), consumer dissatisfaction has mainly arisen from the problems of quality-price relationship, planned obsolescence and product proliferation, and for reasons of safety and labelling. Advertising strategies have also been accused of shifting the emphasis from information content to psychological positioning as a means to product differentiation.

An investigative study on consumer awareness, conducted by Jobber and Bendelow (1979), revealed that 61 per cent of the respondents had a cause for complaint over the previous two years and that 20 per cent had suffered unresolved or unsatisfactory conflicts. A major problem discovered was that although a large number of people purchased the products that subsequently proved to be unsatisfactory, they did not visit the advice centres, despite knowing its location.

A study undertaken by Richins (1983) sought to examine W-o-M (word-of-mouth) communication as a response to dissatisfaction and whether the same variable that affected complaining also affected W-o-M. The word-of-mouth communication response, as defined by Richins, is the art of telling at least one friend or acquaintance about the dissatisfaction; and 57.2 per cent of the respondents were found to do so. While one-third of the respondents had reported at least one such complaint, 32.3 per cent of the respondents did not resort to either W-o-M or a complaint.

The study by Varadrajan and Thirunarayana (1990) examined the attitudes of consumers towards marketing practices, in India. The study revealed a high level of consumer scepticism towards the philosophy of business. While 80 per cent of the respondents expressed high level of dissatisfaction with the product quality, only 25 per cent felt that most of the product advertisements were believable and served as a reliable source of information on product quality and performance.

An emperical study conducted by Liljander (1999), on consumer complaining behaviour related to car repair services revealed that satisfaction with the complaint response does not completely eliminate the negative effects of a dissatisfactory experience. According to the study, while perceived distributive justice encouraged positive-word-of-mouth, a lack of interactional justice led to negative word-of-mouth.

In a study on the managerial response to complaints of passenger car buyers, Gunjeet Kaur (2001) found that the reputation, convenient location, and the service station run by the dealers were the most important factors favoured by the car buyers. The study has also revealed that the car users did not complain only about the car performance, but also about the unavailability of the desired colour. A major finding of Gunjeet is that the procedural justice and the distributive justice form the core of his expectations and that the car user is willing to forego a part of the distributive justice if he was provided interactive justice by the company in the form of a polite response to his complaint, besides accepting the blame and tendering an apology.

Gruber, Szmigin, and Voss (2009) sought to explore the nature of complaint satisfaction, specifically to examine how contact employees should behave and which qualities they should possess. The study also aims to explore the comparability of results obtained from two laddering methods, as the alternative techniques may lead to different sets of attributes. They conducted an exploratory study using the means-end approach and two laddering techniques (personal interviews and questionnaires) were conducted. The authors found that being taken seriously in the complaint encounter and the employee's listening skills and competence are particularly important. Owing to the exploratory nature of the study and the scope and size of its student sample, the results were tentative in nature. The value of the study lies in the fact that if companies know what customers expect, contact employees may be trained to adapt their behaviour to the customers' underlying expectations, which should have a positive impact on customer satisfaction. For this purpose, the authors made suggestions to managers to improve active complaint management.

The study has hopefully opened up an area of research and methodology that could reap considerable benefits for researchers interested in the area of customer complaint-satisfaction.

Augusto de Matos, *et al.* (2009) investigated in the context of service failure and recovery, how consumer satisfaction is affected by problem severity and company responsiveness, how satisfaction influences re-patronage intentions, word-of-mouth, and complaint intentions, and how consumer attitude toward complaining (ATC) moderates these relationships. In their paper, an integrated model is proposed, following recent developments in the service recovery literature. This model is tested using data from a survey with 204 complaining customers. The authors found that service recovery affected satisfaction more strongly for consumers with high ATC, indicating a moderating role of ATC. This moderator was also supported in the link between satisfaction and complaining intentions. Also, failure severity and perceived justice influenced satisfaction, which affected repurchase intentions, word-of-mouth, and complaining intentions. The authors investigated the key antecedents and consequences of satisfaction in the context of service failure and recovery by integrating previous researches in a comprehensive model. ATC is proposed and tested as a moderator when complainers and non-complainers are compared on the basis of the strength of the relationships.

Studies on the Impact of Consumer Complaints and Consumerism

Another revealing dimension of research on consumer protection is the impact of consumer complaints and of the consumer movement. This section summarises the attempts made to study the impact on different segments of the business community.

Kendall and Russ (1975) studied the role of warranty and complaint-handling in consumer packaged goods (CPGs) industries, and brought forward the practices and experiences of the CPGs while responding to consumer complaints. Only twenty-nine (53 per cent) of the respondents felt that consumer complaints had an impact on their operations in the preceding two years; most of the complaints pertained to product defects-- where 16 companies effected product changes, 20 modified the package, 18 changed their quality control procedure, 13 improved their production processes, and only 17 changed their advertising.

In a nation-wide survey of leading marketing managers and consumer advocates in the US, Barksdale and French (1976) ascertained their views on consumerism and its impact on marketing practices. The study revealed that more attention was given to performance standards, product reliability, product styling and packaging because of the consumer movement, with the exception of physical distribution as it was found not to be a major target of criticism by consumerists. With regard to prices, 85 per cent of the marketing executives felt that the demands of the consumerists had increased the production costs, which led to higher prices for certain products. Furthermore, the majority of marketing managers and consumer advocates agreed that consumer movement in the US had caused the top management to take increased interest in consumer complaints.

According to Arndt, *et al.* (1977), consumers' criticism of business practices affect the firm in three ways: (a) they may change the constraints within which the firm operates; (b) they may change the structure of the firm by replacing shareholders on the governing body with representatives of the interest groups; and (c) they may produce a new generation of executives with a different set of values as suggested by C.A Reich.

In a survey of European companies, Straver (1977) sought to uncover the specific opportunities and threats that managers saw developing for their company in the future as a response to consumer actions. The threats identified by the managers included: (1) Government legislation would increase the cost; (2) cost justification which had to be submitted to the government agencies for public knowledge would harm their companies' competitive advantage; (3) Stifled innovation of products due to the government approval; (4) economically unjustifiable level of product standardisation demanded by the government; (5) limited consumer choice due to excessive government control. As for the opportunities, the suggestions included the development ahead of competition, ahead of legislations, and quality improvement in all company services.

Fletcher (1976) and Foxall (1978) identified four ways in which consumer protection measures may increase the costs involved in manufacturing and marketing, thereby leading to increased prices in the market place: (1) extra costs to the tax payer for administration of advisory and investigating agencies and the legal costs; (2) costs of producing 'more reliable' products, irrespective of the improvements appreciated by the consumers; (3) the man-hours of work expended by managers dealing with false and wasteful complaints; (4) retarding of manufacturing processes and marketing programmes as a result of the direct action taken by firms to deal with various facets of consumerism. All these costs, according to Foxall, are fine to the extent they result in greater satisfaction to consumers and are willing to meet the consequent higher costs to themselves, as this is in tune with those believing marketing concept. What Fletcher had drawn particular attention to was the indirect and non-quantifiable costs which were on the amount of waste of executive time on "silly complaints" generated by advertising campaigns which encouraged dissatisfaction among consumers. Such campaigns were claimed to have a questionable benefit to all concerned.

In an experiment which investigated consumer responses to three dimensions of perceived fairness of recovery efforts—redress, responsiveness, and empathy/courtesy, Hocutt, Bowers, and Donavan (2006) found that the interaction of employee responsiveness and courtesy can have a dramatic impact on consumer evaluations. The study also revealed that satisfaction was the highest and negative word-of-mouth (WOM) intentions were the lowest only under conditions of high responsiveness and courtesy.

Verma and Nanda (2007) sought to assess the influence of consumerism on marketing practices in India and companies' response to consumerism. Based on a survey of 65-consumer durables manufacturing companies of the National Capital Region of Delhi, the study revealed that a broad recognition of consumerism tended to make the firms more consumer-oriented. The authors identified certain measures to reduce consumer dissatisfaction and complaints and found that direct customer contact significantly contributes to consumer satisfaction and that proper handling of consumer complaints led to increased sales and profits.

Luo (2007) investigated the negative side of consumers' experience and assessed the harmful impact of their negative voice on stock returns of selected airline firms. Based on the longitudinal real world data that matches the consumer negative voice (complaint records) with the firms' stock prices, the study revealed that increased level of consumers' negative voice harms the firms' future idiosyncratic stock returns. In addition, this harmful impact is robust after latent heterogeneity and traditional finance fundamentals are considered. These findings enable the marketers and corporate financiers to be more confident with customer equity theory and customer relationship management. It has also been noted that inferred negative voice, as a result of rude or unhelpful employees, inadequate meals or cabin service, and mistreatment of delayed passengers has the strongest effect on the airlines' stock prices. The author suggested that in today's hi-tech environment, with blogs and online forums, the damage caused by consumer negative voice should not be ignored.

Luo and Homburg (2008) examined the effects of customer satisfaction and customer complaint on stock value gap of the firms. Using a large-scale real-world database, the study revealed that customer complaint had a stronger effect than customer satisfaction on the value gap. Furthermore, there was some support for the moderating influences of working capital and the firm's specialisation. The authors suggested actionable guidelines to build a complete customer equity dashboard and to encourage managers to provide a supportive organisational environment to create shareholder's value.

STUDIES ON CONSUMER GRIEVANCE REDRESS SYSTEMS

The growth of consumer movement has prompted companies and governments to set up consumer grievance redress systems. This section attempts to summarise the researches on the working of grievance-redress systems available to consumers.

Studies on Corporate Redress Systems

According to Buskirk and Rothe (1970), business firms need to establish a separate corporate division for consumer affairs, change corporate practices that were perceived as deceptive and to educate channel members about the need for consumerist effort, in their response to consumerism.

Kangun, *et al*. (1970) identified the two possible alternative courses of action for marketing management: (1) company action to minimise the government regulation, to be in the long-term interests of the firm, since the profit and sales opportunities existed for firms which sought to satisfy consumer needs; and (2) industry-wide action for the problems found to be common to a particular industry, like 'educational programmes associated with nutritional labelling', and to cover the additional costs incurred on consumer programmes initiated by the company. The authors also highlighted the efforts of the National Commission on Egg Nutrition in creating awareness about the importance of protein and those of the National Advertising Review Board for investigating complaints about advertising, and of the Better Business Bureau. The study revealed that while company action in the areas of product information, health and safety standards, repairs and servicing, warranties and product quality would be beneficial in terms of the long-run company goals, consumerism issues were not addressed voluntarily by the business firms.

Kendall and Russ (1975) examined the warranties and complaint-handling in consumer packaged-goods industries (CPGMs) of the US. They identified the opportunities and costs associated with the CPGMs in their management of the 'customer complaint to corporate response function'. They also conducted a "shelf-audit' of more than 500 branded supermarket products in conjunction with a study carried out by a manufacturer. With regard to corporate responses to consumer complaints, the study revealed: (a) While manufacturers preferred some proof of a disappointed consumer purchase, like label, package, unused portion, 70 per cent respondents accepted the consumer's word on their purchase; (b) all companies responded promptly—three quarters of them had definite policies with respect to a given time period, at most a week; (c) all the companies responded in the form of a personal letter along with the offer of product replacement (87 per cent) or money-back (64 per cent); (d) in half of the companies a public relations or consumer affairs department was entrusted with the responsibility of handling consumer complaints. While the sales and marketing department was given the responsibility, in companies 20 per cent of the company cases while in another 20 per cent, the science or research department was entrusted with the task in 20 per cent.

Another US study of leading marketing managers and consumer advocates, conducted by Barksdale and French (1976), revealed that while 70 per cent of the marketing managers considered business capable of regulating itself, only 35 per cent of consumer advocates agreed with this view.

In order to uncover the dilemma faced by the consumer affairs departments in their efforts to represent the consumer voice in the management, Fornell and Westbrook (1984) examined the organisational barriers and the consequences of their complaint handling. They found that the organisation's willingness to listen to consumer complaints decreased as the level of consumer complaints increased. Moreover, the unwillingness to listen to consumer complaints led to increased consumer complaints by separating the consumer affairs department from management participation. The study also analysed the ratio of negative to positive consumer communications. As this ratio increased, the authors noted, within-the-firm transmission of consumer communications was hampered. Furthermore, the company's response to consumer complaints depended on the proportion of the consumer criticism. Contrary to what was in the best interests of both the firm and the customers, an organisation's willingness to listen to and act upon its customers' complaints was negatively related to the consumer problems voiced.

Moss and Richardson (1985) of the UK examined, *inter alia*, the regulation by companies in certain areas of trader/consumer transactions that were crucial to customer satisfaction, like the quality of its goods and services and its interaction with customers. With respect to quality control, they noted that the traditional quality control methods, like concentrating on inspection for faults were used as the last resort even in progressive companies. 'Forward control' with the primary drive towards built-in quality, rather than inspecting out faults, had become the 'province of people rather than systems'. Moreover, increased staff and suppliers' involvement and responsibilities produced effective results. With respect to a quality interaction with the customer, the authors stated that the objective of consumer information was not to tell more but to help promote better understanding. They concluded that the enlightened reaction to complaints must employ three steps: (a) avoiding complaints in the first place; (b) handling them well when they arise; and (c) feeding the information back to the company.

Varadrajan and Thirunarayana (1990) found, *inter alia,* that nine out of ten consumers (households in Bangalore) surveyed, viewed manufacturers as more interested in making profits than in serving the customers; six out of ten felt that manufacturers abdicated their responsibility to the consumer if something went wrong with the product. With regard to product quality, 80 per cent of the respondents felt that the manufacturers designed the products to serve the consumers needs. Over 80 per cent of the respondents felt that the procedures followed by most of the manufacturers in handling consumers' complaints were not satisfactory. Self-regulation by business itself was considered preferable (59 per cent) to stricter government control of business. However, a very large number of the respondents favoured increased government regulation of business.

A study, conducted by the Customer Care Alliance of the US (2004), identified seven most common 'remedies' that customers sought when they countered a serious problem. Three of these remedies were to get the product repaired or service repeated, or to get their money refunded. The other four remedies expected of the organisation included an apology, an explanation for what had happened, an assurance of non-repetition of the problem, and an opportunity for the customer to vent his frustration, which did not cost much to the firm. These non-monetary remedies were found to be positively-related to the satisfaction with the complaint-handling process, continued loyalty, and positive word-of-mouth communication.

In a study based on dyadic data which contained managerial assessment with respect to perceived justice, satisfaction, and loyalty, Homburg and Furst (2005) found that though both the mechanistic and the organic approaches significantly influenced the complaining customers' assessment, the mechanistic approach had the stronger total impact. The study also provides an evidence of a complimentary relationship between the two approaches. Another key facet of the study was related to the moderating influence of the type of business (business-to-business versus business-to-consumer) and the type of industry (service versus manufacturing). The authors found that the beneficial effects of the mechanistic approach were stronger in the B-2-C settings than in the B-2-B ones, and for the service firm than for the manufacturing firm.

Studies on Public Grievance-Redress Systems

It has been observed that those consumers who need legal protection most are those who are least likely to use the corresponding law.

In order to examine the efficacy of the consumer protection law, especially the 'cooling-off' law, which had been adopted in about 30 States of the US, Tootelian (1975) conducted a study in the Central Arizona City, in the US. This law provided to consumer a 'cooling off' period, during which he could reconsider and even cancel the purchase he had made from a door-to-door salesman of expensive products. The study revealed that the low-income people had less favourable attitude towards the consumer protection laws, in general, and the 'cooling off' law in particular, and had little knowledge of such law. The author also found that the consumers, especially from the low-income group, did not display the readiness and willingness to use the law applicable to middle and high-income groups.

Cohen (1975) examined the Federal remedies provided against fraudulent and deceptive practices, categorised as 'prevention', 'restitution', and 'punishment'. The author found that the remedies providing for the prevention of consumer abuse, as developed by the Federal agencies, included the establishment of the code of conduct and providing for disclosure of information. The restitution procedures related mainly to advertising practices that included affirmative disclosures and corrective advertising. As regards the punishment as a remedial measure, Cohen suggested fines and imprisonment and class-action suits. He argued that even though prevention was the most desirable public policy, yet the history of consumer protection indicated such a measure insufficient as a sole remedial action. He also observed that a consumer fraud was more harmful social behaviour, yet punishment should be used sparingly to stop only the most abusive practices, or to deter those who continuously indulged in deceptive practices despite the imposition of other remedial measures. Cohen concluded that arbitration was a fertile field for restitution but the Federal regulatory agencies had not adequately explored it.

