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# Vimarsh

**An Endeavour to share Knowledge**

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# CONTENTS



श्रेयान्द्रव्यमयाद्यज्ञा ज्ञानयज्ञः परन्तप।
सर्वं कर्माखिलं पार्थ ज्ञाने परिसमाप्यते।।

Shrimad Bhagwat Gita, Chapter 4 (33)

"Attaining knowledge is superior to accumulation of all sumptous substances. As all acts finally conclude into wisdom."

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# VIMARSH

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## Contents

# From the Editorial Board

# A Study of The Influence of Brand Attributes on Consumers' Preference of FMCG Brands in India

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**ABSTRACT**

*A consumer's preference for a brand is influenced by a complicated mix of several factors and determinants like the demographic and socioeconomic characteristics of the target market, the lifestyle of the consumer, characteristics of the brands available in the market, level of technological development in the market, nature of competitors and purchase motive of the consumer. Besides several other factors that influence the consumer's brand preference, the product related factors and the brand attributes also play a significant role in shaping the consumer's attitude towards the brand and his preference for the brand. Identifying those brand attributes that form an important part of the consumer's evaluation criteria for a brand and those that favourably influence his brand preference helps a marketer in inculcating those attributes into his brand and leverage such attributes for effectively positioning the brand in a way that it forms a part of the consumer's consideration set. The paper makes an attempt to identify those brand attributes that significantly influence the consumer's preference of FMCG (Fast Moving Consumer Goods) brands in the Indian market. The paper also examines if the influence of brand attributes on consumer's preference of FMCG brands vary with the age, gender and occupation of the consumer. The empirical study has been conducted by analysing the response collected from consumers spread across five states of India. Findings indicate that the consumer's choice of an FMCG brand is most strongly influenced by the technology used in the product and the perceived quality of the brand.*

***Keywords:*** *Brand Attributes, Brand Positioning, Brand Preference, FMCG, Product Quality.*

## INTRODUCTION

Brand Positioning aims at creating a distinctive and valued place for the brand in the mind of the consumer. The place that a brand occupies in the consumer's perceptual space is carefully created and etched out by company engineered communication strategies and marketing strategies. Though advertisement and marketing communication play a significant role in chalking out the image for a brand, there are a number of other factors that significantly influence the image and consumer perception of the brand (Park, et al, 1986).

Whether a brand forms a part of the consumer's consideration set or not also depends on a number of such factors. The characteristics of the brand and specific brand attributes are also some of the factors that influence the consumer's preference of a brand. Understanding the extent of influence of these factors helps the marketer in designing an appropriate offer for the consumer and in formulating effective brand positioning strategies.

Such effective brand positioning designed after a careful assessment of the factors influencing brand image formation and brand preference, goes a long

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way in ensuring sustainability and survival for the brand.

## LITERATURE REVIEW

Knowledge of the factors that influence the brand perception and brand preference of the consumers help the brand manager in designing the brand positioning strategies. It is a complicated task to predict a consumer's brand preference as several factors influence his brand perception and preference. However, it has been found that consumer's belief about product specific attributes and the relative importance attached to product specific attributes by the consumer influence his brand preference. Hence brand preference can be predicted by "attitude measurement based upon beliefs about and relative importance of product specific attributes (Bass et al, 1972). It is not only the product attributes that influence the consumer's preference of a brand. Consumer' purchase motive and his self concept have a significant influence on his brand preference. Study indicates that consumers having a higher public self consciousness have a higher preference for national brand labels whereas those having lower public self consciousness tend to have a higher preference for bargain brand labels (Bushman, 1993). Consumers purchase things only when they are consistent with, enhance or fit well with the conception the consumers have of themselves (Ross, 1971). Research has proved that consumers have a higher preference for those brands whose image is in congruence with the self image of the consumer (Jamal et al, 2001). Selection of the right brand concept positively influences the brand image which in turn has an impact on the performance of the brand in the market (Park et al, 1986).

Attitude of a consumer towards a brand and towards consumption besides being affected by other factors also depend on the consumer's motive of consumption. Research suggests that consumer motive is bi-dimensional implying that the motive of consumption may be utilitarian or hedonistic (Batra & Ahtola, 1990 & Voss et al, 2003). The brand concept guides the brand positioning and the brand image. The three brand concepts that guide the brand positioning and brand image are functional, symbolic and experiential (Park et al, 1986). Besides these three concepts another brand concept is the emotional concept that finds its application in the marketing communication and image developing activity for a number of brands (Strebinger, 2002).

As far as the relationship between brand and consumer perception is concerned, it has been found that "Consumers use brand names as diagnostic and legitimate search attributes" and brand names have an impact on brand preference (Wanke, et al, 2007). Brands offering a greater variety of compatible (focused and internally consistent) products are perceived to have a greater commitment to the expertise in the category. Such brands are perceived to offer superior quality and experience higher purchase likelihood (Jonah, et al, 2006).

The degree of involvement of a consumer in a product category also influences his decision making process and his response to the products and brands in the category (Lawent, et al, 1985). The consumer's perception of the safety of a product is affected by several product related factors such as price, brand name, promotion channels, source credibility, country of origin, nature of product testing authority and warranty (Tse, et al, 1999). Consumer's experience of a brand can be improved and his perception of the brand can be enhanced if the company offering the brand maintains industry standards in any two of the three value disciplines- operational excellence, customer intimacy and product leadership- and excels in the third value discipline (Treacy, et al, 1993).

A brand's relation to the national culture of a market has significant influence on the perception of the brand in that market. National culture should be taken as an important factor in designing the brand image strategies of the company (Roth, 1995). Country of origin of the brand has a greater influence on the perceived quality of the brand than on the purchase intension of the consumer or on his attitude towards the brand (Verlegh et al, 1999). Research indicates that the effect of the 'Country of Origin' on consumer's brand perception differs across brands and across countries of production (Koubaa, 2008). It has been found that though, the knowledge of the country of origin of a brand influences the belief of the consumer about the brand, it does not have any direct influence on the attitude of the consumer towards the brand. However, as beliefs may be instrumental in shaping the attitude, the consumers knowledge of the brand's origin may indirectly affect his attitude through the beliefs about the brand emanating out of this knowledge (Erickson et al, 1984).

Though the impact of several factors have been identified on the brand perception and the resulting brand preference of the consumer, a research gap exists as far as measuring the impact of the specific brand characteristics on brand preference of Indian consumers is concerned. The present research is an attempt to appreciate the relative extent of influence of the various brand characteristics on the consumers' preference of brands.

## NEED/IMPORTANCE OF THE STUDY

Identification of the research gap that exists in the measurement of the influence of brand attributes on consumer preference of FMCG brands in the Indian market has prompted the research. An assessment of the dimensions and attributes of an FMCG brand that favourably influences the consumer's perception of the brand, would establish the possibility of leveraging these attributes and using them for effectively positioning an FMCG brand in India.