After examining the similarities in the manner in which consumerism had found expression in various Western countries, like the US, Western Netherlands, and the UK, Mann and Thornton (1978) focussed on two categories of strategies employed by consumerists to ensure adequate protection to consumers: (1) consumer information and education; (2) the recognition of basic consumer rights under the law. The authors suggested that the responsibility for the first category should be jointly with the government while for the second, the responsibility should be with the individual consumer or consumer bodies and only in certain cases it should be with the State. The author observed that the elements of these strategies existed in all the countries, with some variation in the consumer movement. In the area of consumer information, consumer magazines, had always been a continuing feature of consumerism, the earliest being C*onsumer Reports*, in the US, and *Which?*, in the UK. In a majority of countries, such consumer magazines were published by consumer organisations, which were largely supported by government funds and provided comparative testing information about consumer products. For this purpose, many countries, including Belgium, the UK, Denmark, France, The Netherlands, Sweden, and the US either had established or funded these comparative test institutes as part of their consumer protection programme. The authors found that such testing had three inherent limitations: (1) Their reports became outdated due to continuous modification of products and services; (2) Product prices varied from shop to shop, over time;(3) The samples were not representative. Hence, comparative test reporting offered only limited protection even to those consumers whom they were accessible to, which were usually the middle-class consumers who were educated and skilful in assessing the alternatives. On the other hand, those who were least capable to protect themselves received little benefit from these tests. The other approach which was to provide informative labelling and packaging was of little importance in choosing between the competing products. Mann and Thornton noted that consumer education had been introduced in schools in several countries. Despite such an effort made by various governments, achievement in this field was uneven (OECD, 1969). In many countries, where the costs incurred by pursuing consumer complaints through the accepted legal channels far exceeded the value of the goods involved. They concluded that while legislation, information, and consumer education had helped in improving the position of the consumer in the market place, no serious attempt had been made to make the business firms more responsive to consumer needs.

Straver (1977) found that the government played a unique role in the Swedish consumer movement, as it financed consumer information and education, freely using the mass media.

In his study on the regulation of unfair trade practices in India, Prakash Vir (1993) conducted a survey of consumer opinion about the effectiveness of various consumer courts set up under the CPA. The survey revealed that while very few consumers (11.7 per cent) viewed them as 'very effective', 13.8 per cent of them found the forums 'quite effective'. Moreover, the number of consumers approaching the consumer forums for redress of their grievances was more than those approaching the Monopolies and Restrictive Trade Practices Commission (MRTPC) for the purpose.

In her study on patients' perception and the legal regulation of medical services under the CPA, Sobti (2002) found that there was a substantial increase in the number of complaints received and the appeals filed in respect of the deficiency in medical services, after the landmark judgment of the Supreme Court in *Indian Medical Association vs. V.P. Santha*, delivered in 1995. It was also found that aggrieved patients had received justice at the hands of the National Commission and various State Commissions, and that the awareness and confidence of the patients in the grievance-redress system under the CPA had increased. Other findings of the study included: (a) Both the patients and experts, in a large majority of cases, found the CPA to be helpful to patients in getting redress of their grievances, even though the doctors did not agree with the patients and the experts, and (2) A majority of the doctors felt that the application of the CPA to medical services would lead to increased costs of treatment, practice of defensive medicine by doctors, and forcing patients to undergo unnecessary investigations.

In a recent study, Arora (2005) sought to appraise the effectiveness of consumer grievance-redressal system. Based on a sample of 228 consumers, including 175 individuals who filed a complaint with one of the district forums (District Forum II) of Delhi, 23 voluntary consumer organisations and 30 consumers who approached 5 voluntary consumer organisations of Delhi for their assistance, the study revealed that the consumers were not fully satisfied with the functioning of the District Forum and the voluntary consumer organisaions were found to be financially weak.

Study on Corporate and Public Redress Systems

In a recent study, Deepa Sharma (2008) sought to evaluate the two major systems for redressing consumer grievances:

1. Companies' in-house (Corporate) system for redressing consumer grievances; and
2. External (public) system for redressing consumer grievances, which consists of the Consumer Forums and the Ombudsman.

For making an in-depth study, insurance industry in India was chosen. The author conducted a survey of opinions of consumers/ complainants and insurance company executives, analysed selected cases of consumer complaints decided by the Consumer Forums (National Commission, Delhi State Commission, and District Forums of Delhi) and by the Insurance Ombudsman (Delhi and Rajasthan). The major findings of the study include:

1. The most common grievance afflicting the consumers of insurance companies relate to the repudiation and delayed settlement of insurance claims.
2. The number of aggrieved policy-holders from public-sector companies far exceeded those of the private sector. While life insurance consumers were aggrieved by administrative, policy-related, and interest/charge-related matters, general insurance consumers countered claim-related grievances.
3. The factors behind consumer complaints included: (a) the consumer's inability to understand the policy terms and conditions, (b) non-disclosure of relevant information by consumers, and (c) high consumer expectations from the company.
4. Most of the aggrieved consumers were highly dissatisfied with the CGR system of the insurance companies. Consumers perceived the profit-making attitude, absence of punitive action against defaulting officers, and an inefficient claim-settlement in companies as reasons for their non-responsiveness. The consumers who had approached the Ombudsman exhibited their satisfaction with its grievance redress. However, those who had approached the Consumer Forums were only moderately satisfied with the remedy provided. Company executives perceived the Ombudsman system to be a unique system, speedier than any other statutory forum.
5. Unlike the consumer forums, nearly half the orders passed by the Ombudsman were against the complaining consumers. They could dispose of very few cases within the stipulated time of 90 days. It took the Ombudsman not more than one year in disposing of the maximum number of cases. While both the District Forums and the National Commission took from one to two years in disposing of the complaint, the Delhi State Commission took even more than 3 years in one-half of the cases. The slow rate of disposal by the State Commission was apparently indefensible, particularly when a majority of the cases pertained to appeals made by insurance companies in which only the directions of the lower court were slightly modified. At the District Forums and Delhi State Commission, the appeals were instituted more by the companies than the policy-holders and most of them were rejected. The major ground for rejection of cases was the non-establishment of the complaint and the default of the complainant.
6. While the relief provided by the Ombudsman was mostly in the form of claim-settlement together with the interest payment, the relief granted by consumer forums was in the form of compensation, interest and costs of litigation, besides the actual claim. The Ombudsman and the Consumer Forums sparingly awarded punitive action against defaulting officer of the errant company.
7. The main measures favoured for curbing unfair business practices of insurance companies was the deduction from salary of the errant officers and a strict enforcement of code of conduct.

The findings of the study are expected to contribute to knowledge in the emerging areas of consumer protection, customer relationship management, and services marketing.

CONCLUSION

The review of research studies reveals that while some researchers have sought to measure the consumer awareness about statutory measures for redress of consumer grievances and to examine consumers' complaining behaviour, others have attempted to evaluate consumers' complaint-handling mechanism set up by companies and regulatory bodies, and to assess the redress systems of consumer grievances by the companies and the public system.

Although at least one Indian study has contributed to the literature on the subject under each of the afore-mentioned five categories, majority of the studies conducted in India are either on the area of awareness of consumer protection measures or on the functioning of the public grievance-redress systems. This is probably due to the fact that at the time when consumerism and complaining consumers in the Western countries were at their peak, Indian consumers, consumer organisations, and the government bodies had just woken up to the need for an effective consumer protection mechanism. Thus, while the 1960s and the early 1970s saw the emergence of studies by the US scholars, the late 1970s and the 1980s witnessed more of the European studies, followed by the Indian studies .It is noteworthy that in Indian studies, it is the Consumer Forums set up under the Consumer Protection Act,1986 which has emerged an area of interest for many a researcher, except in the year 2008, where a researcher has also attempted to unveil the alternate dispute resolution system, i.e., the Ombudsman which is a recent phenomenon in India, even though only in certain service industries.

Despite the fact that research in the area of services marketing is a continuous process because of the rapidly-changing consumers' tastes and expectations and their expanding awareness, coupled with product innovations by service industries, the subject has not attracted enough attention of research scholars in India. There is still ample scope for researching the diverse areas in this exciting field, particularly those where consumers have close encounters with the service-provider and are also prone to consumer dissatisfaction and grievances. Prominent among them are: education, public transport and airlines, cable television, and housing service. The impact of the Right to Information Act, 2005, on the service quality, particularly in public-sector undertakings, is also a potential area for exploration.

NOTE

1. Better Business Bureau (BBB) is a non-government organisation established in the US and Canada to correct abuses and to serve the best interests of the consuming public and legitimate businesses.

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Our greatest pretenses are built up not to hide the evil and the ugly in us, but our emptiness.
The hardest thing to hide is something that is not there.

Eric Hoffer, philosopher and author (1902-1983)

★★★★★

If people are good only because they fear punishment, and hope for reward,
then we are a sorry lot indeed.

Albert Einstein, physicist, Nobel laureate (1879-1955)

MUTUAL FUNDS INVESTMENT HORIZONS
An Empirical Study of Individual Investors' Behaviour

Neelam Dhanda*and Savita Sindhu**

Abstract

A mutual fund is a trust that pools the savings of numerous investors who share a common financial goal. The money thus collected is invested in capital market instruments, including shares, debentures, and other securities. Mutual funds have become the primary vehicle of investment in capital markets for most of the individuals and households. The present study seeks to trace the growth of mutual funds industry in India, develop a classification of mutual funds investors, and analyse investment behaviour of retail individual investors. Both the secondary and primary data were collected and analysed to achieve the objectives of the study. The analysis of the published data has revealed that there has been a phenomenal growth in the mutual funds schemes and the assets of the mutual funds. The classification of investors indicates the dominant position of individual retail investors in mutual fund instruments. The study of individual investors' behaviour, through analysis of the primary data, suggests the impact of select demographic variables on the holding period, sectoral preference and choice for mutual funds schemes. Moreover, the investors' behaviour is also influenced by investment objectives and sources of information for mutual fund instruments. The study shall be particularly useful to the managers of mutual funds. The mutual funds managers must take into consideration the variables, such as the investors' age, income, and risk-taking ability, and the sources of information for promotion of mutual fund instruments while developing and promoting the mutual fund instruments.

Key words: ***Mutual funds, Retail investors, Investment objectives, Sectoral preference, Investment decision.***

INTRODUCTION

Saving and investment are the key functions which affect the pace of growth of any economy. The investment function depends upon the income level, savings rate, awareness about the investment options, and the risk-taking ability of the investors. A large number of investment options, including investment in mutual funds, are available to investors for their investment decisions involving different benefits and risks. Mutual funds are the investment instruments that reduce the risk and, at the same time, provides better rate of return by managing the funds in a professional manner.

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MUTUAL FUNDS IN INDIA: CONCEPT AND REGULATION

A mutual fund is an investment intermediary that allows a group of investors to pool their savings for investment in a diversified portfolio of securities, with the aim of getting attractive yields and appreciation in the value of the mutual fund instrument. The mutual fund will have a fund manager who is responsible for investing the gathered money into specific securities (stocks or bonds). The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, define "mutual funds as a fund established in the form of a trust to raise money through the sale of units to the public, or a section of the public under one or more schemes for investing in securities, including money market instruments." The Unit Trust of India (UTI) was established in 1963 by an Act of Parliament and the first scheme launched by the UTI was the Unit Scheme, 1964. The UTI's monopoly in mutual funds business was curtailed by the Union Government by permitting the operation of mutual funds by public-sector commercial banks. State Bank of India Mutual Fund was set up in November 1987. It was the first attempt in this regard. A large number of public-sector organisations joined the mutual funds business soon thereafter. The Government of India allowed the private corporate sector to join the mutual fund industry on February 14, 1992.

The first Mutual Funds Regulations came into being in 1993, under which all mutual funds except the UTI were to be registered and governed. The erstwhile Kothari Pioneer (now merged with Franklin Templeton) was the first private-sector mutual fund, registered in July 1993.The 1993 Securities and Exchange Board of India (Mutual Funds) Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations, in 1996. The industry now functions under the SEBI (Mutual Funds) Regulations, 1996. The SEBI (Mutual Funds) Regulations, 1996, provide guidelines for registration, constitution, management, and schemes of the mutual funds.

A mutual fund is preferred for the cost-effectiveness and easy investment process. Transparency, flexibility, diversification, liquidity and professional management of funds are important benefits available to the mutual fund investors. The structure of mutual fund consists of a sponsor, mutual funds trust, asset management company and custodian. Sponsor can be any person who, acting alone or in combination with another body corporate establishes the mutual fund and gets it registered with the SEBI. The Mutual Funds Trust manages it, which is formed by the sponsor. An asset management company is appointed by the trustees to float the schemes for the mutual fund and manage the funds raised by selling units under a scheme. A Custodian is appointed for "carrying on the activity of safe-keeping of the securities or participating in any clearing system", on behalf of the mutual fund.

Asset management companies work with four distinct distribution channels in India. In the direct channel, customers invest in the various schemes, directly through the asset management company. In banking channel, banks have established tie-ups with various fund companies for providing distribution and servicing. It develops as the most vital distribution channel for fund companies. A retail channel includes the use of distribution companies to sell mutual funds. A corporate channel includes a variety of institutions that invest in shares in the company's name. They can either invest directly in mutual funds, or through an intermediary, such as a distribution house or a bank.

GROWTH OF MUTUAL FUNDS INDUSTRY IN INDIA

The Association of Mutual Funds in India (AMFI) is dedicated to developing the Indian mutual fund industry on professional, healthy and ethical lines and to enhance and maintain standards in all areas with a view to protecting and promoting the interests of mutual funds and their unit- holders. The growth in mutual funds industry in terms of the number of schemes and the total assets is shown in **Table 1**.

Table 1
Growth Status of Mutual Funds Industry

Year	*No. of Schemes*	*Assets (Rs. Crore)*
1988-89	21	13455
1993-94	167	61028
1998-99	277	68472
2003-04	403	139616
2004-05	451	149554
2005-06	592	231862
2006-07	756	326388
2007-08	956	505152
2008-09	1001	417300

Source: The Association of Mutual Funds in India (*www.amfiindia.com*).

The total number of mutual funds schemes has continuously increased during the years 1989 to 2009. While the total number of mutual funds schemes was 21 in 1989, it went up to more than 1000 in 2009. So, the mutual funds investors have now more choices than in the past. Regarding the assets of the mutual funds industry, it is observed that the amount of assets increased continuously till 2008. There has been a decline in the assets of the industry during 2009. This may be due to the impact of the global recession during the period that

Table 2
Classification of Mutual Fund Investors
(As on March 31, 2009)

	Types of Schemes	*Investor Classification*	*AUM (Rs Cr)*	*% to Total*	*No of Folios*	*% to Total*
A	Liquid/Money Market	Corporates	66324.70	73.65	14540	8.47
		Banks/FIs	14541.66	16.15	204	0.12
		FIIs	1438.03	1.60	35	0.02
		High Networth Individuals*	7081.80	7.86	23758	13.85
		Retail investors	672.65	0.75	133028	77.54
		Total	90058.83	100.0	171565	100.0
B	Gilt	Corporates	3710.69	62.19	4235	8.55
		Banks/FIs	106.24	1.78	32	0.06
		FIIs	0.00	0.00	0	0.00
		High Networth Individuals*	1916.84	32.12	7439	15.03
		Retail investors	233.15	3.91	37800	76.35
		Total	5966.93	100.0	49506	100.0
C	Debt-oriented	Corporates	127845.36	64.75	73072	2.60
		Banks/FIs	2668.60	1.35	5135	0.18
		FIIs	2456.94	1.24	24	0.00
		High Networth Individuals*	56411.14	28.57	177596	6.32
		Retail investors	8070.63	4.09	2555270	90.90
		Total	197452.68	100.0	2811097	100.0
D	Equity-oriented	Corporates	13213.20	12.07	440280	1.06
		Banks/FIs	1863.21	1.70	2727	0.01
		FIIs	834.41	0.76	74	0.00
		High Networth Individuals*	22589.06	20.63	355243	0.85
		Retail investors	71012.71	64.84	40906104	98.09
		Total	109512.59	100.0	41704428	100.0
E	Balanced	Corporates	1059.42	9.09	12776	0.53
		Banks/FIs	52.77	0.45	112	0.00
		FIIs	1.07	0.01	2	0.00
		High Networth Individuals*	2589.74	22.23	32003	1.32
		Retail investors	7946.83	68.21	2373594	98.14
		Total	11649.82	100.0	2418487	100.0
F	Gold ETF	Corporates	365.16	49.14	24763	27.69
		Banks/FIs	22.25	2.99	3	0.00
		FIIs	0.00	0.00	0	0.00
		High Networth Individuals*	181.59	24.44	1241	1.39
		Retail investors	174.15	23.43	63422	70.92
		Total	743.14	100.0	89429	100.0
G	ETFs (other than Gold)	Corporates	206.03	31.22	2010	8.04
		Banks/FIs	4.61	0.70	5	0.02
		FIIs	179.80	27.25	12	0.05
		High Networth Individuals*	210.43	31.89	696	2.79
		Retail investors	59.04	8.95	22262	89.10
		Total	659.91	100.0	24985	100.0
H	Fund of Funds Investing Overseas	Corporates	518.79	19.07	11318	3.44
		Banks/FIs	38.93	1.43	30	0.01
		FIIs	0.04	0.00	1	0.00
		High Networth Individuals*	1262.05	46.38	14514	4.42
		Retail investors	901.08	33.12	302803	92.13
		Total	2720.89	100.0	328666	100.0
		Grand Total	418764.80		47598163	

Note: *Defined as Individuals investing Rs. 5 lac and above.
Source: The Association of Mutual Funds in India (*www.amfiindia.com*)

some categories of the investors, particularly the institutional and foreign investors, might have withdrawn their investment from the mutual funds industry. But still, the increase in the total assets of the industry indicates that the mutual fund instruments certainly play an important role in the mobilisation of the investors' savings to cater to the growing need of the industry.

The mutual funds industry is free to design its schemes to attract mutual fund investors from various segments. A wide variety of mutual fund schemes exist to cater to the needs, such as financial position, risk tolerance and return expectations. The schemes include Open-ended Scheme, Close-ended Scheme, Interval Scheme, Growth Scheme, Incomes Scheme, Balance Scheme, Stock/Equity-fund Scheme, Debt-fund Scheme, Money-market scheme, Public-sector Mutual Fund Scheme, Private-sector Mutual Fund Scheme, Tax-Saving Scheme, and Special Scheme. Moreover, the investors are classified into various categories, such as Corporate Entities, Banks and Financial Institutions, Foreign Institutional Investors, High Net-worth Individuals and Retail Investors. The contribution of various categories of investors to various mutual fund schemes, as on March 31, 2009 is presented in **Table 2**.

The category-wise classification of the mutual fund investors reveals the fact that while corporate investors are in general big players for Asset Under Management Companies, retail investors are big players for folio investment. The share of retail investors ranges from 70 per cent to 89 per cent of the total investment in mutual fund schemes. The scheme-wise distribution of the investors shows that the Equity-oriented and Balanced-fund Schemes are highly preferred by retail investors in comparison to the Gold ETF and the Gilt Schemes. The share of retail individual investors ranges from 70 per cent to 98 per cent for folio investment. The analysis explains the dominant position of retail investors in mutual fund instruments and provides adequate justification for the present study.

REVIEW OF LITERATURE

A review of previous studies provides an insight into the research dimensions already covered in the previous research work. The academic literature already available on mutual fund investments mainly focussed on the fund performance and management style (e.g., Grinblatt and Titman, 1992; Brown and Goetzman, 1997; Lunde, Timmermann and Blake, 1999; Chevalier and Ellison, 1999; Kothari and Warner, 2001). Some recent studies made an attempt to address the issue of understanding investors' behaviour (e.g., Zheng, 1999; Harliss and Peterson, 1998; Goetzman and Peles, 1997; Alexander, *et al.*, 1997, 1998; Bogle, 1992). Mckechnie (1992) studied the consumer buyer behaviour in financial services by using models of buyer behaviour and evaluated the relevance to financial services in the light of the specific characteristics of the sector and its products.

Capon, Fitzsimans, and Prince (1996) investigated the decision-making process for investment in mutual fund instruments. The classification of investors revealed that the knowledge about mutual fund investment options is different among different categories of investors.

Gruber (1996) and Zheng (1999) studied mutual fund investors fund selection ability and documented that managed-fund investors have better fund-selection ability as they invest in the funds whose subsequent performance is greater than that of the funds from which they divest. This phenomenon has been termed as 'smart money effect'.

Wydeveld (1999) justified that the economists, sociologists, and psychologists attempted to explain the investor behaviour in different ways. Economists focussed largely on the 'rationality' or 'irrationality' of investor decision-making process. Sociologists focussed on the investors' social environmental factors. Psychologists explained investors' behaviour by focussing on individual characteristics.

Berkowitz and Kotowitz (2000) examined the methods of evaluating risk for their investment decision and found that investors use publically available data that is consistent with the theory, assigning equal weights to the return and market risk components to evaluate performance and ignored diversifiable risk for their investment decisions.

Shu, Yin-Hua, and Yamada (2000) examined the behaviour of Taiwan mutual fund investors and found that small amount investors invest in large number of mutual funds and large amount investors invest in few mutual funds instruments. A large amount of investors of small funds appears to be the dispassionate buyers whose purchases are not remarkably affected by short-term performance.

Fant (2001) examined the relationship of stock-market return with the components of aggregate-equity mutual fund flow (new sales, redemptions, exchanges-in, and exchanges-out) and found the impact of these components on investment decisions.

Dwyer, Gilkeson, and List (2001) used data from a national survey of nearly 2000 mutual fund investors, to investigate whether investor gender is related to risk-taking as revealed in mutual fund investment decisions. The study revealed that the impact of gender on risk-taking is significantly weakened when investor knowledge of financial markets and investments is controlled in the regression equation.

Plath and Stevenson (2002) studied the financial services consumption behaviour across Hispanic American consumers. The findings demonstrate that Hispanic consumer portfolios reflect a clear preference for near-term savings, favouring liquidity and low investment risk at the expense of higher-yielding assets.

Ramaswami, Srivastava, and McInish (2002) examined the relationship between the asset holdings and the portfolio objectives. Their study demonstrates that asset-holdings across a wide variety of investment alternatives (stocks, bonds, mutual funds, pension plans) vary systematically as a function of the relative importance placed on multiple objective (current income, family education, etc.) and investor characteristics, such as the stage of the family life cycle, income, wealth, education and the level of risk-aversion. It provides insights into investor motivation and life-cycle savings behaviour.

Academy of Financial Services (2003) empirically investigated the risk profile of securities and switch-over practices among mutual fund investors. Results indicate that the investors consider their investment risk, fund performance, investment-mix and capital-base of the fund before switching over of funds.

Ramasamy and Yeung (2003) studied the relative importance of different factors considered important in the selection of mutual funds by financial advisors in the emerging markets. The study pointed out three important factors dominating the choice of mutual fund – consistent past performance, size of funds, and the cost of transaction.

Tanaka and Baba (2003) examined both theoretical and empirical analysis of market participants' optimal decision-making for trading in Japanese equity mutual funds. A comparative analysis showed that an increase in uncertainty over the expected rate of return on mutual funds had a negative impact not only on the market participants buying behaviour but also on their selling behaviour. They suggested that investors rationally postpone their purchases of equity mutual funds under circumstances of low expected returns, higher degree of uncertainty, and high trading costs.

Fiotakis and Philippas (2004) investigated the trading behaviour of mutual fund investors, medium-term profitability and impact on the performance of individual funds and its findings are insightful: (1) Mutual fund investors do not chase past returns. (2) They do not seem to employ a current- performance momentum screen to pick their fund. (3) They are perverse fund-pickers.

Kacperczyk, Sialm, and Zheng (2005) observed that despite extensive disclosure requirements, mutual fund investors do not observe all actions of fund managers. While unobserved actions of some funds persistently create value, such actions of other funds destroy value.

Friesen and Sapp (2006) examined the timing ability of mutual fund investors using cash flow data at the individual fund level during 1991-2004. The results showed that investors of actively managed funds and index funds exhibit poor investment timings.

Cronqvist (2006) evaluated the role of advertising on portfolio choices of mutual fund investors. Content analysis showed that only a small fraction of fund advertising is directly informative about the relevant characteristics of mutual funds for rational investors. Finally, advertising is found to steer towards portfolio with higher fees and more risk through higher exposure to equities.

Ranganathan (2006) studied the fund selection behaviour of individual investors towards mutual funds- with reference to Mumbai City. He found that mutual funds have become an important portal for the small investors as an outcome of reforms of industrial policy, public sector, financial sector and the many other developments in the Indian money market and capital market.

Yuan, Xiao, and Zou (2006) studied empirically the impact of mutual funds ownership on firm's performance in China using a large sample for the period of 2001-2005. The study found that equity ownership by mutual funds has a positive effect on firm performance.

Srivastava (2007) analysed the behaviour of investors in India. He made an attempt to measure the expectations and confidence of the retail investors in Indian stock markets. The study is based on the information obtained through a survey process in India. It examined that the perception of retail investors has changed due to developments in Indian investment environment.

Martenson (2008) examined whether investor contact programmes influence attitudinal and behavioural loyalty in different investor groups who differ in terms of their motivation and ability to understand stock market information. The study was based on a nationally-representative random sample of mutual fund owners. A path model showed that contact programmes influence attitudinal and behavioural aspects for high elaborators (higher knowledge and motivation to process stock market information) than for low elaborators.

SCOPE OF THE STUDY

The studies conducted on various dimensions of mutual fund include those on investment objectives, fund selection process, holding period, and the rationality in investment decision-making process. Moreover, there has been a continuous change in the economic and business environment, leading to the emergence of new opportunities to the new entrants and to those already in the field. Investment in mutual fund instruments has shown phenomenal growth during the recent past. Numerous categories of investors are participating in this growth. The analysis of published data based on the classification of different categories of mutual fund investors clearly explains the dominant position of retail investors in mutual fund instruments and, hence, justifies the relevance of the present study. The scope of this study was to understand the investment determinants, relative importance of different sources for information, and the impact of select demographic variables on the behaviour of retail individual investors. The geographical coverage of the respondents is confined to the mutual fund investors residing in the urban areas of Chandigarh and its adjacent Panchkula (Haryana).

OBJECTIVES OF THE STUDY

A significant shift has occurred in the personal investment environment affecting investors as well as investment firms since the opening up of the Indian economy in 1991. Previous studies available in finance literature focus on measuring fund performance and understanding investor behaviour. The percentage share of retail individual investors ranges from 70 per cent to 98 per cent for folio investment. The specific objectives of the study are:

1. To describe the present status of mutual fund schemes, assets and proportion of investment contributed by various categories of investors;
2. To ascertain the investments objectives and satisfaction level of individual investors across different age groups, education level, and income level of the mutual fund investors;
3. To measure the relative importance of different sources of information for investment decision; and
4. To establish a relationship between demographic variables and investment behaviour of mutual fund investors.

HYPOTHESES

The following null hypotheses were formulated keeping in view the objectives of the study:

H_{01}: The investor's age and holding period are independent of each other.

H_{02}: The investor's income and holding period are independent of each other.

H_{03}: The investor's income and sector preferences are independent of each other.

H_{04}: The investor's income and preference of mutual funds type are independent of each other.

RESEARCH DESIGN AND METHODOLOGY

Research design is the conceptual structure within which the research is conducted. It comprises the blueprints for collection, measurement and analysis of data. Hypothesis testing will be applied to ascertain the cause-and-effect relationship among the selected study variables.

Data Collection and Analysis

The study is based both on the published and the primary data. Investor behaviour is studied with the help of the primary data collected through a structured questionnaire. The scope of survey is limited to Chandigarh and Panchkula (Haryana) regions. A sample of 525 retail individual investors has been selected covering respondents from different age groups, income level, and education level. To begin with, a list of investors (with full addresses) was prepared with the help of Investment Relationship Managers and then the sample was selected by using simple random sampling technique.

The Chi-square Test, as a test of Independence, has been applied to ascertain the association of two or more attributes. 5 per cent level of significance has been taken as base for accepting of rejecting the null hypothesis for the study. The attributes are considered as associated to each other if the calculated value of chi-square is more than the tabulated value at a 5 per cent level of significance given the degree of freedom, and vice versa.

Moreover, the rating scale has been used to ascertain the relative importance of the decision variables. Respondents were asked to award score on a five-point/ seven-point scale on the basis of 'Higher the score, higher the importance'. More weightage has been assigned to relatively more important variables. Mean score has been calculated to ascertain the relative importance of the selected variables.

Profile of Sample Investors

An investor's investment decisions in financial assets in general and in risky assets in particular, are highly influenced by their income size, stages in life cycle of age, life styles, and personality characteristics. Among these variables, age and income of the respondents have been considered as relatively more important factors to study the investment preferences and behaviour of the retail investors.

Age: The distribution/ classification of the respondents by age is presented in **Table 3.**

Table 3
Distribution of Respondents by Age

Age Groups (Yrs)	*Frequency*	*% age share*	*Cumulative Percentage*
Below 36	172	32.95	32.95
36-46	185	35.23	68.18
46-56	104	19.70	37.88
56 & above	64	12.12	100.00
Total	525	100	
Average age	46		

The age-wise classification of the respondents indicate that the majority of the respondents are below 46 years of the age and only 12 per cent of the total respondents are 56 years and above. The age-wise classification of the sample respondents indicates that the retail investor is a mature person (average age being above 46 years).

Education: Investment decision also depends upon the educational qualifications of the investor. An educated person is supposed to have better exposure and access to modern means of information technology, and hence, can make better analysis of investment options and take better investment decisions. The education profile of the respondents is given in **Table 4.**

Table 4
Education Profile of Respondents

Education Level	*Frequency*	*Percentage*	*Cumulative Percentage*
Matriculate	40	7.62	7.62
Graduate	211	40.19	47.81
Post Graduate	149	28.38	76.19
Professional Degree	125	23.81	100.00
Total	525	100	

The classification of the respondents on the basis of their education level suggests that more of educated people are making investment in mutual fund schemes. More than ninety per cent of the respondents were graduates and above and only 8 per cent were matriculates. The distribution of the respondents shows the positive relationship between education level and the tendency of investment in mutual fund schemes.

Family: The composition of family also affects the savings and investment behaviour of the people. Joint family system provides more security while the nuclear family system offers more challenges to individual members of the family. The family composition of the respondents is listed in **Table 5.**

Table 5
Family Composition of Respondents

Family	*Frequency*	*% age Share*	*Cumulative Percentage*
Joint	180	34.29	34.29
Nuclear	345	65.71	100.00
Total	525	100	

The analysis of the composition of the family indicates that a majority of the retail investors belonged to nuclear family. Only one-third of the total respondents belonged to the joint family system. This seems to be the upcoming trend of the family composition in India.

Occupation: Income of a person depends upon the type of occupation. If the income of a person is limited, he has to look for some additional sources of income to meet his various requirements. Investment opportunities are also different for different occupation-holders. The occupation profile of respondents is given in **Table 6.**

Table 6
Occupation Profile of Respondents

Prime Occupation	*Frequency*	*Percentage*	*Cumulative Percentage*
Industry and Business	148	28.29	28.29
Salaried Class	241	45.90	74.19
Professionals	136	25.81	100.00
Total	525	100	

Occupation-wise classification of the respondents shows the distribution of the sample respondents on the basis of their source of income. The sample distribution shows that majority of the respondents were from the salaried class, i.e., 45.90 per cent. 28.29 per cent of the total respondents are from business class and 25.81 per cent of the total respondents are professional. The sample distribution covers respondents having different sources of income.

Income: Income of the investor affects his investment decision to a great extent. Basically, the income the most important factor governing the savings and investment. If the income level of investor is high then he can take more risk for getting more return and can look for capital appreciation rather than fixed income. The income profile of respondents is presented in **Table 7.**

Table 7
Income Profile of Respondents

Income Group (Rs. Lacs)	*No. of Respondents*	*Percentage*	*Cumulative Percentage*
Below 2.0 Lacs	195	37.12	37.12
2.0 Lacs- 5.0 Lacs	220	41.67	78.79
Above 5.0 Lacs	110	21.21	100.00
Total	525	100	

The analysis of sample indicates that it is dominated by the middle-income group households (Rs. 2 lacs to 5 lacs) followed by low income group (37.12 per cent) and the large income group (21.21 per cent). Investors having more income are interested in direct dealing with stock markets. Income-wise classification of mutual fund investors indicates that majority of the mutual fund investors belong to limited income group. Only a small proportion of the mutual fund investors are from the income above Rs. 5 lacs.

Investment Experience: Investment decision is also affected by the experience of the investor. As the economic conditions changed, people came to know about investment opportunities in markets. Earlier they were more dependent on bank deposits. The investment experience of respondents is shown in **Table 8**.

Table 8
Investment Experience of Respondents

Years of Experience	*Frequency*	*Percentage*	*Cumulative Percentage*
Below 2 years	155	29.52	29.52
2 to 6 years	125	23.81	53.33
6 to 10 years	105	20.00	73.33
Above 10 years	140	26.67	100.00
Total	525	100	

The cumulative percentage shows that approximately 47 per cent of the investors have long experience in the line. As high as 73.33 per cent of total respondents are investing in mutual funds since last ten years. This shows that SEBI and other regulators have succeeded to some extent in encouraging people to invest in mutual funds.

Investment Objective: Generally, the investment objectives differ from person to person and one may invest with more than one objective in mind. In present study, the different investment objectives are classified as safety of investment, liquidity, regular income, capital gain and tax saving. The respondents were asked to assign scores ranging from 1 to 5 on the principle, 'Higher the score, more important the variable under consideration is'. The responses obtained are exhibited in **Table 9**.

Table 9
Rating of Investment Objectives of Sample Investors

Frequency of Weights

Investment Objectives	*1*	*2*	*3*	*4*	*5*	*Mean Score*
Safety of investment	65 (12.38)	74 (14.15)	80 (15.20)	179 (34.13)	127 (24.14)	3.43
Liquidity	200 (38.28)	116 (22.18)	65 (12.32)	60 (11.32)	83 (15.90)	2.45
Regular income	128 (24.48)	107 (20.32)	107 (20.32)	86 16.34)	97 (18.54)	2.84
Capital gain	60 (11.38)	70 (13.33)	109 (20.76)	127 (24.14)	158 (30.19)	3.48
Tax saving	149 (28.42)	137 (26.09)	96 (18.32)	83 (15.72)	60 (11.45)	2.55

Note: Figures in parenthesis indicate percentage

The table exhibits the ranking pattern and the mean score worked out for these objectives, indicate that capital gain obtains the highest mean score followed closely by safety of investment. The objective of maintaining liquidity and tax-saving are awarded comparatively low rating among the selected variables.

Sources of Information for Investment Decision

The various sources of information for investors include the Internet, annual reports, television, fund managers, friends, prospectus, newspapers, journals, and magazines with the aim of determining the relative importance of these sources of information in the eyes of investors. The respondents were asked to award score on a seven-point scale on the basis of 'Higher the score, higher the importance'. The result of survey including the rank-wise frequencies and mean score derived are presented in **Table 10**.