## TYPES OF FACTORS AFFECTING BRAND POSITIONING

It is an arduous task to predict the brand preference of a consumer as the consumer's preference is influenced by a number of different factors. However, all the factors that influence the brand preference of a consumer can be broadly categorised into the following four categories:

1. Product Related Factors
2. Consumer Related Factors.
3. Competition (Competing brands) Related Factors and
4. Factors related to the brand characteristics and virtues of the company (Company Related Factors)

Corresponding to these factors, the four essentials to be considered while deciding the positioning concept of a brand and while formulating its positioning strategy are Product Class, Consumer Segmentation, Consumer Perception of the brand in relation to its competitors (which lead to perceptual mapping) and Brand Attributes (translated into and expressed as consumer benefits) (Subroto Sengupta, 1997).

## OBJECTIVES OF THE STUDY

1. To study the influence of brand attributes on consumer's brand perception (of FMCG brands).
2. To find out if the influence of brand attributes on consumers' preference of FMCG brands vary with the gender of the consumer.
3. To identify how the influence of brand attributes on consumers' preference of FMCG brand vary with the occupational background of the consumer.
4. To study if the influence of brand attributes on consumers' preference of FMCG brand vary with the age of the consumer.

## METHODOLOGY

The empirical study is based on the responses gathered from 250 consumers spread across five different states of India. The respondents included housewives, working professionals, businessmen and students (pursuing graduation and post graduation). Consumers were selected for the study through judgemental sampling. A structured questionnaire with non disguised questions was administered to the respondents. The questions based on Likert scale were designed to measure the impact of product related factors (brand characteristics) on the consumers' preference of an FMCG brand.

Student's t-test was used to figure out how the impact of the factors vary across the genders and ANOVA was used to understand if the impact of the different types of factors vary across consumers from different ages and occupational backgrounds.

## DATA ANALYSIS & DISCUSSION

In product related factors, product quality/ technology is the most influencing factors in affecting the consumers' preference of brands. As indicated in Table 1, consumers show the highest average preference (Mean: 5.28 & Mode: 6.0) for brands with improved quality.

**Table 1: Consumers' Preference of Brand Attributes & Characteristics**

| | Brands with improved quality (Indicating better technology) | Brands that have some unique characteristics | Brands originating from India | Brands which have their origin in some foreign country | Brand sold only in India (Local Brands) | Brands also present in other parts of the world (global brands) |
|---|---|---|---|---|---|---|
| Mean | 5.28 | 4.67 | 3.68 | 3.20 | 2.57 | 3.42 |
| Mode | 6 | 5 | 5 | 2 | 1 | 4 |

Table 2 shows that 56.7 percent of respondents have rated 'improved quality brands' (indicative of better technology) to be having the highest degree of influence on brand preference.

**Table 2: Preference of Brands with improved quality**

| Degree of Preference | Lowest Preference | Next to lowest Preference | Fourth highest Preference | Third highest Preference | Next to highest Preference | Highest Preference |
|---|---|---|---|---|---|---|
| Frequency | 3 | 5 | 10 | 28 | 60 | 144 |
| Percent | 1.2 | 2.0 | 4.0 | 11.2 | 24.0 | 57.6 |

Table 3 shows a comparison of the degree of influence of the various product related factors on the brand preference of the consumers.

**Table 3: Degree of Influence of Product Related Factors on Consumers' Brand Preference**

| **Product Related Factors / Degree of Preference (in percentage)** | **Lowest Preference** | **Next to lowest Preference** | **Fourth highest Preference** | **Third highest Preference** | **Next to highest Preference** | **Highest Preference** |
|---|---|---|---|---|---|---|
| Brands with improved quality | 1.2 | 2.0 | 4.0 | 11.2 | 24.0 | 57.6 |
| Brands with some unique characteristics | 2.4 | 4.0 | 12.8 | 16.8 | 32.8 | 31.2 |
| Brands originating from India | 6.8 | 20.8 | 20.0 | 15.2 | 24.0 | 13.2 |
| Brands which have their origin in some foreign country | 14.0 | 24.0 | 20.0 | 18.8 | 16.8 | 6.4 |
| Brand sold only in India (Local Brands) | 35.6 | 19.6 | 17.6 | 11.2 | 11.6 | 4.4 |
| Brands also present in other parts of the world (global brands) | 17.6 | 17.2 | 14.8 | 23.6 | 9.6 | 17.2 |

## T-TEST TO JUDGE THE GENDER BASED DIFFERENCES IN THE FACTORS INFLUENCING BRAND PREFERENCE

To judge if the influence of the product related factors on the brand perception and brand preference of the consumers vary with the gender of the consumers, the independent sample t-test was applied (See Table 4). As the p value for all the factors is more than 0.05, it implies that there is no significant difference in the mean of the degree of influence of these factors on brand preference. Thus the statement that there is no difference in the mean of the degree of influence of the product related factors on brand preference in male and female respondents is accepted. Therefore it can be concluded that the influence of the brand attributes on brand perception and preference do not vary with gender.

**Table 4: Independent Sample T-Test to Judge the Gender Based Differences in the Factors Influencing Brand Preference**

| | | Levene's Test for Equality of Variances | | t-test for Equality of Means | | |
|---|---|---|---|---|---|---|
| | | F | Sig. | t | df | Sig. (2-tailed) |
| **Brands with improved quality** | Equal variances assumed | .001 | .979 | -1.633 | 248 | .104 |
| **Brands that have some unique characteristics** | Equal variances not assumed | 4.842 | .029 | -1.424 | 210.250 | .156 |
| **Brands originating from India** | Equal variances assumed | .040 | .841 | 1.430 | 248 | .154 |
| **Brands which have their origin in some foreign country** | Equal variances assumed | .622 | .431 | .020 | 248 | .984 |
| **Brand sold only in India (Local Brands)** | Equal variances assumed | .235 | .629 | -.267 | 248 | .790 |
| **Brands also present in other parts of the world (global brands)** | Equal variances assumed | 1.864 | .173 | -1.542 | 248 | .124 |

## ANOVA TO JUDGE WHETHER THE INFLUENCE OF THE PRODUCT RELATED FACTORS ON BRAND PREFERENCE VARY WITH OCCUPATION

To test if there is any difference in the influence of product related factors on brand perception and preference amongst the consumers of different occupations, One Way ANOVA was applied.

Homogeneity of Variance in all the occupational categories was checked using Levene Statistics (See Table 5). For all the factors except for 'Brands with improved quality' and for 'Brands that have some unique characteristics', no difference in variances was found in the various occupational categories (the homogeneity of variance condition was fulfilled).