Table 10
Sources of Information for Investment Decision

Frequency of Weights

Sources of Information	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*Mean Score*
Internet	155	45	50	55	75	55	90	3.71
Annual Reports	40	125	90	55	55	95	65	3.96
Television	50	70	150	85	75	75	20	3.70
Fund Managers	35	55	55	80	85	100	115	4.69
Friends	85	60	55	105	110	75	35	3.88
Prospectus	105	110	65	65	65	55	60	3.53
Newspaper, Magazines	50	60	50	80	65	70	145	4.57

It can be observed from the table that the percentage of the respondents assigning rank 5 or more is the maximum in case of Fund Managers, followed closely by investors. The sample respondents were asked to assign ranks from one to four to newspapers and magazines.

Factors Affecting Investment Decision

The preference of a mutual fund for investing depends on many factors, such as name and reputation of the mutual fund in the market, years of existence, rate of return and risk involved in that mutual fund. To establish the relative importance of these factors in attracting the retail investor, respondents were ask to rank the aforesaid variables. The responses obtained are summarised in **Table 11.**

Table 11
Factors Affecting the Investment Decision

Frequency (%) of Ranks

Factors Affecting Investment Decision	*Not Important*	*Somewhat Important*	*Important*	*Very Important*	*Mean Score*
Name and Reputation of the Mutual Fund	160 (30.48)	150 (28.57)	75 (14.29)	140 (26.67)	2.37
Years of Existence	230 (43.81)	175 (33.33)	60 (11.43)	60 (11.43)	1.90
Rate of Return	70 (13.33)	130 (24.76)	140 (26.67)	185 (35.24)	2.84
Risk Involved	65 (12.38)	70 (13.33)	250 (47.62)	140 (26.67)	2.89

Note: Figures in parenthesis indicate percentage

The table exhibits the ranking patterns and the mean rank worked out for these factors indicate that risk involved obtains the highest mean rank followed closely by rate of return. The value of mean score calculated on the basis of opinion of the respondents shows that the extent of risk involved is the most important factor affecting the choice of the mutual fund instrument, followed by the expected rate of return from the investment options. The years of existence of the instrument in the market has been provided the lowest rating among the factors considered for analysis of the investment proposals.

Time Horizon for Investments

The investment horizon varies for different investors. The null hypothesis in this regard is that there is no significant difference in the holding period among investors of different age groups. The responses obtained during the present survey of retail investors concerning the time horizon of investment are presented through **Table 12**.

H_{01}: The investor's age and holding period are independent of each other.

The table shows that 59.05 per cent of the investors hold funds for a few months or even a few years. The analysis across different age groups of the investors shows that the highest percentage of the investors has a tendency to hold the funds for few months or few years. Small age investors hold the mutual funds for short duration while more of investors in high age group hold securities for many years. However, the percentage of those holding funds for many years is indicative of the positive association with age.

Table 12
Holding Period of Investment: Influence of Age

Holding Period	*Below 36 years*	*36-46 years*	*46-56 years*	*56 years & above*	*Total*
Few days or weeks	30 (17.34)	38 (20.54)	37 (35.92)	5 (7.81)	110 (20.95)
Few months or years	123 (71.10)	111 (60.00)	44 (42.72)	32 (50.00)	310 (59.05)
Many years	20 (11.56)	36 (19.46)	22 (21.36)	27 (42.19)	105 (20.00)
Total	173	185	103	64	525
Chi-square value			45.3224*		
Degree of freedom			6		
Table value of Chi-square			12.592		

Note: Figures in parenthesis indicate percentage
* Indicates Chi Square value significant at 5% level of significance.

The calculated chi-square value turns out to be statistically significant at 5 per cent level of significance, hence, rejection of null hypothesis. It is concluded that there is significant difference in holding period of mutual fund instruments across investors from different age groups.

Holding Period of Investors: Income-wise Analysis

The income level of the investor affects the holding period. The null hypothesis in this regard is that there is no significant difference in the holding period among investors of different income groups. The pattern of investors' preferences for holding period of mutual funds investment, according to income groups, is presented in **Table 13.**

H_{02}**:** The investor's income and holding period are independent of each other.

The table shows that investors hold the investment for few months or years. The analysis across various income groups of the investors show that the highest percentage of the investors holds the investment for few months or few years. However, the percentage of those holding funds has no positive association with the level of income.

Table 13
Holding Period of Investors: Income-wise Analysis

Holding Period	*Below 2.0 Lac*	*2.0 Lac–5.0 Lac*	*Above 5.0 Lac*	*Total*
Few Days or weeks	45 (23.08)	40 (18.18)	25 (22.72)	110 (20.95)
Few months or years	115 (58.97)	130 (59.09)	65 (59.09)	310 (59.05)
Many years	35 (17.95)	50 (22.73)	20 (18.18)	105 (20.00)
Total	195	220	110	525
Chi-square value		2.826		
Degree of freedom		4		
Table value of Chi-square		9.488		

Note: Figures in parenthesis indicate percentage

In contrast to the age, income does not seem to have effect on the holding period as the pattern of time horizon is more/less similar in each group. This is also confirmed by the Pearson chi-square test. Acceptance of null hypothesis leads us to conclude that holding period for investment in mutual funds is to a large extent not affected by the income level of the investors.

Sector Preferences for Investment Decision

Keeping in view the concurrent availability of mutual funds of both private and public sectors, it has been considered imperative to capture investors' sector preferences. The null hypothesis in this regard is that there is no significant difference in the sector preference for selecting mutual funds from public sector, private sector among investors of different income groups. The responses obtained in this regard are represented in **Table 14**.

H_{03}: The investor's income and sector preferences are independent of each other**.**

Table 14
Investors' Preference of Sector: Influence of Income

Sector	*Below 2.0 Lac*	*2.0 Lac– 5.0 Lac*	*Above 5.0 Lac*	*Total*
Private sector	40 (20.51)	85 (38.64)	52 (47.27)	177 (33.71)
Public sector	50 (25.64)	55 (25.00)	24 (21.82)	129 (24.57)
Equally preferable	105 (53.85)	80 (36.36)	34 (30.91)	219 (41.71)
Total	195	220	110	525
Chi-square value		30.51*		
Degree of freedom		4		
Table value of Chi-square		9.488		

Note: Figures in parenthesis indicate percentage
*Indicates Chi-square value significant at 5% level of significance.

The position obtained according to income group, presented in the table shows that the preference for private sector instruments increases with the increase in income of the sample investors. The percentage of those investors who have equal preference for both sectors is the highest in low income group investors.

The analysis of sector preferences for selection of mutual funds from public sector or private sector indicates that there is a significant difference in the sector preferences of the investors across different income groups of the respondents. Low income group investors have more preference for mutual funds of the public sector while the investors from high income group are more inclined towards mutual funds offered by private sector. This perhaps is linked to their risk-taking ability and desire for higher rate of return. High income group investors are ready to bear more risk for their desire for high return.

Investors' Preference for Mutual Fund Type

Mutual funds can be classified into various types according to their investment objectives. The important among them include debt funds, diversified funds and equity/growth funds. The sample respondents were asked to reveal their preferences given the opportunity of investing in mutual funds. The null hypothesis in this regard is that there is no significant difference in preferences for types of mutual fund instruments across investors from different income groups. The responses obtained in this regard are exhibited in **Table 15**.

H_{04}: The investor's income level and preference of mutual fund types are independent of each other.

Table 15
Investor's Preferences of
Mutual Funds: Influence of Income

Mutual Funds	*Below 2.0 Lacs*	*2.0 Lac– 5.0 Lacs*	*Above 5.0 Lacs*	*Total*
Debt funds	50 (25.64)	51 (23.18)	24 (21.82)	125 (23.81)
Diversified funds	75 (38.46)	79 (35.91)	25 (22.73)	179 (34.09)
Equity/ Growth funds	70 (35.90)	90 (40.91)	61 (55.45)	221 (42.10)
Total	195 (100)	220 (100)	110 (100)	525
Chi-square value		12.484*		
Degree of freedom		4		
Table value of Chi-square		9.488		

Note: Figures in parenthesis indicate percentage
* Indicates Chi-square value significant at 5% level of significance.

The analysis indicates that the preference of those who favour primarily debt funds and diversified funds is the highest in case of the lower income groups, i.e., 38 per cent of the investors are interested in diversified funds and thirty five per cent of investors are interested in growth funds. With the rise in income, the preferences for growth funds increase. Equity/growth funds are more preferred by the high income group investors. The calculated Chi-square value is statistically significant at 5 per cent level of significance. The analysis leads us to reject the null hypothesis and conclude that the preference for different type of funds is a function of level of income of the investors. This perhaps is linked to the risk-taking ability of the investors. To conclude the choice of a fund varies with the change in income level of the mutual fund investors.

POLICY IMPLICATIONS

Mutual fund managers should develop different mutual fund instruments for investors different age groups. Level of income of mutual fund investors affects their sector preference for mutual fund investment in terms of public and private sector and the type of instrument. Mutual fund managers play key role in providing information about the investment options to individual investors followed by newspapers and business magazines. Annual reports are also used as a trusted source of information. Although, mutual funds companies have adopted technological innovations to develop themselves, they are yet to use technology as a vital tool for their growth and operations. Building and maintaining quality relationships, based on establishing a high level of trust and credibility with the customer, are also important.

LIMITATIONS OF THE STUDY

The present study was based upon the primary data collected from 525 mutual funds retail investors. The geographical location of the respondents was confined to Chandigarh and its adjacent Panchkula (Haryana). Although adequate effort was made to include the respondents from different age groups, education levels, and income levels to make the sample as representative of the population as possible, some of the dimensions, like choice of a particular fund, were not to be studied due to multiple types of mutual fund schemes available to investors and the varied responses obtained from the respondents for the choice of mutual fund schemes. The study suffers from the limitation that it is not able to guide mutual fund investors for proper choice of particular mutual fund schemes for investment decision.

CONCLUSION

The rate of savings in India has been more than 20 per cent during the recent years, resulting in good amount of savings and investment. The investment decision is taken by investors depending upon the options available and the expected level of risk and return they can tolerate. The mutual fund industry needs to convert the savings of individual investors as investment. Capital gain and safety of investment in mutual funds are the parameters governing the investment objectives of the retail individual investors. So, mutual fund managers are required to focus on these areas while developing mutual fund instruments for individual investors. The results of the analysis indicate that there is a significant difference in the holding period of mutual fund instruments.

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Neither a man nor a crowd nor a nation can be trusted to act humanely or to think sanely, under the influence of a great fear.

Bertrand Russell, philosopher, mathematician, author, Nobel laureate (1872-1970)

★★★★★

A society that presumes a norm of violence and celebrates aggression, whether in the subway, on the football field, or in the conduct of its business, cannot help making celebrities of the people who would destroy it.

Lewis H. Lapham, editor and writer

INFLUENCE OF JOB SATISFACTION ON ORGANISATIONAL COMMITMENT
A Study of Bank Employees in Indore City

Babita Agarwal* and Manohar Kapse**

Abstract

Job satisfaction, which has been recognised as a component of organisational commitment, is the state of pleasure gained from applying one's values to a job. It can be considered as a global feeling about the job and a related constellation of attitudes about the various facets of the job. The present study seeks to gain a better understanding of the relationship between job satisfaction and organisational commitment of employees in a private bank in Indore city. The study focusses on revealing homogeneous demographic characteristics that affect their satisfaction level. The study was conducted through a well-designed questionnaire, consisting of demographic traits, job satisfaction, and organisational commitment. The data were statistically analysed by using multiple regression analysis. The study has revealed that the level of education, position, tenure, and status significantly affect employee satisfaction with recognition. Furthermore, satisfaction with policies, compensation, work conditions, and advancement has a significant relationship with organisational commitment.

Key words : ***Working environment, Autonomy, Trust, Organisational commitment, Compensation schemes, Job involvement***

INTRODUCTION

It is in the interest of an organisation to retain its employees and minimise the labour turnover. However, many bank managers have little understanding of how to satisfy their employees and how their satisfaction influences organisational commitment and team spirit. In fact, because of this limited understanding managers' efforts towards employee satisfaction can sometimes create more dissonance than cohesion between the employees and the employer, leading to job dissatisfaction of employees.

For this, we must have a clear understanding of organisational commitment and identify variables that might influence it. Organisational commitment consists of two constructs – effectiveness and continuance. As defined by Porter and Steers (1982), affective organisational commitment is "a strong belief in and acceptance

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of the organisational goals and values, a willingness to exert considerable effort on behalf of the organisation". The counterpart to affective organisational commitment considers the idea that individuals do not leave a company for fear of losing their benefits, taking a pay cut and not being able to find another job.

Although there is certainly a chicken-and-egg debate over the issue, regarding the relationship between job satisfaction and organisational commitment, some researchers have made the case that job satisfaction is a predictor of organisational commitment (Porter, *et al.*, 1974). Many studies use different facets of job satisfaction to predict employee attributes, such as performance, organisational commitment, and service quality (Dienhart and Gregoire, 1993). In respect of attachment behaviour, a significant negative correlation with staff turnover is found (Griffeth, Hom, and Gaertner, 2000). In respect of role-prescribed behaviour, Judge, *et al.* (2001) demonstrated that employees' overall job satisfaction is on average correlated 30 (after corrections for measurement unreliability) with their work performance. According to Staw, Sutton, and Pelled (1994), positive emotions at work predict subsequent employee performance. Negative effect in terms of job-related tension is associated with the poorer work performance (Jamal, 1984). For the third salient behaviour in the model by Kopelman, *et al.* (1990) measures of job satisfaction were significantly associated with discretionary behaviour, classified as 'organisational citizenship': helping, loyalty, compliance, and so on (Podsakoff, MacKenzie, Paine, and Bachrach, 2000). Similarly, school teachers with greater overall satisfaction are significantly more likely to undertake unpaid overtime work than others (Gechman and Wiener, 1975).

REVIEW OF LITERATURE

Job satisfaction has been defined as an effective and evaluative response of individuals to their jobs (Hackman and Oldham, 1980). It was measured by the five-item General Satisfaction Scale (two items were reverse-coded) from the Job Diagnostic Survey developed by Hackman and Oldham (1980).

Organisational commitment was defined as the strength of an individual's identification with, and involvement in, a particular organisation. Organisational commitment was measured using the 15-item Organisational Commitment Questionnaire (OCQ), designed by Mowday, Steers, and Porter (1979). Organisational commitment, as measured by the OCQ, is conceptualised as a set of attitudes towards an organisation, with a committed person exhibiting greater acceptance of the organisational values, a desire to remain in the organisation, and a willingness to exert effort on behalf of the organisation (Mowday, *et al.*, 1979). Employees' job satisfaction has been found to be associated with each of the three 'salient organisational behaviours' in the model of Kopelman, *et al.* (1990).

At the organisational level, Ostroff (1992) reported significant relation between teachers' average job satisfaction and several standardised measures of school performance. Koys (2001) found that mean employee satisfaction was significantly correlated with subsequent company profitability, and this relationship was also observed in relation to the company's productivity by Hatter, Schmidt, and Hayes (2002). However, the temporal sequence of measurement is not clear in the latter report.

In a later study by Yousef (2000), it was found that leadership behaviour was affected by commitment, which in turn, was affected by job satisfaction and job performance. As an attitude, differences between commitment and job satisfaction are seen in several ways (Mowday, *et al.*, 1982). Twiener (1982) states that job satisfaction is an attitude towards work- related conditions and aspects of the job. Therefore, commitment leads to more attachment to the organisation as opposed to specific tasks, environmental factors and the location where the duties are performed (Mowday, *et al.*, 1982). When discussed on these terms, commitment should be more consistent than job satisfaction over time. Although day-to-day events in the work place may affect an employee's level of job satisfaction, such transitory events should not cause an employee to re-evaluate seriously his or her attachment to the overall organisation.

Job satisfaction represents a person's evaluation of his job and work context (Weiss and Corpanzano, 1996); a collection of attitudes about specific facets of the job (Locke, 1976); a feeling which is a function of the perceived relationship between all that one wants from his job/life and all that one perceives as offering or entailing (Saleh, 1981); is determined by the discrepancy between what people expect to receive and what they experience (Lawler, 1973); a pleasurable, or positive emotional state resulting from the appraisal of one's job, or job experience, and it is the result of the employees' perception of how well their jobs provide those things which are viewed by them as important (Luthans, 1989).

In an organisation, several factors are responsible for job satisfaction and job dissatisfaction. The factors which lead to job satisfaction are: democratic leadership (Foels, Driskell, Muller, and Sales, 2000); active jobs with high demand and high control (Jonge, Dollard, Dormann, and Lebianc, 2000); company's investment in employees' well-being (Taylor, 2000); increased communication and high reward in communication (Avtgis, 2000); trust and design of work (Cunningham and Macgrego, 2000), interdependence, autonomy, and team working (Sprigg, Jackson, and Parker, 2000); promotion and quits (Kallenberg and Mastelassa, 2001); and value attainment (Hochwarter, Perrewe, Ferris, and Brymer, 1999). On the other hand, the factors which lead to job dissatisfaction are perceived over-qualification (Johnson and Johnson, 2000); role conflict and role ambiguity (Yousef, 2000); instigation and incivility (Cortina, Magley, Williams, and Langhout, 2001); work stress and internal control (Lu, Tseng and Cooper, 1999); work-family conflict (Perrewe, Hochwater, and Kiewitz, 1999); and aggressive voice, exit and neglect (Hagedoorn, Van Yperen, and Buunk, 1999).