**Table 5: Test of Homogeneity of Variances**

| | Levene Statistic | df1 | df2 | Sig. |
|---|---|---|---|---|
| Brands with improved quality | 5.123 | 4 | 245 | .001 |
| Brands that have some unique characteristics | 4.632 | 4 | 245 | .001 |
| Brands originating from India | .572 | 4 | 245 | .683 |
| Brands which have their origin in some foreign country | 1.482 | 4 | 245 | .208 |
| Brand sold only in India (Local Brands) | .701 | 4 | 245 | .592 |
| Brands also present in other parts of the world (global brands) | .210 | 4 | 245 | .933 |

Thus the difference in the influence of these factors on consumers from different occupation can be judged through ANOVA (See Table 6).

**Table 6: ANOVA (To Compare the Mean of Influence of Factors on Consumers of Different Occupations)**

| | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| Brands originating from India | Between Groups | 30.571 | 4 | 7.643 | 3.420 | .010 |
| | Within Groups | 547.465 | 245 | 2.235 | | |
| | Total | 578.036 | 249 | | | |
| Brands which have their origin in some foreign country | Between Groups | 5.558 | 4 | 1.390 | .626 | .644 |
| | Within Groups | 543.838 | 245 | 2.220 | | |
| | Total | 549.396 | 249 | | | |
| Brand sold only in India (Local Brands) | Between Groups | 9.709 | 4 | 2.427 | 1.005 | .405 |
| | Within Groups | 591.635 | 245 | 2.415 | | |
| | Total | 601.344 | 249 | | | |
| Brands also present in other parts of the world (global brands) | Between Groups | 17.424 | 4 | 4.356 | 1.526 | .195 |
| | Within Groups | 699.476 | 245 | 2.855 | | |
| | Total | 716.900 | 249 | | | |

To judge whether the factors 'Brands with improved Quality' and 'Brands that have some unique characteristics' have varying influences on the consumers from different occupational backgrounds, Welch statistic (for Robust Test of Equality of Means) was applied (See Table 7).

**Table 7: Robust Tests of Equality of Means (Welch Test)**

| | Statistic[a] | df1 | df2 | Sig. |
|---|---|---|---|---|
| Brands with improved quality | 8.937 | 4 | 96.601 | .000 |
| Brands that have some unique characteristics | 1.165 | 4 | 82.728 | .332 |
| Brands originating from India | 3.313 | 4 | 73.571 | .015 |
| Brands which have their origin in some foreign country | .632 | 4 | 75.789 | .641 |
| Brand sold only in India (Local Brands) | .897 | 4 | 73.340 | .470 |
| Brands also present in other parts of the world (global brands) | 1.395 | 4 | 73.244 | .244 |

*a. Asymptotically F distributed.*

Table 6 indicates that the F value for 'Brands originating from India' is 3.420 and the p value is 0.010. As the p value is less than 0.05, it implies that there is a significant difference in the preference of 'Indian origin brands' amongst the consumers from different occupations. In other words the influence of 'Indian Origin Brands' on brand preference is significantly different amongst consumers from different occupational backgrounds.

Similarly, Table 7 indicates that the F value for 'Brands with improved quality' is 8.937 and the p value is 0.000. As the p value is much less than 0.05, it implies that there is a highly significant difference in the preference of 'Brands with improved quality' amongst the consumers from different occupations. In other words the influence of 'Improved Technology and Improved Quality' factor on brand preference is significantly different amongst consumers from different occupational backgrounds.

Post Hoc test was conducted to check in which of the category of respondents the mean of these factors significantly varied. It was found that the influence of the 'brands originating from India' on the brand preference of housewives was significantly different from that of businessmen (See Table 8). The influence of the 'Indian origin of brand' on brand preference is significantly higher in case of businessmen.

Similarly, it was found that the influence of the 'brands with improved quality' on the brand preference of housewives was significantly different from that of students as well as that of those in the Education profession (See Table 9). The influence of 'brands with improved quality' on brand preference is significantly higher in case of housewives.

**Table 8: Post Hoc Test for Brands originating from India**

| | | | Subset for alpha = 0.05 | |
|---|---|---|---|---|
| | Occupation of Respondent | N | 1 | 2 |
| Tukey HSD[a] | Housewife | 17 | 3.24 | |
| | Student | 81 | 3.27 | |
| | Education | 53 | 3.79 | |
| | Working Professionals | 71 | 4.01 | |
| | Business | 28 | 4.11 | |
| | Sig. | | .102 | |
| Waller-Duncan[a] | Housewife | 17 | 3.24 | |
| | Student | 81 | 3.27 | 3.27 |
| | Education | 53 | 3.79 | 3.79 |
| | Working Professionals | 71 | 4.01 | 4.01 |
| | Business | 28 | | 4.11 |

*Means for groups in homogeneous subsets are displayed.*

**Table 9: Post Hoc Test for Brands with improved quality**

| | | | Subset for alpha = 0.05 | |
|---|---|---|---|---|
| | Occupation of Respondent | N | 1 | 2 |
| Tukey HSD[a] | Student | 81 | 5.17 | |
| | Education | 53 | 5.21 | 5.21 |
| | Working Professionals | 71 | 5.28 | 5.28 |
| | Business | 28 | 5.32 | 5.32 |
| | Housewife | 17 | | 5.88 |
| | Sig. | | .977 | .061 |
| Waller-Duncan[a] | Student | 81 | 5.17 | |
| | Education | 53 | 5.21 | |
| | Working Professionals | 71 | 5.28 | 5.28 |
| | Business | 28 | 5.32 | 5.32 |
| | Housewife | 17 | | 5.88 |

*Means for groups in homogeneous subsets are displayed.*

## ANOVA TO JUDGE WHETHER THE INFLUENCE OF THE PRODUCT RELATED FACTORS ON BRAND PREFERENCE VARY WITH AGE

To test if there is any difference in the influence of product related factors on brand perception and preference amongst the consumers of different age groups, One Way ANOVA was applied.

Homogeneity of Variance in all the age groups was checked using Levene Statistics (See Table 10). For all the factors except for the factor 'Brands originating from India', no difference in variances was found in the various age categories (the homogeneity of variance condition was fulfilled).

**Table 10: Test of Homogeneity of Variances**

| | Levene Statistic | df1 | df2 | Sig. |
|---|---|---|---|---|
| Brands with improved quality | .667 | 2 | 238 | .514 |
| Brands that have some unique characteristics | .620 | 2 | 238 | .539 |
| Brands originating from India | 5.135 | 2 | 238 | .007 |
| Brands which have their origin in some foreign country | .447 | 2 | 238 | .640 |
| Brand sold only in India (Local Brands) | .500 | 2 | 238 | .607 |
| Brands also present in other parts of the world (global brands) | .477 | 2 | 238 | .621 |

Thus the difference in the influence of all these factors on consumers of different ages can be judged through ANOVA (See Table 11).

**Table 11: ANOVA (To Compare the Mean of Influence of Factors on Consumers of Different Ages)**

| | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| Brands with improved quality | Between Groups | .498 | 2 | .249 | .215 | .807 |
| | Within Groups | 275.428 | 238 | 1.157 | | |
| | Total | 275.925 | 240 | | | |
| Brands that have some unique characteristics | Between Groups | 1.133 | 2 | .566 | .340 | .712 |
| | Within Groups | 396.967 | 238 | 1.668 | | |
| | Total | 398.100 | 240 | | | |
| Brands originating from India | Between Groups | 34.866 | 2 | 17.433 | 7.906 | .000 |
| | Within Groups | 524.794 | 238 | 2.205 | | |
| | Total | 559.660 | 240 | | | |
| Brands which have their origin in some foreign country | Between Groups | 3.129 | 2 | 1.564 | .708 | .494 |
| | Within Groups | 525.652 | 238 | 2.209 | | |
| | Total | 528.780 | 240 | | | |
| Brand sold only in India (Local Brands) | Between Groups | 14.506 | 2 | 7.253 | 3.058 | .049 |
| | Within Groups | 564.474 | 238 | 2.372 | | |
| | Total | 578.979 | 240 | | | |
| Brands also present in other parts of the world (global brands) | Between Groups | 1.773 | 2 | .887 | .300 | .741 |
| | Within Groups | 702.733 | 238 | 2.953 | | |
| | Total | 704.506 | 240 | | | |

To judge whether the factors 'Brands originating from India' has varying influences on the consumers of different ages, Welch statistic (for Robust Test of Equality of Means) was applied (See Table 12).

**Table 12: Robust Tests of Equality of Means (Welch Test)**

| | Statistic[a] | df1 | df2 | Sig. |
|---|---|---|---|---|
| Brands with improved quality | .297 | 2 | 22.716 | .746 |
| Brands that have some unique characteristics | .311 | 2 | 20.938 | .736 |
| Brands originating from India | 14.365 | 2 | 24.903 | .000 |
| Brands which have their origin in some foreign country | .616 | 2 | 20.804 | .550 |
| Brand sold only in India (Local Brands) | 2.786 | 2 | 20.988 | .085 |
| Brands also present in other parts of the world (global brands) | .310 | 2 | 21.291 | .737 |

*a. Asymptotically F distributed.*

Table 11 indicates that the F value for 'Brands sold only in India' is 3.058 and the p value is 0.049. As the p value is less than 0.05, it implies that there is a significant difference in the preference of 'Local Brands' (Brands sold only in India) amongst the consumers of different age groups. In other words the influence of 'Local brands' on brand preference is significantly different amongst consumers of different ages.

Similarly, Table 12 indicates that the F value for 'Brands originating from India' is 14.365 and the p value is 0.000. As the p value is much less than 0.05, it implies that there is a highly significant difference in the preference of 'Brands originating from India' amongst the consumers of different ages. In other words the influence of 'Indian origin' factor on brand preference is significantly different amongst consumers of different age groups.

Post Hoc test was conducted to check in which of the category of respondents the mean of these factors significantly varied. It was found that the influence of the 'brands sold only in India' on the brand preference of respondents belonging to different age groups was not significantly different from each other (See Table 13).

Similarly, it was found that the influence of the 'brands originating from India' on the brand preference of consumers in the age group 16-35 was significantly different from that of consumers in the age group 56-75 (See Table 14). The influence of 'Indian origin brands' on brand preference is significantly higher in case of senior citizens and elderly people ie, consumers belonging to the age group 56-75 years.

**Table 13: Post Hoc Test for Brands sold only in India (Local Brands)**

| | | | Subset for alpha = 0.05 |
|---|---|---|---|
| | Age of Respolndent | N | 1 |
| Tukey HSD[a] | 16 - 35 | 170 | 2.42 |
| | 36 - 55 | 62 | 2.87 |
| | 56 - 75 | 9 | 3.33 |
| | Sig. | | .119 |
| Waller-Duncan[a] | 16 - 35 | 170 | 2.42 |
| | 36 - 55 | 62 | 2.87 |
| | 56 - 75 | 9 | 3.33 |

*Means for groups in homogeneous subsets are displayed.*

**Table 14: Post Hoc Test for Brands originating from India**

| | Age of Respolndent | N | Subset for alpha = 0.05 | |
|---|---|---|---|---|
| | | | 1 | 2 |
| Tukey HSD[a] | 16 - 35 | 170 | 3.46 | |
| | 36 - 55 | 62 | 4.15 | 4.15 |
| | 56 - 75 | 9 | | 4.89 |
| | Sig. | | .269 | .215 |
| Waller-Duncan[a] | 16 - 35 | 170 | 3.46 | |
| | 36 - 55 | 62 | 4.15 | 4.15 |
| | 56 - 75 | 9 | | 4.89 |

*a. Uses Harmonic Mean Sample Size = 22.536.*

## FINDINGS

The most influential characteristics of a brand influencing the brand preference of consumers purchasing FMCG brands in the Indian market is the technology used in the brand and the resulting perceived superior quality of the brand. The study found that gender does not have a significant impact on the degree of influence of brand characteristics on the consumer's preference of a brand. Technology used in the product and the quality of the product is a factor considered most essential in the evaluation of an FMCG brand by consumers of both the sexes.

Businessmen in India seem to have a higher preference for 'Made in India' brands as compared to other consumers. Their preference of Indian origin brands is significantly different from the modern Indian housewife who has a relatively higher preference for a brand originating from a foreign country. Indian housewives also have a significantly higher preference for improved quality brands of Fast Moving Consumer Goods and brand perceived to be using superior technology.

It was also found that as compared to consumers in other age groups, senior citizens and elderly people belonging to the age group 56-75 years are more ethnocentric in their preference and prefer to use brands of Fast Moving Consumer Goods made in India.

## CONCLUSION

Quality of the brand and technological superiority seems to be an important element that can be effectively used for differentiating an FMCG brand from its competitors. Leveraging the technological superiority, that favourably influences the consumer's perception and preference of a brand, can result in effective positioning for the brand in the perceptual space of the consumer. However, further research needs to be conducted to establish on what parameters, the Indian consumer assesses the quality and technological superiority of an FMCG brand.