Recently, there has been an upsurge in the studies on employee motivation, job satisfaction and quality of work life, and organisational commitment (Hall and Lawler, 1970). Scientific management (Taylor, 1911) focussed attention on implication, standardisation and specialisation of job, since it was believed that the organisation benefited in terms of training cost reduction, labour expenses, increased productivity and higher profits. It was inferred from various studies that although work simplification led to organisational benefits, factors, like job monotony, increased absenteeism and loss of interest in the undermined simplification (Friedman, 1961). One solution developed from Hawthorne research, based on human relations approach, was worker motivation through cultivating a climate that met the social needs of workers. However, critics pointed out that the approach neglected the wider socio-economic factors (Thompson, 1989). Many studies have shown that job involvement is positively related to job satisfaction, recognition, and fulfilment of intrinsic as well as extrinsic needs, and with other motivation variables (Knoop, 1986; Lambert, 1991).

Following the lead, Turner and Lawrence (1965) gave the concept of Requisite Tasks Attributes (RTAs). Under the RTAs, the six attributes were: variety, autonomy, required interaction, optional interaction, knowledge and skill required, and responsibility.

OBJECTIVES OF THE STUDY

The objectives of the study are as follows:

1. To examine the influence of job satisfaction on organisational commitment, which include autonomy, compensation schemes, working environment, trust and job involvement;
2. To evolve a job enrichment programme for employees; and
3. To suggest incentive schemes which can lead to higher job satisfaction, more job involvement, and consequently greater organisational commitment.

HYPOTHESES

In pursuance of the objectives of the study, the following hypotheses were formulated:

H_{01}: There is no relation between organisational commitment and working environment.

H_{02}: There is no relation between organisational commitment, working environment, and autonomy.

H_{03}: There is no relation between organisational commitment, working environment, autonomy, and trust.

RESEARCH METHODOLOGY

Sample

The population for the study comprised the employees of a private bank in the Indore district of Madhya Pradesh. We distributed 50 questionnaires to the bank employees of which we received back 43. However, due to inadequate information of 3 questionnaires, they were not included for the analysis of the data. We used SPSS (Statistical Software for Social Science) for the analysis of the data.

Research Instrument

We have used the following research tools for the purpose of the study. We developed a 5-point Likert scale. It consisted of 32 questions on organisational commitment, autonomy, compensation schemes, working environment, trust, and job involvement. The questionnaires consisted of 10 questions on organisational commitment, 8 questions on autonomy, 7 questions on trust, 6 questions on working environment, and 5 questions each on compensation schemes and job involvement.

Analysis and Result

For the analysis of data, we used the step-wise regression analysis. Organisational commitment has been taken as dependent variable and autonomy, compensation schemes, working environment, trust, and job involvement as independent variables.

DISCUSSION

The Regression Analysis and the Analysis of Variance (ANOVA) are shown in **Table 1** and **Table 2**, respectively.

Table 1
Step-wise Regression Analysis

Model	*R*	*R-Squared*	*Adjusted R-Squared*	*Std. Error of the Estimate*
1	0.793(a)	0.628	0.619	4.72779
2	0.859(b)	0.737	0.723	4.03049
3	0.891(c)	0.795	0.778	3.61045

a. *Predictors:* (Constant), working environment(X_1)
b. *Predictors:* (Constant), working environment(X_1), autonomy(X_2)
c. *Predictors:* (Constant), working environment(X_1), autonomy(X_2), trust(X_3)

Table 2
ANOVA

	Model	*Sum of Squares*	*Degree of freedom*	*Mean sum of Squares*	*F(ratio)*	*P-value*
1	Regression	1436.223	1	1436.223	64.255	.000(a)
	Residual	849.377	38	22.352		
	Total	2285.600	39			
2	Regression	1684.541	2	842.271	51.849	.000(b)
	Residual	601.059	37	16.245		
	Total	2285.600	39			
3	Regression	1816.328	3	605.443	46.446	.000(c)
	Residual	469.272	36	13.035		
	Total	2285.600	39			

a. *Predictors:* (Constant), working environment(X_1)
b. *Predictors:* (Constant), working environment(X_1), autonomy(X_2)
c. *Predictors:* (Constant), working environment(X_1), autonomy(X_2) and trust(X_3)

Table 3
Co-efficients

	Model	*Un-standardised Co-efficients*		*Standardised Co-efficients*	*t-value*	*sig.*
		Beta	*Std. Error*	*Beta*		
1.	(Constant)	10.049	3.153		3.188	.003
	Working environment	1.279	.160	.793	8.016	.000
2.	(Constant)	6.424	2.843		2.259	.030
	Working environment	.811	.181	.503	4.475	.000
	Autonomy	.471	.120	.439	3.910	.000
3.	(Constant)	16.676	4.109		4.059	.000
	Working environment	.642	.171	.398	3.763	.001
	Autonomy	.421	.109	.393	3.868	.000
	Trust	-.246	.077	-.278	-3.180	.003

a *Dependent Variable*: Organisational commitment
Level of significance: 5%

As shown in the tables, there is a variation between the variables under study of the Models 1, 2, and 3. So, there must be some relation between the variables under study that we have tried to explain with the help of the regression equation. The co-efficients are given in **Table 3**.

We got three models by step-wise regression method, which are best fitted from Table 3.

Model 1

This model explains about 61 per cent co-efficient of determination (R^2) between organisational commitment and working environment.

$$Y = 10.049 + 1.279X_1$$

Model 2

This model explains about 72 per cent co-efficient of determination (R^2) between organisational commitment and working environment and autonomy.

$$Y = 6.424 + 0.811X_1 + 0.471X_2$$

Model 3

This model explains about 78 per cent co-efficient of determination (R^2) between organisational commitment and working environment, autonomy, and trust.

$$Y = 16.676 + 0.642X_1 + 0.421X_2 - 0.246X_3$$

From the above table, we can conclude that working environment, autonomy, and trust are the important factors which affect organisational commitment. It is also clear that trust is the least important factor among the three factors chosen. The other factors which are not statistically significant include: the organisational commitment, compensation schemes and job involvement.

Many investigators (Medcof, 1989) have shown that the core characteristics are instrumental in motivating employees and enhancing their job satisfaction. 'Autonomy' granted by the organisation may develop a feeling of freedom in employees to schedule their work and set up their own pace of work. They also feel more responsible for the work outcomes. When workers schedule their own work, they think that the outcome depends upon their efforts, initiatives and decisions. This finding is in congruence with those of Morris and Synder (1974) who had found that job autonomy was significantly related with job satisfaction. The other dimension, 'task identity', significantly predicts job involvement. This would mean that employees consider their job as their own. A sense of belongingness pervades. Fried and Ferris (1987) found that 'task identity' was highly related with work performance. In the present study, the workers are allowed to schedule their work activity and thereby find identification with their job.

Interestingly, a third dimension, 'skill variety', was negatively related with job involvement. Experts in developed countries have often argued that skill variety has motivational implications for job satisfaction (Glisson and Durick, 1988). Yet, in the present case, we observe that skill variety has low score against the high scores of job involvement.

The climate prevailing in the banking sector is a bureaucratic climate, which tends to stifle initiative amongst all levels of employees. Hence, we find that there is no significant relationship between job characteristics, barring 'task identity' and job involvement in the case of all employees, including supervisors and managers.

Hence, it is imperative that the management should endeavour to enrich the jobs, provide freedom and independence to employees to schedule their work. This will facilitate the employees in developing identification with the job as well as with the organisation and they will become more committed to their organisation.

CONCLUSION

This study is limited in its generalisability; it suggests that particular demographic characteristics can affect a person's level of satisfaction with a bank service operation. These results indicate that new employees are unable to determine their level of satisfaction because of their being relatively inexperienced with their new branch manager. They then settle into a transitional period where their satisfaction level significantly drop and then increase as they become more experienced. These findings might also suggest that dissatisfied respondents leave and, therefore, falsely inflate satisfaction.

The findings suggested that management might be able to increase the level of commitment in the organisation by increasing satisfaction with compensation, policies, and working conditions. One way of overcoming this problem could be by increasing the interaction with employees in staff meetings and discussions of topics related to these issues. Employees could be interviewed to determine their perceptions of the management's ability to address these issues. Changes in organisational variables, such as pay scales, employee input in policy development, and work environment, could then be made in an effort to increase organisational commitment and decrease subsequent turnover.

Managers can also help the employees learn why policies are important and identify the employees' perception of current policies through discussion, meetings, and interviews. Some restaurants give their employees an opportunity to become involved in the policy planning and development process, thereby creating a feeling of ownership and commitment.

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There was a time when corporations played a minor part in our business affairs, but now they play the chief part, and most men are the servants of corporations.

Woodrow Wilson, The New Freedom

★★★★★

A society that presumes a norm of violence and celebrates aggression, whether in the subway, on the football field, or in the conduct of its business, cannot help making celebrities of the people who would destroy it.

Lewis H. Lapham, editor and writer

INTERNET BANKING SERVICES AS TOOL OF CRM
A Study in the National Capital Region

Shamsher Singh*

Abstract

CRM has emerged as one of the popular solutions for diminishing market share and sluggish growth in banking and financial sector. The Internet banking is widely used by many people, especially in the metro cities, since this practice largely makes use of the Internet and the services are mainly used in major cities of India by various public and private banks. The Internet banking is also considered an important CRM tool by the banks and used as a business strategy to create, retain and maintain long-term profitable customer relationship by satisfying customer's need. This paper examines the theoretical aspects of CRM and adoption of the Internet banking as a CRM tool by leading Indian banks such as State Bank of India, ICICI Bank, HDFC Bank, and Punjab National Bank. The paper also seeks to study the effectiveness of the Internet banking as followed by these banks. We surveyed the opinion of 400 customers of two public-sector banks and two private-sector banks (100 from each bank). ANOVA has been used for having insights in the Internet banking services provided by the sample banks. The four selected banks are assumed to represent the banks in both the private and the public sectors and their CRM practices.

Key words: ***CRM, Internet banking, Customer satisfaction, Customer attraction and retention***

INTRODUCTION

The management of customer relationship in the financial service sector demands special focus. Banks are conscious of the cost of acquiring new customers. In fact, firms spend six times more to acquire new customers than to keep them (Reichheld, 1996). Banks must be aware that replacing the customers increases the cost of new customer acquisition. Moreover, it is a drain on the existing resources of the bank, which can be better deployed for growth initiatives. Therefore, the challenge for the banks is to retain and deepen the profitability of the existing customer relationships (Yadagiri and Rajender, 2004).

Modern banking has become wholly customer-driven and technology-driven. After liberalisation of Indian Economy in July 1991, the banking sector in India has seen tremendous expansion. Banking sector, which was a domain of public sector, is in the process of transformation due to the entry of private sector and foreign banks. Stiff competition in this sector is resulting in the banks becoming customer-friendly and customer-oriented. The banking sector has seen a lot of changes in the last two decades. The banking sector has undertaken various initiatives to attract, build and retain their customer. In the scenario of stiff competition, it is the customer relationship management which will

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help them to achieve their goals as well as provide truly customer-friendly services to the growing and vibrant Indian economy.

During the last decade, technology has dramatically transformed the banking industry in India. Driven by the challenges of competition, rising customer expectations and shrinking margins, banks have been using technology to reduce cost and enhance efficiency, productivity and customer convergence. Technology-intensive delivery channels, like Automated Teller Machines (ATMs), Internet banking, Tele-banking, and Mobile banking have created a win-win situation by extending greater convenience and multiple options for customers while providing tremendous cost advantages to the banks (Shainesh and Choudhary, 2004).

The Internet banking has changed the face of the banking industry and continues to have a major influence on bank-customer relationship. Banking is no longer confined to the branches where one has to visit the bank personally to withdraw cash or deposit a cheque, or to obtain a statement of accounts. In fact, the Internet banking, any inquiry or transaction is processed on-line, without any reference to the branch ('anywhere banking') at 'any time'. Providing Internet banking is increasingly becoming a "need to have" than a "nice to have" service. Thus, the Internet banking, now, is more of a norm rather than an exception in many developed countries due to the fact that it is the cheapest way of providing banking services.

The major banks provide the following services through the Internet: (1) View account balances and statements; (2) Transfer funds between accounts; (3) Create fixed deposits on-line; (4) Request a demand draft; (5) Pay utility bills on line; (6) Order a cheque book; and (7) Request stop payment on a cheque.

REVIEW OF LITERATURE

Customer relationship management (CRM) is a business strategy to acquire and retain the most valuable customers relationship (Croteau and Li, 2003; Kracklauer, Passenheim, and Seifert, 2001; Verhoef and Donkers, 2001). CRM requires a customer-centric business philosophy and culture to support effective marketing, sales and service processes. CRM applications can enable effective customer relationship management, provided that an enterprise has the right leadership, strategy and culture. It is a key business strategy focused on infrastructure and delivery of business processes to manage and deliver customer value across multiple channels.

According to Peter Drucker, the true business of every organisation is to make and keep customers to enhance trust and to increase their willingness to engage in a relationship with the firm. CRM is putting the customer at the heart of the business. CRM is emerging as a core marketing activity with firms spending six times more to acquire new customers than to keep them (Reichheld, 1996).

CRM has been defined as tracking customer behaviour and to develop programmes and software systems to provide a one-to-one contact between the marketing business and its customers. It is the core of any customer-focussed business strategy that includes the people, processes, and technology associated with sales, marketing, and service.

A few other definitions of CRM are reproduced below:

1. CRM is an integrated effort to identify, maintain, and build up a network with individual customers and to continuously strengthen the network for the mutual benefits of both the sides, through interactive, individualised and value-added contacts over a long period of time (Shani and Chalasani, 1992).
2. CRM consists of those marketing activities which are directed towards establishing, developing and maintaining successful relationship with the customers (Hunt and Morgan, 1995).
3. CRM leads to desirable relationship outcomes because customers tend to naturally "gravitate" towards those

service-providers that are able to consistently deliver "superior" interactions *vis-à-vis* competitors over time (Reinartz, Kraft, and Hoyer, 2004).

4. CRM means attracting, maintaining and enhancing customer relationship (Berry, 1983).
5. CRM is a tool to turn current and new customers into regularly-purchasing clients and then progressively move them through being strong supporters of the company and its products to finally being active and vocal advocate of the company (Christopher, 1994).

The term 'CRM' was first used in 1993, by Tom Siebel. Therefore, many people relate it to Siebel System – an IT company; and many executives are under the misconception that CRM is principally an IT implementation, which is the probable cause of many CRM failures. If technology is applied to a faulty business practice, the company is going to become more efficient at doing the wrong things. If the core business strategy is not put right first, there will be a failure. Organisations must get the business strategy right first, decide which customers or segments to target develop sensible customer acquisition, retention, and development plans. They have to sort out the channel strategy first (direct or indirect), then to decide which products, services and bundles of value to offer to the chosen customers. Once that is in position, one may start looking for IT to support it, but not until then.

Concept of Electronic Banking

According to Karjaluoto (2002), electronic banking is a construct that consists of several distribution channels. Daniel (1999) defines electronic banking as the delivery of a bank's information and services to customers via different delivery platforms that can be used with different terminal devices, such as a personal computer and a mobile phone with browser or desktop software, telephone, or a digital television. The different forms of electronic banking are listed in **Table 1**.

Table 1
Different Forms of Electronic Banking

Form of banking	*Description*
PC banking	The customer installs banking software on his or her personal computer. The customer has access to his or her account with that specific software.
Internet banking	The customer can access his or her bank account via the Internet, using a PC or mobile phone and web-browser.
TV-based banking	The use of satellite or cable to deliver account information to the TV screens of customers.
Telephone-based banking	The customer can access his bank account via SMS and as well as by ordinary phone, using services of interactive voice response (IVR).

Source: Daniel (1999)

The electronic banking is a larger concept than the Internet banking (Karjaluoto, 2002). The Internet is the main delivery channel for electronic banking and its value to customers and banks is continuously increasing (Karjaluoto, 2002; Mattila, 2003). Hadden and Whalley (2002) observed that customers often simultaneously use many banking channels, and that a challenge for banks is how to connect with customers and provide financial services to them through the right channels, at the right time, and in the right way.

From the customer's point of view, the Internet banking offers new value to him because it makes available a full range of services that are, many a time, not offered in branch offices (Karjaluoto, 2002). Modern Internet technology makes it possible to create customised banking services for every individual customer (Mattila, 2003). According to Daniel (1999), customers' value features in the Internet banking such as convenience, increased choice of access to the bank, improved control over their banking activities and finances, ease of use, speed and security.

From the banks perspective, the main benefits of electronic banking are: cost savings, reaching new segments of the population, efficiency, cross-selling, third-party integration, and customer satisfaction (Hiltunen, *et al*., 2004; Joseph, *et al*., 1999). Wah (1999) remarks that the success of banks, operating via the Internet, depends on their ability to attract customers. Sheshunoff (2000) admits that banks provide the Internet banking services in an attempt to create powerful barriers to customers exiting. In general, it has been reported that the Internet banking saves time and money, provides convenience and accessibility, and has a positive impact on customer satisfaction (Karjaluoto, 2002; Mattila, 2003). Thus, the Internet banking offers many benefits both to banks and their customers.

The existing literature also indicates that technology plays a limited, if not insignificant, role in the relative success of CRM programmes (Day and Van den Bulte, 2002; Reinartz, *et al.*, 2004). Although it is possible for firms to successfully engage in CRM without the aid of technology, the value of technology in a CRM environment will only become evident when considered in the light of its effects on interaction quality. Interaction quality mediates the impact of CRM technology on the customer-service-provider relationship outcomes, and thus, its contribution to CRM success has been obscured in past studies.