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# Satisfaction levels of Officers/Managerial staff of Public sector and Private sector banks - A Critical assessment

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### ABSTRACT

*The financial reforms launched during the early 1990s have dramatically changed the banking scenario in the country. Many of private sector banks have brought with them state-of-art technology for business processing and service delivery, besides being efficient in catering to the customers' demands.*

***In service industry 'Keeping the employees satisfied' is as important as 'Keeping the customers satisfied'.***

*This quote is based on the concept of internal marketing which has become a prerequisite in the present time. Internal marketing starts with the concept that employees are a first, as far as the internal market of the organization is concerned. If goods, services, planned marketing communication, new technologies and operational systems cannot be marketed to this internal target group, marketing to ultimate, external customers cannot be expected to be successful either. An employee is the key factor and his work response decide the fate or fortune of any organization and hence, they demand and deserve to be satisfied with their jobs.*

*The present research paper attempts to evaluate the levels of satisfaction of internal (employees) customers of private and public sector banks and then make a comparison between the two. The study tried to highlight the different variables responsible for determining the level of satisfaction among employees of public sector and private sector banks and also helps in identifying various approaches which can be supportive in retaining potential internal customers (employees) with both sector banks. The research work is descriptive in nature and mainly primary data has been used which has been collected with the help of a structured questionnaire addressed to the internal (employees) customers of public sector and private sector banks of Bareilly city.*

*Internal customers need to be treated in the same way as external customers. Employees should feel satisfied with their job environment because it ensures that employees are motivated enough for customer-oriented as well as service minded performance. The study unfolds the level of satisfaction among officers/managerial staff of private sector bank is higher than the public sector bank (based on different parameters which were taken into consideration while measuring their responses). The personality structure of the employees working in private banks was found to be superior to that of public sector bank employees. They don't consider work as compulsion, but they see it as an integral part of their lives and as a means of obtaining satisfaction through personal achievement. Our results confirm the linkage between resource, service quality and performance for services.*

***Keywords:*** *employee satisfaction, perceived service quality, expected service quality, customer centric, determinants of satisfaction level, internal marketing*

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## INTRODUCTION

**In service industry 'Keeping the employees satisfied' is as important as 'Keeping the customers satisfied'.**

As per Gronross model, Internal marketing is as important as External Marketing ('Marketing' as commonly perceived). Internal marketing starts from the concept that employees constitute the internal market for the organization. If goods, services, planned marketing communication, new technologies and operational systems cannot be marketed to this internal target group, marketing to ultimate, external customers cannot be expected to be successful either. Internal marketing is a prerequisite for successful external marketing. Everything that a service provider does for its customers is first perceived and evaluated by its own personnel. And if employees do not believe in the promises made by the service provider they will not be successful in convincing customers external to the organization. Fellow employees must not be provided with slow, inattentive and careless service and support, because if this is the case their ability to provide the firm's "real" customers with good services and to create high perceived service quality for them is seriously jeopardized.

In internal marketing the focus is on good internal relationships between people at all levels in the organizations, so that a service-oriented and customer-oriented mindset is created among customer contact employees. Internal marketing is the management philosophy of treating employees as customers. For an employee satisfaction is the end state of feeling towards his/her job. If a person's job fulfills his/her needs and aspirations and is consistent with his/her expectations and values, the job will be satisfying.

Without good and well functioning internal relationships, external relationships can not develop successfully. Managing employees-on all levels is a true test of managing an organization.

As per Gronross's "Service marketing model" employees form an internal market which should be attended to first. Internal customers need to be treated in the same way as external customers. It has an important impact on the internal relationships of an organization. They should feel satisfied with their job environment and relationships with their fellow employees on all hierarchical levels as well as with their relationship with their employer as an organization. Internal marketing helps in attracting and retaining good employees. It also ensures that employees are motivated enough for customer-oriented and service minded performance and thus successfully perform their duties as part-time marketers in interactive marketing process.

## REVIEW OF LITERATURE

To facilitate and to complete the study a lot of literature from different sources had to be studied. So review of few major literatures had been explained over here.

In the article the author tried to examine the degree of job satisfaction of two public sector and two private sector banks in India. The author firstly went through the perceptions of other theorists about the state of job satisfaction for the employees. Job satisfaction represents a person's evaluation of one's job and work context. This definition is still being debated. Satisfied employees have a favourable evaluation of their job, based on their observations and emotional experiences. Saleh (1981) states that job satisfaction is 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. Different types of satisfaction will lead to different intentions and behaviours. (Srivastava Deepak, July 2004, publication - Singapore Management Review)

This is really important to know how an employer can influence the job satisfaction of an employee at the workplace so that his job performance can be enhanced. The outcome of any pursuit is it in trade, profession or business is ultimately defined by the actions of human beings. This is more glaringly visible in businesses as their output is expressed in easily comprehensible terms monetary units. Thus businesses are more concerned about the performance of human beings hired as employees at workplaces. However, the behavior of an employee is said to be influenced by his socioeconomic background. (K Chidambaram & A Rama, Feb 2006) Bank jobs have always remained the first preference of the youth. So, this study is also an effort to find out what they think of this job afterwards. In this highly competitive world, success of any organization depends on its human resource. Banks are no exception to this. A satisfied, happy and hard working employee is the biggest asset of any organization, including banks. Workforce of any bank is responsible to a large extent for its productivity and profitability. Efficient human resource management and maintaining higher job satisfaction level in banks determine not only the performance of the bank but also affect the growth and performance of the entire economy. So, for the success of banking, it is very important to manage human resource effectively and to find whether its employees are satisfied or not. Only if they are satisfied, they will work with commitment and project a positive image of the organization. (Monika Thakur, November, 2007)

The private sector banks are posing a very stiff competition to the public sector banks through their initiatives for meeting customer expectations and gaining a cutting edge. This is reflected by the increasing market share and better profitability of private banks in comparison to that of public sector banks. At the same time, public sector banks have also responded to the challenges posed by the private sector banks through conscious efforts to enhance their service quality. This study compares public sector banks and private sector banks in terms of user perception of their retail banking services. (R A Ravi, 2008)

## RESEARCH METHODOLOGY

**Objectives**

1. To evaluate the levels of satisfaction of internal (employees) customers of private and public sector banks and then making a comparison between the two.
2. To identify the relations of internal customers (employees) to their satisfaction level and also identifying reasons behind dissatisfaction and frustration among them.
3. To highlight the different variables accountable for determining the level of satisfaction among employees of both public and private sector banks.
4. To focus on new avenues, which may be helpful in raising level of satisfaction of internal customers (employees) of public and private sector banks.
5. To identify various approaches which can be helpful in retaining potential internal customers (employees) with both public sector and private sector banks.

Persons who serve the banks will find this study definitely helpful in understanding benefits and drawbacks associated with public sector and private sector banks and support them in making the best choice for maximum advantages.

**Hypothesis**

To have a better authenticity the following hypothesis were developed:

**1.**

**H0:** Employees of private sector banks are less punctual as compared to the employees of public sector banks.

**H1:** Employees of private sector banks are significantly more punctual as compared to the employees of public sector banks.

**2.**

**H0:** Top management of private sector banks is less cooperative as compared to the public sector.

**H1:** Top management of private sector banks is significantly more cooperative as compared to the public sector.

**3.**

**H0:** Private sector banks are providing better training facilities to their employees than the public sector banks.

**H1:** Private sector banks are not providing better training facilities to their employees than the public sector banks.

**4.**

**H0:** Top management of private sector banks significantly give less weight age to devotion, dedication and achievements of their employees as compared to public sector banks.

**H1:** Top management of private sector banks significantly give more weight age to devotion, dedication and achievements of their employees as compared to public sector banks.

**5.**

**H0:** Transfer policy of private sector banks is less

flexible than the public sector banks.
**H1:** Transfer policy of private sector banks is significantly more flexible than the public sector banks.

**6.**
**H0:** Employees of private sector banks are significantly more satisfied with their pay packets in comparison to employees of public sector banks.
**H1:** Employees of private sector banks are significantly less satisfied with their pay packets in comparison to employees of public sector banks.

## TOOLS USED FOR ANALYSIS

Z test was used to test the hypothesis and thereafter to arrive at the specific conclusion.

## DETAILED METHODOLOGY

- To serve the purpose of the study three leading private sector banks and three leading public sector banks were selected.
- A sample survey of employees of both sector banks was carried with the help of developed questionnaire which was structured and undisguised in nature.
- For the study both primary and secondary data had been used.
- For the study Exploratory/Descriptive research designs were used and study was conclusive in its nature.
- Study was based on two types of variables- Demographic variables and other job related variables.
- A sample of 72 bank employees (36 for public sector banks and 36 for private sector banks) had been taken (12 officers from each bank had been interviewed).
- Non probability convenience and judgmental type of sampling technique was used.
- Study was restricted to banks in Bareilly (U.P.) city only.

Employees were contacted at their bank branches as per their availability and convenience in serving the venture.

Collected data was appropriately condensed, classified and tabulated. After compilation and tabulation, analysis of data was performed so that facts can be achieved and those were put for further elucidation for making the collected data consequential and focused.

## DATA ANALYSIS AND INTERPRETATION

**Responses of Public Sector Banks**
Profile of sample of employees of both sector banks was divided on the basis of demographic variables like - age, sex, education, service span, no. of dependants.

| | A) Variables | Yes | No |
|---|---|---|---|
| 1. | Do you find the staff members punctual? | 25 | 11 |
| 2. | Do you find the top management cooperative? | 22 | 14 |
| 3. | Is your bank providing proper training facilities? | 22 | 14 |
| 4. | Do the top officials give proper weight age to your devotion, dedication and achievements? | 20 | 16 |
| 5. | Do you face frequent transfer problems? | 30 | 6 |
| 6. | Are you satisfied with your pay packets? | 22 | 14 |

**Responses of Private Sector Banks**

| | A) Other variables | Yes | No |
|---|---|---|---|
| 1. | Do you find the staff members punctual? | 32 | 4 |
| 2. | Do you find the top management cooperative? | 30 | 6 |
| 3. | Is your bank providing proper training facilities? | 32 | 4 |
| 4. | Do the top officials give proper weight age to your devotion, dedication and achievements? | 30 | 6 |
| 5. | Do you face transfer problems? | 4 | 32 |
| 6. | Are you satisfied with your pay packets? | 28 | 8 |

## INTERPRETATION & HYPOTHESIS TESTING

1) **Punctuality of staff members -** Efficient employees are the requirement of every organization but punctual employees are the prerequisite for a successful organization. Punctual and diligent employees can turn the fortunes of an organization. If employees are punctual, it gives a great satisfaction to the managerial staff because due to this, bank's work becomes smooth.

**For public sector bank-**

**Hypothesis**

**H0:** Employees of public sector banks are less punctual.

**H1:** Employees of public sector banks are more punctual.

**Compiled responses-**

| | Yes | No | Total |
|---|---|---|---|
| Total | 25 | 11 | 36 |

**Testing Hypothesis using z-test**

$$z = \frac{\text{expected}(P) - \text{observed}(p)}{Sp}$$

$$Sp = \sqrt{pq/n}$$

Where

Sp - standard error of proportion

p - observed proportion in the universe with the characteristics being studied

q - (1-p)

n - size of the sample

expected (P) = 0.50

observed (p) = 25/36 = 0.69

$$Sp = \sqrt{pq/n}$$

$$Sp = \sqrt{0.69 \times 0.31/36}$$

= 0.077

$$z = \frac{P \quad p}{Sp}$$

$$z = \frac{0.50 - 0.69}{0.077}$$

|z| - 2.47

Degree of acceptance = 0.11

Because calculated value is 2.47 and critical value is 2.58 at 1% level of significans.

As calculated value is less than critical value. Hence, h0 is accepted and it is concluded that employees of public sector banks are significantly less punctual.

**For private sector bank-**

**Hypothesis**

**H0-** Employees of private sector banks are less punctual.

**H1-** Employees of private sector banks are more punctual.

**Compiled responses-**

| | Yes | No | Total |
|---|---|---|---|
| Total | 32 | 4 | 36 |

**Testing Hypothesis using z-test**

$$z = \frac{\text{expected}(P) - \text{observed}(p)}{Sp}$$

$$Sp = \sqrt{pq/n}$$

Where
Sp - standard error of proportion
p - observed proportion in the universe with the characteristics being studied
q - (1-p)
n - size of the sample
expected (P) = 0.50
observed (p) = 32/36 = 0.89

$$Sp = \sqrt{pq/n}$$

$$Sp = \sqrt{0.89 \times 0.11/36}$$

= 0.052

$$z = \frac{P - p}{Sp}$$

$$z = \frac{0.50 - 0.89}{0.052}$$

|z| = 7.5

Degree of acceptance = 4.92

Because calculated value is 7.5 and critical value is 2.58 at 1% level of significans.

As calculated value is more than critical value. Hence, h1 is accepted. Thus it is quite obvious that employees of private sector banks are significantly more punctual.

**Comparison-** when compared it is observed that employees of private sector banks (degree of acceptance = 4.92) are more punctual than the employees of private sector banks (degree of acceptance = 0.11) as assessed by the managerial staff of both sector banks.

Bank can't avoid the fact that it is a service oriented organization, and service is judged on the basis of various quality features, one of them is timely delivery of the service to the receiver, this is possible when the concerned employee is available in the bank right on time.

**Cooperative attitude of top management-** The attitudes of top management towards its employees and its style of leadership have a considerable influence on the morale, productivity and discipline in its team, in the branch/office. Through their co-operative behaviour they can effectively and productively influence, direct, council and lead the managerial staff.

**For public sector bank-**

**Hypothesis**
**H0-** Top management of public sector banks is less cooperative.
**H1-** Top management of public sector banks is significantly more cooperative.

**Compiled responses-**

| | Yes | No | Total |
|---|---|---|---|
| Total | 22 | 14 | 36 |

**Testing Hypothesis using z-test**

P = 0.50
p = 22/36 = 0.611

$$Sp \quad \sqrt{pq/n} \quad \sqrt{0.611 \times 0.39/36}$$

= 0.078

$$z = \frac{0.50 - 0.611}{0.078}$$

|z| = 1.41

Degree of acceptance = 1.17

As calculated value is less than critical value. Hence, h0 is accepted and confirming that top management of public sector banks is significantly less cooperative.