With the support of technology, the organisation can have a 360-degree view of the customer, which will enable them to improve the quality and satisfaction of each customer interaction and maximise the profitability of customer relationships, a win-win situation for both the organisations and the customers. Overall, this enhanced relationship may result in maximisation of customer repeat business and revenue. Technology-intensive delivery channels, such as Internet banking, tele-banking, mobile banking, and the Automated Teller Machine (ATM), have created a win-win situation by extending greater convenience and multiple options for customers while providing tremendous cost advantages to the banks (Shainesh and Choudhary, 2004). The positive impact of technology infusion is clearly visible now in almost all the areas of banking operations, especially in the retail and payment systems in the country.

Banks are conscious of the relative costs of acquiring new customers and so most of the banks are resorting to customer grabbing, rather than customer cultivation and creation, so that the existing resources of the bank can be better deployed for growth initiatives. Therefore, the challenge for the banks is to retain and deepen the profitability of the existing customer relationships (Yadagiri and Rajender, 2004).

In India, the ICICI Bank was the first to start the Internet Banking in 1996 .The period of 1996 to 1998 marked the adoption phase, actual usage increased only in 1999 – due to lower ISP on-line charges, increased PC penetration and a tech-friendly atmosphere. The ICICI Bank had launched the Internet banking service even before the RBI had formulated its guidelines. After the ICICI Bank, Citibank, IndusInd Bank, HDFC Bank, and Times bank (now part of HDFC Bank), were the early adopters of the Internet banking. At present, there is hardly any bank in India, which does not provide the Internet banking facility to customers.

Initially, the Internet banking facility was provided in order to meet the information requirements of the customers and gradually it ventured into fund transfers and third-party transfers. The prohibitive costs of real estate would always make the Internet banking a much more viable option in the long run than the physical banking. In today's environment, besides their physical branches, banks need to grow non-branch delivery networks as a part of their growth strategy. ATMs are currently the hot favourite for most of the banks, but the Internet banking definitely has the potential to leave the rest behind. Therefore, on the whole, the Internet banking increases operational efficiencies and reduces costs, besides giving a platform for offering value-added services to the customer, thereby fulfilling the essential prerequisites for a flourishing banking industry.

OBJECTIVES AND HYPOTHESES

This study seeks to examine the effectiveness of CRM in the Internet banking services. It is conducted on the following parameters:

1. Availability of desired information on website;

2. Security of transaction;
3. Time to get password and user Id;
4. User-friendly website;
5. Facility of payment of utility bills; and
6. Prompt response to e-mail query.

In pursuance of the above objectives, the following hypotheses were formulated for testing:

H_{01}: There is no significant difference in the availability of desired information on the websites of different banks.

H_{02}: There is no significant difference in the security of transaction done on the website by different banks.

H_{03}: There is no significant difference between the time taken by the banks to issue the password and the user Id.

H_{04}: There is no significant difference in using the Internet banking in different banks.

H_{05}: There is no significant difference in utility bill payment facility offered by these banks.

H_{06}: There is no significant difference in providing response to e-mail queries by these banks.

RESEARCH METHODOLOGY

There is little research evidence to show how the CRM practice affect banking practices. In this context, the present study attempts to find CRM practices adopted by four banks, two from the public sector (State Bank of India and Punjab National Bank) and two from the private sector (ICICI Bank and HDFC Bank) located in National Capital Region (NCR). The study also seeks to examine the effectiveness of such practices by carrying out a survey of 400 respondents who were holding accounts with anyone of these banks. The satisfaction level of the customers will indicate the effectiveness of the Internet banking practices by the banks.

The research instrument used for the study was the questionnaire, which was designed by the author. The questionnaire consisted of 6 questions. The respondents were asked to choose the option for their response. The questions were explained where the respondent did not understand them. The questionnaire contained close-ended question, which were designed to ascertain the satisfaction level of the respondents on the Likert's scale or summated-rating scale, using one of the six options: (1) Excellent, (2) Good, (3) Satisfactory, (4) Poor, (5) Worst, (6) Not used.

The respondents were required to indicate their satisfaction level by putting a tick mark in the appropriate column; excellent being the highest satisfaction level, followed by good, satisfactory, and poor. 'Worst' was considered as the no-satisfaction level. Space was provided in the questionnaire for respondents to give any suggestion, if they felt so.

Prior to the final survey, the questionnaire was pre-tested on a sample of respondents similar in nature to the final sample. The goal of pilot survey was to ensure readability and logical arrangements of questions. The questionnaire was administered to 100 customers of selected banks (25 from each selected bank) included in the study to ensure that the respondents understood the question. The respondent were made aware of the purpose of the survey and were asked to go through the questionnaire carefully. The study was conducted in various parts of the NCR.

Sample

Sampling Unit: In this study, the sampling unit was the customers of four selected banks (i.e., State Bank of India, Punjab National Bank, ICICI Bank, and HDFC Bank) who had an account in any branch located in NCR Delhi. Convenience sampling method was adopted to select the customers. There was no discrimination on the basis of occupation, age, or educational level.

Sample Size: The sample size was 400. This is fairly large to represent the population. Further, it was decided to include 100 respondents from each bank so as to make equal representation of the selected banks.

The demographic profile of the respondents on the basis of occupation, education, and age group, is given in **Table 2.**

Table 2
Demographic Profile of Respondents

Variable	*Characteristics*	*Frequency*	*Percentage*
Occupation	Government service	90	22.50
	Private service	143	35.75
	Business	99	24.75
	Student	68	17.00
Education	Post Graduation	142	35.50
	Graduation	219	54.75
	10+2	34	8.50
	Matriculation	5	1.25
Age group	20-25 yrs	92	23.00
	26-30 yrs	51	12.75
	31-35 yrs	60	15.00
	36-40 yrs	66	16.50
	41-50 yrs	100	25.00
	51-60 yrs	23	5.75
	61yrs and above	8	2.00

DATA ANALYSIS AND INTERPRETATION

We examined the various practices and techniques adopted by the banks. The responses of the customers were analysed, using the SPSS 10.0 software programme. The analysis of the data consisted of the following sections:

1. Reliability Analysis (*Table* 3)
2. Internet Banking Services Provided (Frequency Analysis) (*Table* 4)
3. Consumer Perception of Internet Banking Services (*Table* 5)
4. Internet Banking Services Provided (ANOVA) (*Table* 6)

Reliability and Validity

Table 3 shows the result of reliability analysis – Cronbach's Alpha Value. This test measures the consistency between the survey scales. The Cronbach's Alpha score of 1.0 indicates 100 per cent reliability. Cronbach's Alpha scores were all greater than Nunnaly's (1978) 'generally accepted score' of 0.78. In this case, the score was 0.9692 for the Internet banking services provided by the banks.

Table 3
Reliability Analysis Scale
(Alpha Value)

CRM Practices / Services	*Number of Cases*	*Number of Items*	*Alpha Value*
Internet banking	400	06	0.9692

Consumer Perception of Internet Banking Facilities

As shown in **Table 4**, on an average, 35 per cent of respondents of the ICICI bank did not use the Internet banking services. In the case of the HDFC bank, 33 per cent respondents and in the case of SBI and PNB, 41 per cent and 44 per cent customers, respectively, did not use the Internet banking services.

Table 4
Internet Banking Facilities: Frequency and Comparative Analysis

Characteristic	*ICICI Bank*						*HDFC Bank*						*SBI*						*PNB*					
	Ex	*G*	*St*	*P*	*W*	*N*	*EX*	*G*	*St*	*P*	*W*	*N*	*Ex*	*gd*	*St*	*P*	*W*	*N*	*EX*	*gd*	*St*	*P*	*W*	*N*
Availability of desired information on website	20	24	**22**	0	0	34	16	**36**	19	5	0	24	17	19	**23**	2	0	39	10	21	**17**	8	3	41
Security of transaction	13	**31**	19	3		34	14	29	**31**	0	0	26	6	**31**	20	3	0	40	05	**23**	21	6	1	44
Time to get password and user-Id	10	**28**	22	1	2	37	14	28	**28**	3	0	27	13	**15**	30	2	0	40	09	11	**27**	6	2	42
User-friendly website	15	23	**24**	2	1	35	10	**33**	22	5	1	29	11	**22**	24	3	0	40	09	16	**23**	6	1	45
Utility bill payment facility	12	**35**	12	4	1	36	11	**24**	29	1	0	35	10	18	**29**	2	0	41	06	17	**22**	9	1	45
Prompt response to e-mail query	14	**26**	22	2	0	36	11	**23**	28	2	0	36	06	**21**	20	9	0	44	04	18	**22**	8	1	47

Abbreviations Used: EX: Excellent, Gd: Good, Sat: Satisfactory, Pr: Poor, W: Worst, N: not used
All figures are in percentage

Table 5
Consumer Perception of Internet Banking Facilities

Characteristic	*ICICI Bank (1)*	*HDFC Bank (2)*	*SBI (3)*	*PNB (4)*	*Private Sector Banks (1+2) (ICICI+ HDFC) (5)*	*Public Sector Banks (3+4) (SBI+PNB) (6)*	*Comparison (Pvt Vs.Public) (5-6) (7)*
	Excellent +Good	*Excellent +Good*	*Excellent +Good*	*Excellent +Good*	*Excellent +Good*	*Excellent +Good*	*Excellent +Good*
Availability of desired information on website	44	**52**	36	31	**48**	**33.5**	14.5
Security of transaction	**44**	43	37	28	**43.5**	**32.5**	***11.0***
Time to get password and user Id	38	**42**	38	20	**40**	**29**	***11.0***
User friendly website	38	**43**	33	25	**40.5**	**29**	***11.5***
Utility bill payment facility	**47**	35	28	23	**41**	**25.5**	***15.5***
Prompt response to email query	**40**	34	27	22	**37**	**24.5**	12.5

Note: All figures are in percentage

Table 5 shows that there is a significant difference (of 14.5 per cent) in favour of the private banks in case of 'availability of desired information on website', where it is significantly better than in the public-sector banks. The HDFC bank is leading in this factor, with 52 per cent satisfaction level, followed by the ICICI Bank (44 per cent), the SBI (36 per cent), and the PNB (31 per cent).

The customers of the private-sector banks were satisfied with 'the security of their transaction'. The customer response was significantly in favour of the private banks by 11 per cent. In this case, the ICICI bank (44 per cent) and the HDFC bank (43 per cent) were at the same level of customer satisfaction as in the case of the SBI (37 per cent) and the PNB (28 per cent).

In the case of 'time to get password and user Id', which was the main requirement for using the Internet banking, the customer satisfaction was 11 per cent in the case of the private banks. The position of other banks was: HDFC (42 per cent), ICICI (38 per cent), SBI (38 per cent), and PNB (20 per cent). It can be noted that in the case of the SBI, the customer satisfaction level was the same as in the case of the ICICI, but PNB, with 20 per cent, was lagging far behind.

The private-sector bank's websites were found to be more user-friendly. Private-sector banks were surging ahead of the public-sector banks by 11.5 per cent. HDFC (43 per cent) was leading in this factor, closely followed by ICICI (38 per cent), and SBI (33 per cent). PNB (25 per cent) lagged behind all of them.

In the case of utility-bill payment facility, there is a significant difference of 15.5 per cent in favour of private-sector banks. ICICI Bank (47 per cent) was the leading bank, followed by HDFC (35 per cent). The public-sector banks SBI (28 per cent) and PNB (23 per cent) were way behind in these characteristics. The public-sector banks, therefore, needed to improve the services. They might tie up with more agencies to provide their bill payment through the websites of these banks.

The private-sector banks were found to be prompt in replying to the e-mail queries of their customers. There is a significant difference of 12.5 per cent responses in favour of private banks. The ICICI bank, with 40 per cent customer satisfaction to their e-mail query is followed by the HDFC bank (34 per cent), SBI (27 per cent), and PNB (22 per cent). The satisfaction level of customer of the PNB was almost half of the customer satisfaction level of the ICICI Bank.

The ICICI Bank is leading in three characteristics and HDFC bank in the remaining three characteristics of the Internet banking, whereas PNB lagged behind the other banks in all the characteristics. The PNB and SBI might like to add more user-friendly features to their website so that they can compete with the private-sector competitors.

Table 6
Internet Banking Facilities: Computation of ANOVA

Characteristics	*Occupation*		*Age Group*		*Education*		*Different Banks (SBI/PNB/ICICI/ HDHC)*		*Type of Bank (Public/Private Sector)*	
	F Value	*Sig.*	*F Value*	*Sig.*	*F Value*	*Sig.*	*F Value*	*Sig.*	*F Value*	*Sig.*
Availability of desired information on website	1.185	0.315	1.714	0.116	1.750	0.156	3.750	**0.011**	8.899	**0.003**
Security of transaction	0.411	0.745	1.619	0.140	0.681	0.564	4.050	**0.007**	10.044	**0.002**
Time to get password and user Id	0.619	0.603	1.525	0.169	1.494	0.216	3.399	**0.018**	7.312	**0.007**
User-friendly website	0.190	0.903	1.582	0.151	1.562	0.198	2.458	0.062	5.806	**0.016**
Utility bill payment facility	0.453	0.716	1.565	0.156	1.441	0.230	2.290	0.078	5.579	**0.019**
Prompt response to e-mail query	0.924	0.429	1.867	0.085	1.045	0.373	3.192	**0.024**	9.075	**0.003**

Note: The mean difference is significant at the 0.05 level

Other Findings

Occupation, age, and education of respondents are not the significant factors to explain the difference for any service characteristics of the Internet banking. Thus, irrespective of their occupation, age, and education, the respondents had the same perception of the Internet banking services from different banks.

Availability of the desired information on website, security of transaction, time to get the password, user Id, and prompt response to e-mail query are significant factors in the case of different banks and types of banks. It indicates that there is a significant difference in the consumer perception of the Internet banking services provided by the private-sector banks and public-sector banks. The private-sector banks using the latest technology are able to provide more user-friendly feature on their website as compared to the public-sector banks. Therefore, the hypotheses $H_{01,}$ $H_{02,}$ $H_{03,}$ and H_{06} are rejected in so far as the individual banks and their types were concerned.

Since the user-friendly website of the banks and the facility of utility bill payment are not significant factors with respect to individual banks, Hypotheses H_{04} and H_{05} are accepted. However, when grouped as to the type of the banks (public or private), it is significant. Therefore, the hypotheses H_{04} and H_{05} are rejected. This suggests that the customers of a specific bank find its website as user-friendly because of its continuous use. Probably, the consumer perceived that in private sector banks, the Internet banking is more user-friendly as they provide option for utility bill payment on-line as compared to the public-sector banks. Now, even public-sector banks are trying to catch up with private sector banks by adding more utility-bills payment through the Internet banking.

CONCLUSION

The Internet banking services provided by private sector banks have been more customer-friendly as compared to the public-sector banks. Individually, a few Internet banking services are seen as more preferred by the customers from the same bank where they have an account. All banks enjoy almost similar level of customer satisfaction for different Internet banking services except a few where private sector banks have an edge over the public sector banks. The high positive response of the customers indicate that the desired information is available on the website of these banks, websites are user-friendly and customer are highly satisfied with the bill payment facility provided by these banks and satisfaction level is almost at the same level. These banks have also ensured the security of transaction as evident from the good customer responses. The private banks are more prompt in sending the Internet-user Id and password as well as sending response to e-mail query to customer as compared to public-sector banks. Since the use of the Internet is expanding in India and there is no significant difference in customer perception with respect to occupation, age, and educational level, there is a large scope of converting the non-user customers to the Internet banking (33 per cent to

44 per cent customer are not using these facility). It is suggested that the banks should increase the necessary awareness and convert the non-users to the user category. This will reduce the cost of banking transaction and provide comfort and faster customer access to their accounts for multiple purposes.

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COMMENTS

GROWING INCOME INEQUALITY IN INDIA SINCE THE NEW ECONOMIC REFORMS

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Abstract

The decade of the 1990s was an era of economic reforms in India. The New Industrial Policy, 1991, brought about economic liberalisation with a view to integrating the Indian economy with the rest of the world. After the setting up of the World Trade Organisation (WTO), the Indian economy was opened up, with reduced tariffs and removal of quotas to attract the foreign direct investment (FDI), which was considered necessary for technical advancement, enlarging employment opportunities, and removal of poverty. This article seeks to assess the impact of the New Economic Reforms (NER) on regional disparity and distribution of income in India.

Key words: ***Inequality, New Economic Reforms, Regional disparity, World Trade Organisation***

INTRODUCTION

The Indian economy experienced an average growth of Gross Domestic Product (GDP) at about 4 per cent to 5 per cent in the pre-Reforms period, from 1985 to 1990. It improved to 6 per cent during 1990 to 2000. The current growth rate of the economy of about 8 per cent is higher than that in the developed economies. In the Tenth Five-year Plan, the target growth rate was 8 per cent. For the Eleventh Five-year Plan, the double-digit growth was the topic of hot discussion among the economists and policy-makers. The annual growth rate of GDP per capita has been relatively higher since 1991. A large number of billionaires, appearing in the 'Forbes' list, blossomed after the introduction of the Economic Reforms in 1991.

Among the total number of 1125 billionaires in the world in 2008, India had 53 of them. These billionaires have taken India to the fourth rank among the nations, after the US (469), Russia (87), and Germany (59). In this matter, India even surpassed China and Japan. This is the mesmerising picture of the growing economy of the country. However, the post-Reforms period has witnessed the increasing gap between the rich and the poor. The development has not percolated to the grass-roots level. Due to the lack of the trickle-down effect, only a small section of the country has benefited while the rest have remained neglected.

We must also see the other side of the coin, which depicts the ground reality and the darker

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side. Bhargav (2010) has rightly observed, "The farmers, the rural poor, slum-dwellers, numbers of the scheduled castes and scheduled tribes, and other backward classes, who comprises a vast majority and include the 77 per cent, who according to Arjun Sen Gupta, live on less than Rs. 20 a day, are relatively worse off today than what they were when India achieved Independence.

India still has the world's largest number of poor people in a single country. Nearly 45 per cent of India's children are the victim of malnutrition. The number of underweight children in India is among the highest in the world. The United Nations estimates that 2.1 million Indian children die every year before reaching the age of five.

After reconciling these contradictory facts, one can say that there is a wide gap among the different strata of people. The rift of inequality has further widens and deepened, particularly after the New Economic Reforms. Although various economic reforms have led to the economic development of the country, it has not helped in minimising the income inequalities across the country. So, there is an urgent need of inclusive growth strategy, so that a wider participation of the deprived section of the society is ensured.

Table 1
Consumption Ratio of Urban and Rural Areas in India (1954-2001)

Years	*Urban per capita household consumption (in Rs.)*	*Rural per capita household consumption (in Rs.)*	*Ratio of urban to rural consumption expenditure*
1954-55	24.7	15	1.65
1956-57	25.1	17	1.48
1959-60	27.5	20	1.38
1961-62	30.9	21.7	1.42
1964-65	36	26.4	1.36
1966-67	41.5	30.9	1.34
1969-70	50.4	34.7	1.45
1986-87	222	140.9	1.46
1987-88	245.7	157.7	1.56
1988-89	266	175.1	1.52
1990-91	326	202	1.62
1991-92	399	247.2	1.61
1993-94	458	281	1.63
1994-95	508.1	309.4	1.64
July 95-June 96	599.2	344.3	1.74
Jan-Dec. 1997	645.2	395.0	1.63
July 99-June 2000	971.6	486.1	2.01
July 2000 – June 2001	914	494.9	1.85

Source: National Sample Survey Organisation, Government of India, "Selected Socio-Economic Statistics, India 2002", cited in Heng Quan, "Income Inequality in China and India : Structural Comparison".

Urban and rural consumption is monthly.

Rural-Urban Inequality

In the post-Reforms period, the urban areas experienced faster growth as compared to rural areas. The data of the consumption gap between the urban and the rural areas in India, during the pre-Reforms period, is shown in **Table 1.**

As shown in the table, while the consumption gap between India's urban and rural areas in 1956-57 was 1.38, it 1.34 in 1966-67. In 1986-87, it increased to 1.46. From 1991 onwards, the extent of urban-rural gap has been increasing and the amount is comparatively higher as compared to the pre-reform period. It appears that the LPG reforms are urban-biased. After integration of the Indian economy to the world economy, the growth rate of the service sector is the highest. It has attracted billions of dollars as FDI. Because of relatively good infrastructure, availability of semi-skilled and high skilled labour, and the government's supportive policy, the foreign investment was concentrated in only four metros and other important million-plus cities. There was no incentive for the development of rural area. Consequently, the income and standard of living of the people in urban areas became much higher as compared to those in the rural areas. The new avenues of jobs, descent life, basic amenities, and conspicuous consumption attracted a large number of migrations from rural to urban areas. The rural areas seem to have been completely neglected. As a result, the inequality between the urban and the rural areas widened.

Gini Co-efficients on the consumption pattern, for the years 1980-81 to 2000-01, are shown in **Table 2.**

Table 2:
India's Gini Co-efficients by Per Capita GDP

Years	*Gini Coefficients*
1980-81	0.209
1981-82	0.202
1982-83	0.211
1983-84	0.200
1984-85	0.205
1985-86	0.211
1986-87	0.214
1987-88	0.217
1988-89	0.216
1989-90	0.220
1990-91	0.224
1991-92	0.228
1992-93	0.244
1993-94	0.239
1994-95	0.248
1995-96	0.250
1996-97	0.262
1997-98	0.264
1998-99	0.276
1999-00	0.278
2000-01	0.292

Source: India's Gini Co-efficients measured by State per capita GDP, data from EPW Research Foundation (India) Domestic Product of States of India, 1960-61 to 2000-01, cited in Heng Quan, *op cit*.

As shown in the table, the Gini Co-efficient has increased considerably after 1991, which supports the hypothesis of growing inequality in the post-Reforms period in India.

Causes of Inequality

Migration

Migration from the rural area to the urban area is one of the important factors responsible for the growing inequality. Since the cities serve as the centre of employment opportunities, education, and health care, there is heavy migration from the rural to the urban areas, which creates the heavy pressure on the government to provide the basic necessities and civic amenities. Failing to do so, results in the transformation of the landscape of the urban area and slums sprout out. More than 40 million of the Indian people live in slums which are congested, unhygienic, and suffocating. The urban inequality is intensified by the growth of slums in the urban areas, which is a by-product of the rural-to-urban migration. It often creates some ethnic problems also.

Black Money

Black money also plays a very important role in the urban inequality. India's black money was estimated to be about 40 per cent of the GDP in 1999-2000 (Arun Kumar, 2002). According to Arun Kumar (2002), if one looks at the white economy alone, the ratio of per capita income between the bottom 40 per cent and the top 3 per cent would be 1:11.5. However, if we include the black income, this ratio would increase to 1:57.

Influence of Globalisation on the Development of Service Sector

The World Commission states: "The current path of globalisation must change. Too few share its benefits, too many have no voice in its design, and no one has influence over its course" (ILO, 2004, p. 2). The share of the tertiary sector improved from 28.0 per cent of GDP in 1950-51 to 36.6 in 1980-81. Further, its share in the GDP was 54 per cent and 57.2 per cent in 2004-05 and 2009-10, respectively. On the other hand, the primary sector has gone down in the contribution from 57.7 per cent of the GDP in 1950-57, to 19.7 per cent in 2005-06, and 14.6 per cent in 2009-10. The share of the industrial sector is stagnant at 24 to 28 per cent in the post-Reforms period.

The growth rate of the service sector is the highest among all the three sectors. Moreover, the entry of multinational corporations (MNCs) has replaced the state monopoly with the private monopoly.

In the service sector, the salaries, allowances, and perks are exceptionally high as compared to the other sectors. Even Prime Minister, Dr. Manmohan Singh, advised the private sector not to increase the salaries and perks of its CEOs. This is a major cause of increase in the urban inequality.

Growth of Indian Middle-class since 1991

The National Council of Applied Economic Research (NCAER) has classified the Indian middle class on the basis of income ranging from Rs. 2 lakh to Rs. 5 lakh per annum in three categories:

1. The bottom category (Rs. 2 lakh to Rs. 5 lakh) has been defined as 'seekers'. This group has grown by 15 per cent annually from 1995-96 to 2001-02.
2. The second category (Rs. 5 lakh to Rs. 10 lakh), called 'strivers', has registered an annual higher growth of 18 per cent.
3. The third category, with an annual income of over Rs. 10 lakh (about 8 lakh households), accounted for an annual growth rate of 21.4 per cent.

There is a new emerging middle-class which is confined to four metros and other million-plus cities. This clearly shows an uneven distribution of income and prosperity brought about by the New Economic Reforms.

Rural Inequality

There is a compelling evidence that the move towards liberalisation and the integration into globalisation has exasperated the rural inequality in India. There are so many factors responsible for India's land reforms and there exists mass inequalities in land distribution. From the Indian Report on Agriculture Census, we can see that about 62 per cent of those who hold lands have only 17.2 per cent of the operational holding, while about 1.6 per cent are those who hold 14.8 per cent of the land holdings. But medium and large holdings together cover only about 7.3 per cent of those who hold lands. So, about 92 per cent of the land holdings (marginal, small, and semi-medium) have only less than 60 per cent of the land area.

More importantly with India's integration into the globalisation and implementation of the liberalisation scheme, the uneven distribution of land has generated more problems for farmers and has increased rural inequality since 1991.

After India's entry into the WTO, its agriculture sector could not reap the benefits of globalisation. The prices of agriculture and primary products have decreased in the international market and there is a sharp fluctuation in the prices also. Further, the growth rate of agriculture has been rather frustrating. Consequently, the rate of growth of the farmers' income has slowed down and the overall agricultural growth has been very unstable since 1991.

Cheap credit facilities are extensively used by big landlords and rich farmers. This rich class has wasted this money on conspicuous consumption and unproductive channels. While small and marginal farmers are still beyond the excess of cheap credit.

The weakest section of the rural population, comprising bonded labourers, landless agricultural labourers, tribals, schedule castes, and schedule tribes, which form 25 to 30 per cent of the rural population, continues to be exploited by the high-caste money lenders and landlords. The suicide cases in Maharashtra, Andhra Pradesh, and Karnataka are the living examples of such exploitation and indebtedness.

The lack of education and poor infrastructure and public services has aggravated the problem of rural inequality in India.

Inter-state Disparity

The era of 1991 onwards is also a witness to the growing disparity among the various States of India. The gap between India's 'Top Five' and the 'Bottom Six' States, as shown in **Table 3**, has substantially widened.

As shown in the table, the Top Five States have a share of 34.6 per cent of all the States' Gross State Domestic Product (GSDP) during the early 1980s. This share increased to 38.2 per cent during the end of the 1990s. On the other hand, the Bottom Six States have suffered a decrease in their GSDP share from 35.3 per cent to 26.9 per cent, during the two periods.

Table 3: Gap between India's Top Five and Bottom Six States

A. The Top Five States

States	*Percentage share of GSDP at 1980-81 prices, annual average for 1980-81 to 1982-83*	*Percentage share of GSDP at 1980-81 prices, annual average for 1990-91 to 1992-93*	*Percentage share of GSDP at 1980-81 prices, annual average for 1993-94 to 1996*	*Percentage share of GSDP at 1980-81 prices, annual average for 1998-99 to 2000-01*
Maharashtra	14.0	15.3	15.3	15.6
Tamil Nadu	6.9	7.1	8.1	8.3
Gujarat	6.4	6.4	7.2	7.4
Punjab	4.4	4.3	4.0	3.9
Haryana	2.9	3.1	3.0	3.0
Total	34.6	36.2	37.5	38.2

B. The Bottom Six States

States	*Percentage share of GSDP at 1980-81 prices, annual average for 1980-81 to 1982-83*	*Percentage share of GSDP at 1980-81 prices, annual average for 1990-91 to 1992-93*	*Percentage share of GSDP at 1980-81 prices, annual average for 1993-94 to 1996*	*Percentage share of GSDP at 1980-81 prices, annual average for 1998-99 to 2000-01*
Uttar Pradesh	13.3	12.6	10.8	10.9
Madhya Pradesh	6.6	6.2	5.1	5.1
Bihar	6.2	4.6	4.8	4.8
Rajasthan	4.0	3.0	3.0	2.8
Orissa	3	2.4	2.4	2.2
Assam	2.2	2.0	2.0	1.7
Total	35.3	33.4	28.1	26.9

Source: EPW Research Foundation (India), *Domestic Product of States of India*, for 1960-61 to 2000-01, Mumbai (India) Sameeksha Trust, 2003, cited in Heng Quan, *op cit*.

CONCLUSION

The New Economic Reforms have substantially improved the growth rate of GDP in India. However, these reforms have failed to provide inclusive growth. Consequently, the income inequality has further increased in the post-Reforms period.

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GUIDELINES FOR WRITING BOOK REVIEW

We invite academicians and others to write reviews of books on business management and allied subjects.

The book-reviewers are requested to follow the guidelines given below:

1. The reviewer should begin with a listing of the bibliographical details of the book, comprising the name(s) of the author(s), full title and sub-title of the book (as they appear on the cover), details of the place and name of the publisher, year of publication, number of pages in the book, whether hardbound or paperback, and the price, if mentioned.
2. The review can range from 1000-3000 words, depending on the topic and the importance of the book.
3. The review should engage with the issues, problems, and theme raised in the book and make a rigorous attempt to identify and assess the main set of arguments put forth by the author. It should, in other words, have a strong engagement with the conceptual structure of the book and should bring out its major strengths and weakness.
4. The book under review should have been published recently, preferably in the current or the previous year, and be preferably the new release
5. The reviewer should also comment on the stylistic aspect and literary presentation of the book.
6. Bibliographical references should be avoided. If the references are considered essential, the citation style, adopted by NICE Journal of Business, should be used.

The review should be an objective assessment of the book, indicating its specific strengths and weaknesses, and an overall assessment by the reviewer.

INFLUENCE OF TELEVISION ADVERTISING ON CHILDREN AND THEIR BUYING RESPONSE

Neeru Kapoor*

A – BOOKS

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Advice is seldom welcome; and those who want it the most always like it the least.

Earl of Chesterfield, 'Letter to his son'

★★★★★

Our scientific power has outrun our spiritual power.
We have guided missiles and misguided men.

John Keats, The Insolent Chariots

BOOK REVIEWS

R. Panneesrselvam and P. Senthilkumar, *Project Management* (New Delhi: PHI Learning Private Limited, 2009), Pages: 416, Paperback, Price: Rs. 295.

Project management is both a science and an art. At large, it deals with the most efficient utilisation of factors of production, thereby minimising the cost of production and maximising the profit earned. In the competitive industrial world of today, project management techniques will be utilised during the process of production of goods and provision of services. Different industry sectors might have their own customised project management tools but, almost without exception, every industry follows a scientific approach to effort estimation, resourcing, and progress-tracking simply because such an approach reduces the waste of human effort, material, and customer goodwill. This book, written by an academic and practitioner, is a welcome addition to the body of texts on project management.

It is worth mentioning here that the book is more suited to non-IT (Information Technology) projects because the IT projects, especially the software projects, rely heavily on Microsoft's Project® toolkit, which has not been discussed. Even so, the book is an excellent resource for students and professional alike.

The book is divided into 27 chapters. Chapter 1 starts with a comprehensive coverage of the objectives of project management, types of projects, types of project delays, and the related steps to cope with such delays, and the benefits of project management. A clear account of project life-cycle management is presented in Chapter 2, which is followed by a detailed treatment of demand forecasting methods in Chapter 3, as the economic evaluation of the project is based on the demand of the product/service that the project will provide. Chapter 4 describes the process of transfer of technology in terms of phases, processes, and steps. The estimation of project cost, which is an important activity in project management, as it forms the basis for evaluation of the project, is done in Chapter 5.

After having estimated the capital requirement of the project, the next step is to find a proper mix of the capital. Hence, in Chapter 6, the cost of capital and methods to determine it are presented. It is followed by the chapter on feasibility study which is an analysis of the viability of an idea concerning a product or a service. The main objective of the feasibility study is to decide whether the organisation should proceed with the project idea. Before conducting feasibility study, a pre-feasibility study is to be conducted, mainly to collect and analyse certain key data. This chapter gives a comprehensive account of the pre-feasibility study, types of feasibility, and the detailed steps of feasibility study.

Chapters 8 to 13 deal with various project evaluation techniques. Chapter 8, which is about the bases of comparison of project alternatives, introduces seven interesting formulas and discusses detailed treatments of different methods, viz., 'present worth method', 'future worth method', 'annual equivalent method', and the 'rate of return method', with numerous illustrations. Inflation-adjusted project selection is explained in Chapter 9 which discusses the concept of inflation adjusted evaluation/comparison of project alternatives with suitable examples. Since project managers are expected to determine the optimum mix of projects with the given project, Chapter 10, which is on modeling approach for this purpose, adds value to the text.

Most of the real life projects encounter uncertainties in terms of cash flows. Hence, the next two chapters, i.e., Chapter 11 and Chapter 12, are devoted to the use of simulation and consideration of probabilistic cash flows, while selecting the desirable project alternatives. In the second one, chance-constrained programming is discussed. The last in the series of the topics on project evaluation techniques, viz., evaluation of public alternatives, is covered in Chapter 13 with the help of suitable illustrations.

Vendor evaluation is considered to be an important activity in project commissioning, because the success of project commissioning depends on the timely delivery of materials, sub-assemblies, equipments, etc. Chapter 14, which is on vendor evaluation, includes comprehensive coverage of the concept of vendor evaluation, including the criteria for rating, steps of vendor evaluation, and analytical hierarchy process. Chapter 15 is on contract, and covers the types of contract, tendering, requirements of public-sector buyers, and the contract laws.

Chapters 16 to 22 deal with project-scheduling techniques. Project is represented in the form of a network for the purpose of analytical treatment to get solutions for scheduling and controlling its activities. The guidelines to construct project networks with suitable examples are presented in Chapter 16. It is followed by chapters on 'Critical Path Method (CPM)', 'Programme Evaluation and Review Technique (PERT)', 'Crashing of project network', and 'Resource levelling and resource allocation'. Thereafter, the techniques for project-type products, which include line of balance and line balancing, are explained in detail. Each of these techniques is illustrated with suitable examples.

While small projects can be managed with manual calculation, it will be difficult to plan and monitor even a moderate size project. In reality, the size of the projects will vary from moderate size to large size. Hence, the usage of computer software for managing projects is inevitable. Chapter 23 describes some of the off-the-shelf software application packages for engineering project management, such as *InstaPlan III®*, *YOJANA®*, *PRISM®* and *PRIMAVERA®*. (Microsoft Project® is not discussed!)