**For Private sector banks-**
**Hypothesis**
**H0-** Top management of private sector banks is less cooperative.
**H1-** Top management of private sector banks is more cooperative.

**Compiled responses-**

| | Yes | No | Total |
|---|---|---|---|
| Total | 30 | 6 | 36 |

**Testing Hypothesis using z-test**

P = 0.50
p = 30/36 = 0.83

$$Sp = \sqrt{pq/n} = \sqrt{0.83 \times 0.17/36}$$

= 0.063

$$z = \frac{0.50 - 0.83}{0.063}$$

$|z| = 5.24$

Degree of acceptance = 2.66

As calculated value is more than critical value. Hence, h1 is accepted.

**Comparison-** Without the support or cooperation of top management; it is not possible for the employees to scale height of success. It is an obvious fact-'help other people get what they want and you will get what you want'. When compared it came to the notice that top management of private sector banks (degree of acceptance = 2.66) is more cooperative than that of public sector banks (degree of acceptance = 1.17) as experienced by the managerial staff of both sector banks.

**Availability of training facilities -** Training is essential for improving the quality of work performance. It is basically meant improving the job related skills of employees. Training provides instructions, guidance and coaching which help them to handle jobs more competently without any wastage.

**For public sector bank-**

**Hypothesis**
**H0-** Public sector banks are not providing better training facilities to their employees.
**H1-** Public sector banks are providing better training facilities to their employees.

**Compiled responses-**

| | Yes | No | Total |
|---|---|---|---|
| Total | 22 | 14 | 36 |

**Testing Hypothesis using z-test**

P = 0.50
p = 22/36 = 0.611

$$Sp = \sqrt{pq/n} = \sqrt{0.611 \times 0.39/36}$$

= 0.078

$$z = \frac{0.50 - 0.611}{0.078}$$

$|z| = 1.41$

Degree of acceptance = 1.17

As calculated value is less than critical value. Hence, h0 is accepted and it is concluded that public sector banks are not providing better training facilities.

**For Private sector banks-**

**Hypothesis**
**H0-** Private sector banks are not providing less better training facilities to their employees.
**H1-** Private sector banks are providing better training facilities to their employees.

**Compiled responses-**

| | Yes | No | Total |
|---|---|---|---|
| Total | 32 | 4 | 36 |

**Testing Hypothesis using z-test**

P = 0.50
p = 32/36 = 0.89

$$Sp = \sqrt{pq/n} = \sqrt{0.89 \times 0.11/36}$$

= 0.052

$$z = \frac{0.50 - 0.89}{0.052}$$

$|z| = 7.5$

Degree of acceptance = 4.92

As calculated value is more than critical value.

Hence, h1 is accepted and confirming that private sector banks are providing better training facilities.

**Comparison-** Through statistical analysis it is noticeable that employees of public sector banks (degree of acceptance = 1.17) are quite disappointed with their bank as they are not provided with proper training facilities as compared to this employees of private sector banks (degree of acceptance = 4.92) are quite satisfied with their banks in this regard.

Trained workers did not need to be put under close supervision, as they knew how to handle the job properly. They could handle jobs with confidence and high morale. Training enabled them to cope with organizational, social and technological changes. Thus effective training is an invaluable investment in the human resources of an organization.

**Proper weight-age to devotion-** Devoted employees always show good discipline or voluntary conformity with rules, regulations and orders; of their seniors, strong organisational stamina, lending helping hand during the time of emergency or difficulty, high degree of interest in their jobs and in their organization, reasonable display of their initiative and of course pride in the organization. But this is possible when management recognizes their devotion and gives due weight age to their efforts and dedication in carrying out banking activities smoothly and effectively.

**For public sector bank-**

**Hypothesis**

**H0-** Top officials of Public sector banks give less weight age to the devotion and dedication of employees.

**H1-** Top officials of Public sector banks give significantly more weight age to the devotion and dedication of employees.

**Compiled responses-**

| | Yes | No | Total |
|---|---|---|---|
| Total | 20 | 16 | 36 |

**Testing Hypothesis using z-test**

P = 0.50

p = 20/36 = 0.56

$$Sp \quad \sqrt{pq/n} \quad \sqrt{0.56 \times 0.44/36}$$

= 0.083

$$z = \frac{0.50 - 0.56}{0.083}$$

|z| = 0.72

Degree of acceptance = 1.86

As calculated value is less than critical value. Hence, h0 is accepted and it is concluded that top officials of public sector banks are not giving proper weight age to the devotion and dedication of their employees.

**For Private sector banks-**

**Hypothesis**

**H0-** Top officials of private sector banks give less weight age to the devotion and dedication of employees.

**H1-** Top officials of private sector banks give significantly more weight age to the devotion and dedication of employees.

**Compiled responses-**

| | Yes | No | Total |
|---|---|---|---|
| Total | 30 | 6 | 36 |

**Testing Hypothesis using z-test**

P = 0.50

p = 30/36 = 0.83

$$Sp = \sqrt{pq/n} = \sqrt{0.83 \times 0.17/36}$$

= 0.063

$$z = \frac{0.50 - 0.83}{0.063}$$

|z| = 5.24

Degree of acceptance = 2.66

As calculated value is more than critical value. Hence, h1 is accepted.

**Comparison-** Without the support or cooperation of top management; it is not possible for the employees to scale height of success. It is an obvious fact-'help other people get what they want and you will get what you want'. When compared it came to the notice that top management of private sector banks (degree of acceptance = 2.66) is more cooperative than that of public sector banks (degree of acceptance = 1.17) as experienced by the managerial staff of both sector banks.

**Availability of training facilities -** Training is essential for improving the quality of work performance. It is basically meant improving the job related skills of employees. Training provides instructions, guidance and coaching which help them to handle jobs more competently without any wastage.

**For public sector bank-**

**Hypothesis**

**H0-** Public sector banks are not providing better training facilities to their employees.

**H1-** Public sector banks are providing better training facilities to their employees.

**Compiled responses-**

| | Yes | No | Total |
|---|---|---|---|
| Total | 22 | 14 | 36 |

**Testing Hypothesis using z-test**

P = 0.50

p = 22/36 = 0.611

$$Sp = \sqrt{pq/n} = \sqrt{0.611 \times 0.39/36}$$

$$= 0.078$$

$$z = \frac{0.50 - 0.611}{0.078}$$

$|z| = 1.41$

Degree of acceptance = 1.17

As calculated value is less than critical value. Hence, h0 is accepted and it is concluded that public sector banks are not providing better training facilities.

**For Private sector banks-**

**Hypothesis**

**H0-** Private sector banks are not providing less better training facilities to their employees.

**H1-** Private sector banks are providing better training facilities to their employees.

**Compiled responses-**

| | Yes | No | Total |
|---|---|---|---|
| Total | 32 | 4 | 36 |

**Testing Hypothesis using z-test**

P = 0.50

p = 32/36 = 0.89

$$Sp = \sqrt{pq/n} = \sqrt{0.89 \times 0.11/36}$$

$$= 0.052$$

$$z = \frac{0.50 - 0.89}{0.052}$$

$|z| = 7.5$

Degree of acceptance = 4.92

As calculated value is more than critical value. Hence, h1 is accepted and confirming that private sector banks are providing better training facilities.