Implementation of any project will have its impact on the environment in some forms whether it is a manufacturing concern or service industry or a public project. Environmental Impact Assessment (EIA) of the project, covering EIA in different countries and the steps of EIA process. It is followed by Chapter 25, on project audit, which contains common project failures and reasons for audit, phases of project audit and project check list. Role of financial institutions, giving comprehensive coverage of the central bank, commercial banks, specialised financial institutions, and venture capital industry, is given in Chapter 26.

At the end, Chapter 27, on Project Organisation Structures, presents the concepts of project team, essential qualities of project manager, organisational structures for projects, and project management offices. An integrated case study on 'Selection and Evaluation of Rural Road Projects in Hills', given in Appendix, makes it a highly useful text.

Each chapter contains a few exercises at the end to test the conceptual understanding of the reader and to make them learn the art of putting theory into practice. At the end, the book includes answers to some selected questions from different chapters for the convenience and benefits of the readers.

As noted earlier, this otherwise well-written book, suffers from some shortcomings. These include: non-coverage of IT projects and professional accreditations that project management professional can earn to enhance their professional stature. The information technology (IT) industry is one of the largest employment generators for project management professionals. Software projects have their own quirks that differentiate the choice of project management techniques. For instance, contrary to what is suggested by the authors in Section 1.4, it is not recommended to increase human resources to mitigate delays to software projects, particularly during the end of the development cycle. Such an approach worsens the situation even further due to introduction of uninitiated resources.

Another weakness of the book is the lack of discussion on the most common mistakes committed during project management. This is the "art" portion of successful project management. Like all scientific human endeavours, new learning evolves everyday when scientific techniques are used in practice but the results are not commensurate with our expectation. It would have been interesting if the authors had begun with historical statistics on the percentage of engineering projects delayed in India and the world and the reasons thereof, and how the suggestions provided in the book could help the practitioners avoid these pitfalls.

The book will be appreciated by professionals, trainers, and students in the field of project management in India. This increasingly important subject suffers from unavailability of high quality text books. It is a valuable addition to the available literature on project management and will definitely contribute to the professionalisation of project management and towards making it an effective instrument of development. The book is very economically priced too. It is a superb value for money!

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Rahul V. Altekar, *Supply Chain Management: Concepts and Cases*, 6th ed. (New Delhi: PHI Learning Private Ltd, 2009), Pages: 453, Paperback, Price: Rs. 250.

Introduction

The preface of most of the new books has an apologetic tone. They seek to justify the addition of yet another publication to an already congested academic firmament. This one by Dr. Altekar is an exception: in the first three paragraphs lies a lucid explanation on how to perceive its central theme holistically and, therefore, the need for a new effort on this oft-written topic. The title is direct and simple: here is a book on the management of the supply chain. It joins the plethora of titles on the same subject weighing down the shelves of many a library. Yet, it proffers an unusually broad width of coverage.

The credentials of Dr. Altekar are sterling. For about a decade, he has operated as an SCM Consultant to organisations having diverse business interests.

The genre is clearly academic, written to focus as a textbook for postgraduate students. It fruitfully examines what the interested student might need to know, and forthwith goes ahead to expound it. Any book purporting to cater to such audience would be totally unacceptable if a minimum level of corresponding depth were not available. Here again, the book scores high. In virtually every chapter, the author gives evidence of his grip on the subject. A practising supply chain manager at the entry or junior level would find it useful during his day-to-day work.

Critique on Content Details and Strengths

A major strength of the book is its liberal insertions of figures, tables, models, illustrations, and charts. This not only breaks the monotony of an otherwise dry subject, but immensely helps in comprehension through the visual mode. Additionally, every chapter is embellished with several useful case studies.

The introduction, comprising the scope, approach, evolution and trends of the supply chain is appropriately short and is over in a matter of 11 pages.

Chapter 2, on demand management, reflects the conceptual clarity of the author. Inclusion of the Winter's Model along with related equations is another facet, which provides the needed depth. An interesting observation made up by the author is that "being the Vice-President of Demand Management is actually being the Vice-President of Blame"! The author has painstakingly explained the concept of Collaborative Planning Forecast Replenishment (CPFR), connected it to the issues in collaboration and elaborately described its implementation.

The author quickly moves on to the complex field of Operations Management. The chapter is exhaustive and can almost serve as a ready reckoner in this crucial discipline. The concept and myths behind mass customisation have been meticulously wrapped up.

The two chapters on Procurement and Logistics Management are typical of any textbook on SCM. However, in using the logistical exercise of evacuating Dunkirk during World War II, to present the assorted ramifications of logistics, the author has surpassed himself. The logical order in which the topics are presented, make it a reader's joy. Inclusion of the Third Party and even the Fourth Party logistics significantly contributes to making the text sufficiently up-dated to match the current scenario in the manufacturing sector. Teachers using older textbooks often have to take recourse to their own efficient expertise to expose students to such phenomena.

Most fittingly, the chapter on Information Technology takes up almost 80 pages. It is stimulating to examine the wide spectrum of business activities which this support system caters to. In fact, through this chapter, Dr. Altekar has been able to present the wide variety of issues and concerns that go into the successful smooth running of a business as a whole, rather than any piece-meal problem-solving effort, and in the process he has been able to beautifully fit in the prominent role of SCM in improving the bottom lines.

The concluding chapter on Performance Management is the logical last step in any managerial activity cycle. A great deal of emphasis stands placed on the current internationally used tool of Supply Chain Operations Referencing Modeling. This tool would naturally occur in any modern, rationalised, competent book on SCM. What is indeed uncommon in this chapter is the use of the Balanced Score Card as an SCM tool, which really speaking, gets its genesis from the sphere of the corporate world managing its strategy. Yet another outstanding example of the well-rounded view is that the author has of a business in operation.

The readers, particularly the students, are usually sticklers for the literary strength of any text. The language is formal, befitting a topic of this nature, and the printer's devil is practically non-existent.

Critique on Content Limitations

The cover of the book appears a bit messy, with too much built-in on too little space, resulting in nothing really catching the eye. The Preface gives a chapter-by-chapter account of what to expect in the book. This tends to take the wind out of the sails. Perhaps the author could have shared the exhilaration of working on it and the challenges overcome, or something in a similar vein? Again, while the entire book has a distinct flavor of organised and structured order and sequence, Chapter 3 ought to succeed Chapters 4 and 5.

The questions at the end of each chapter do not complement the otherwise attentive care exhibited by the author through the whole book.

One of the justifications tendered by the author, for the need for yet another book, is the vacuum of case studies based on Indian companies. Notwithstanding this, out of 23 Case Studies incorporated, only 11 are rooted on Indian companies. Given the current spate of globalisation of the planet, the country of origin of the case study in question should really hardly matter, as long as the case meets its professed objective. The absence of any designed questions at the end of each case makes them appear a trifle incomplete. At many places it becomes difficult to decipher where the case study has ended. For example, case study 3, of Chapter 2, is exceptionally long, unlike the others, which creates a bit of an avoidable confusion.

Overall Assessment

The author succeeds in putting across, with a reasonable amount of details, the fundamental concepts of SCM. The length is just right. So is the depth. Certainly, deeper than quite a few that exist. The broad formatting is above par. The abundance of figures and illustrations add to the appeal. If you are even distantly connected with Supply Chain, go out and get your copy. Here's a book which could be added to any good library of a B-School or University, without much forethought.

On a scale of 0 to 10, I would qualify this book for a 6.5 score.

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Nick Lee and Ian Lings, *Doing Business Research* (New Delhi: Sage Publications India Pvt. Ltd., 2010), Page: 423, Paperback, Price: Rs.495.

Business research plays an important role in the decision-making process. It is helpful in finding out solutions to the problems related to business.

The book under review is a new addition to the vast literature available on the subject. It is divided into sixteen chapters. Each chapter begins with a quotation which aptly brings out the theme of the chapter. Each ends with a lucid subject matter.

This first chapter provides an introduction to research and why one wants to conduct research. This chapter is important for a number of reasons. First, it sets the score for all the information to come. The second chapter deals with the scientific approach to research. The philosophy and roots of science and some related case studies and the scientific methods have also been described in this chapter.

Chapter 3 concentrates on the different ways of exploring the social world through interpretive approach to research. Interpretivism was advanced as a key alternative to traditional realistic approaches, based on hermeneutics and phenomenology has been highlighted in this chapter. The focus of the fourth chapter is on review of the literature, based on academic and teaching conceptual and thematic structures and methods logical structure have also been described with the help of diagrams.

Chapter 5 describes the theory, conceptualisation and hypothesis of research plan. It includes some laws, theories, models, hypothesis and propositions. The summary of the chapter has also been given to facilitate the understanding of the theme. The sixth chapter, titled 'Concept, Constructs and Measurement' focusses on the scale of measurement and highlighting the concept of construct. Chapter 7 delineates the process of measurement development through validity of measures and other approaches and models. Chapter 8, titled 'Research Design', stresses on the experimental approach, cross-sectional designs, longitudinal designs, case studies, and action research. Chapter 9 deals with the collection of qualitative data through rigour in qualitative research, qualitative sampling, and interviewing. It also examines focus groups, observation, and documentary sources of data.

Chapter 10 describes the analysis of qualitative data and the mechanism of drawing conclusions. Chapter 11 is about collecting quantitative data through quantitative sampling, i.e., probability sampling and non-probability sampling. The brief introduction to instrument design or writing good questions, testing your draft questionnaire and cross-national instrument design has also been elaborated in Chapter 12. The statistical techniques, such as normal distribution, basic probability-theory, sampling and probability have been highlighted along with Type I and Type II errors which make this chapter a significant practical one.

Chapter 13 illustrates the analysis of quantitative data along with tables, pictures and diagrams. Chapter 14 deals with the second part of the data analysis in which authors uses the significant statistical tools, such as correlation, regression analysis, *t*-test, ANOVA, and other relevant methods, which are helpful for the interpretation of statistical data.

Chapter 15, titled 'Mixing Methods and Paradigmatic Incommensurability', deals with the problem of objective evaluation across paradigms. The mixing methods for qualitative approaches in quantitative research have been described in this chapter. Finally, Chapter 16 is about the writing and talking about the research work. It also includes the structuring and actual writing of the report on research.

The book has a wealth of material presented in a lucid style. It is particularly recommended to those who wish to explore the application of research work in business and economic problems.

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Arpita Menon, *Media Planning and Buying: Principles and Practices in the Indian Context* (New Delhi: Tata McGraw-Hill Education Private Limited, 2010), Pages: 341, Price: not mentioned.

An advertisement needs an audience. It means nothing, unless someone reads it, hears it, or views it. A message about a product, service, or an idea can reach the audience through face-to-face communication as well as through the mass media. Advertising is usually aimed at a large audience, and makes use of the mass media. Advertising planner devotes a good deal of his time and effort to the complex business of formulating the best possible 'media mix'. Fortunately, more factual information is available on media than on any other aspect of advertising. The data on circulation, audience, rates, cost per thousand, etc., are readily available. Frequently, media sales executives supply necessary data on the brand usage, buying motives of the audience to buy, or personal buying habits. However, in spite of all the data available, buying media is still a highly subjective operation.

An increasingly competitive marketing environment, unprecedented audience fragmentation, and a steadily increasing number of media and promotional options have combined to create uncertainty for both the advertiser and the media executive. The media function, whether executed by an advertising agency, an independent media-buying firm, or the company's in-house media department, is becoming increasingly complex.

The media planning is a complex process. The options include mass media, such as television, newspapers, radio, and magazines (and the choices available within each of these categories) as well as the out-of-the-home media, such as outdoor advertising, transit advertising, and electronic billboards. A variety of support media, such as direct marketing, interactive media, promotional product advertising, and in-store point-of-purchase options must also be considered. The Internet and interactive media have further added to the complexity of this process.

While at the first glance, the choices among these alternatives might seem relatively straightforward, this is rarely the case. Part of the reason, media selection becomes quite involved in the nature of the media themselves. TV combines both sight and sound, an advantage not offered by any other media. Magazines can convey more information and may make the message available to the potential buyer for a longer time. Newspapers also offer their own advantages, as do outdoor, direct media, etc. The Internet offers many of the advantages of other media but is also limited in its capabilities. The characteristics of each alternative must be considered alongwith other factors. This process becomes more complicated when the manager has to choose between the alternatives within the same medium - for example, which particular channel in television at the prime time, before and after, or in-between which particular TV programme.

The potential for achieving effective communications through a well-designed media strategy warrants the added attention. The nature of the product and service being advertised also affects the media planning process. The specific target audience, to which the message is to be addressed, also plays an important role in designing the media strategy. With the increased media choices, fragmented audiences, technological advancements, rising costs and growing demands of accountability from clients, media business has grown in complexity and importance. In this rapidly changing media landscape of a culturally diverse country, like India, busy marketers and media practitioners need to understand the science and theory behind media planning and buying as well as the art of media creativity, big ideas, and the 360° communication.

In the book under review, Arpita Menon lays down sound theoretical foundations of the principles of media planning and buying in the Indian context. While the style of the book is 'user-friendly', its approach is analytical, and its database is both quantitative and qualitative. The book reflects an abundant clarity of concepts, ideas, and issues related to media planning and buying. Enriched by illustrative case studies, practical 'how-to-do' tips and snippets from the history of media, the book serves as a useful guide for media practitioners, students and academics alike. It examines threadbare the roles and structures of various media categories, their basics and strategies, the policy of market prioritisation, media-mix decisions, various media-scheduling patterns, techniques for evaluating media-buys, and media planning implementation in the light of the advertising budget. In today's environment, where companies are increasingly asking their advertising executives to utilise all facets of marketing communication in the most creative way possible, this book will fill the gap and provide them with an array of techniques that will be successful in reaching audiences that are often segmented both demographically and geographically.

The book serves as a handbook and guide for the media students and practitioners on sound theoretical foundations of the principles of media planning and buying. Media marketers too, both in branding and selling, will benefit from understanding as to what makes the media planner and buyer tick, and how to call a ceasefire in the media rates warfare and get on the same side of the table! With tightening bottom lines, growing inflation in media costs and ever-dwindling audience for brand communication, brand marketers feel the need to have a thorough understanding of the media functions. The theoretical thrust of the book is supplemented by illustrative case studies and practical examples.

The book is organised into fourteen chapters. The first three chapters act as a primer, providing a basic grounding in the history of media, the current context, and the basic terminology used in the industry. Certain key terms used in media planning and their subtle nuances are explained well in Chapter 1. Some present day realities and the future media options are also nicely highlighted. The role of media team, within the media agency, is explained in the introductory chapter.

In Chapter 2, the various media jargons are explained with the help of illustrative diagrams, tables, and graphs. The various methods for calculating the reach, frequency, average number of exposures, television rating points, and various bench-marking metrics, such as share, profile, selectivity index, gross rating points, gross impressions, circulation, and SOVs are all explained with the help of easy-to-understand numerical examples. The third chapter is devoted to introducing the various building blocks of a media strategy.

The five building blocks of the media strategy are explained nicely in Chapters 4 to 8. Chapters 4 and 5 emphases the target market selection and prioritisation. TG definition in media terms is primarily using the demographics, like sex, and age. However, the author is of the opinion that two individuals with the same demographic profile may have absolutely different buying patterns, so we should try and look beyond demographics to get a better picture of the consumer.

Chapter 6 dwells upon the concept of setting media weights with the help of tables, diagrams, and case studies. Chapter 7 talks about the media mix decisions highlighting the various choices available to the media planners, with the relevant strategic issues. The various quantitative and qualitative parameters for measuring the success of various media with their advantages and drawbacks are explained clearly in this chapter.

The factors that affect media scheduling form the focus of discussion in Chapter 8. The author has explained the various scheduling patterns of continuity, flighting, and pulsing with the help of the case study of passenger cars in India. Chapter 9 summarises the media planning process. The impact of consumers, markets and competition on media planning are explained well in this chapter. The various essential points which are to be taken into consideration and their complexities while buying television slots, print space, radio time, outdoor space, cinema, and the Internet buys are presented in a simplified manner for everyone to understand. Those interested in media buying can look into the parameters used to evaluate the buying and implementation process in Chapters 10 to 12, and then into the 'solutions approach' to buying, in Chapter 14.

The structure, roles and responsibilities of the media buyer are explained in Chapter 11. The art of buying is presented in a very simplified manner with the help of nice examples and case studies. Setting media budget, the most difficult part of media planning and budget allocation is dealt with in Chapter 13. The various factors that affect budget setting are also highlighted and illustrated. The last chapter provides viable media solutions to day-to-day complex media problems. The concept of integrated marketing communication and 360-degree approach to communication are dealt with effectively.

On the whole, the book constitutes a useful resource to the emerging role and issues of media planning in India. It has succeeded in providing detailed coverage of various concepts related to the subject. Simple language, diagrammatic representation, real-life examples, and case studies constitute the hallmark of the book. The various complex terminologies related to media planning are explained in a simplified expression so that it is easier for anyone to understand them. It is indeed, a well-presented book, with practical and workable solutions in the difficult field of media decisions. References and related readings lists in each chapter seek to ensure that a fair amount of literature is covered to factor in all perspectives on a particular topic.

The book, thus, is a valuable contribution to the marketing literature in India and would undoubtedly be of great help to students, media professionals and researchers alike with valuable information and useful insights into the world of media planning and buying in India.

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