**Comparison -** Through statistical analysis it is noticeable that employees of public sector banks (degree of acceptance = 1.17) are quite disappointed with their bank as they are not provided with proper training facilities as compared to this employees of private sector banks (degree of acceptance = 4.92) are quite satisfied with their banks in this regard.

Trained workers did not need to be put under close supervision, as they knew how to handle the job properly. They could handle jobs with confidence and high morale. Training enabled them to cope with organizational, social and technological changes. Thus effective training is an invaluable investment in the human resources of an organization.

**Proper weight-age to devotion -** Devoted employees always show good discipline or voluntary conformity with rules, regulations and orders; of their seniors, strong organisational stamina, lending helping hand during the time of emergency or difficulty, high degree of interest in their jobs and in their organization, reasonable display of their initiative and of course pride in the organization. But this is possible when management recognizes their devotion and gives due weight age to their efforts and dedication in carrying out banking activities smoothly and effectively.

**For public sector bank-**

**Hypothesis**
**H0-** Top officials of Public sector banks give less weight age to the devotion and dedication of employees.
**H1-** Top officials of Public sector banks give significantly more weight age to the devotion and dedication of employees.

**Compiled responses-**

| | Yes | No | Total |
|---|---|---|---|
| Total | 20 | 16 | 36 |

**Testing Hypothesis using z-test**

P = 0.50
p = 20/36 = 0.56

$$Sp = \sqrt{pq/n} = \sqrt{0.56 \times 0.44/36}$$

= 0.083

$$z = \frac{0.50 - 0.56}{0.083}$$

| z | = 0.72

Degree of acceptance = 1.86

As calculated value is less than critical value. Hence, h0 is accepted and it is concluded that top officials of public sector banks are not giving proper weight age to the devotion and dedication of their employees.

**For Private sector banks-**

**Hypothesis**
**H0-** Top officials of private sector banks give less weight age to the devotion and dedication of employees.
**H1-** Top officials of private sector banks give significantly more weight age to the devotion and dedication of employees.

**Compiled responses-**

| | Yes | No | Total |
|---|---|---|---|
| Total | 30 | 6 | 36 |

**Testing Hypothesis using z-test**

P = 0.50
p = 30/36 = 0.83

$$Sp = \sqrt{pq/n} = \sqrt{0.83 \times 0.17/36}$$

= 0.063

$$z = \frac{0.50 - 0.83}{0.063}$$

| z | = 5.24

Degree of acceptance = 2.66

As calculated value is more than critical value. Hence, h1 is accepted and confirming that top officials of private sector banks are giving proper weight age to the devotion and dedication of their employees.

**Comparison-** When an effort was made to compare the responses of managerial staff of both sector banks it was observed that employees of private sector banks (Degree of acceptance = 2.66) are quite contended with their top management as the majority of them open heartedly accepted that their top officials always give due weight age to their devotion and dedication. As compared to this employees of public sector banks (Degree of acceptance = 1.86) are quite dissatisfied with their banks in this regard.

**Transfer policy -** As the nature of work undertaken by the banks is changing, the managers are facing more challenging situations at the workplace every day. Hence they need to spend more time to adjust themselves to the environment and deliver expected results. And transfer policy lays a prominent role in this regard.

**For public sector bank-**

**Hypothesis**
**H0-** Transfer policy of public sector banks is less unfavourable/rigid.
**H1-** Transfer policy of private sector banks is more unfavourable/rigid.

**Compiled responses-**

| | Yes | No | Total |
|---|---|---|---|
| Total | 30 | 6 | 36 |

**Testing Hypothesis using z-test**

P = 0.50
p = 30/36 = 0.83

$$Sp = \sqrt{pq/n} = \sqrt{0.83 \times 0.17/36}$$

= 0.063

$$z = \frac{0.50 - 0.83}{0.063}$$

$|z| = 5.24$

Degree of acceptance = 2.66

As calculated value is more than critical value. Hence, h1 is accepted and it is concluded that transfer policy of public sector banks is significantly more rigid and unfavourable.

**For Private sector banks-**

**Hypothesis**
**H0-** Transfer policy of private sector banks is less flexible.
**H1-** Transfer policy of private sector banks is more flexible.

**Compiled responses-**

| | Yes | No | Total |
|---|---|---|---|
| Total | 4 | 32 | 36 |

**Testing Hypothesis using z-test**

P = 0.50
p = 4/36 = 0.11

$$Sp = \sqrt{pq/n} = \sqrt{0.11 \times 0.89/36}$$

= 0.052

$$z = \frac{0.50 - 0.11}{0.052}$$

$|z| = 7.5$

Degree of acceptance/rejection = 4.92

As calculated value is more than critical value. Hence, h1 is accepted and confirming that transfer policy of private sector banks is significantly more flexible.

**Comparison -** when compared it is observed that transfer policy of private sector banks (degree of acceptance = 4.92) is significantly more flexible than the public sector banks.

**Satisfaction with salary and pay packets -** Man is basically an economic animal, he has many economic desires, and all these are satisfied by purchasing various goods and services. For that he needs money which he receives in form of his salary or remuneration from the bank with which he is working. Man is engrossed in many economic activities, so money is the prerequisite to carry out those activities.

**For public sector bank-**

**Hypothesis**
**H0-** employees of public sector banks are less satisfied with their salary and pay packets.
**H1-** employees of public sector banks are significantly more satisfied with their salary and pay packets.

**Compiled responses-**

| | Yes | No | Total |
|---|---|---|---|
| Total | 22 | 14 | 36 |

**Testing Hypothesis using z-test**

P = 0.50
p = 22/36 = 0.611

$$Sp = \sqrt{pq/n} = \sqrt{0.611 \times 0.39/36}$$

= 0.078

$$z = \frac{0.50 - 0.611}{0.078}$$

$|z| = 1.41$

Degree of acceptance = 1.17

As calculated value is less than critical value. Hence, h0 is accepted and

**For Private sector banks-**

**Hypothesis**
**H0-** Employees of private sector banks are less satisfied with their salary and pay packets.
**H1-** Employees of private sector banks are significantly more satisfied with their salary and pay packets.

**Compiled responses-**

| | Yes | No | Total |
|---|---|---|---|
| Total | 28 | 8 | 36 |

**Testing Hypothesis using z-test**

P = 0.50
p = 28/36 = 0.

$$Sp = \sqrt{pq/n} = \sqrt{0.78 \times 0.22/36}$$

= 0.069

$$z = \frac{0.50 - 0.}{0.}$$

$|z| = 4.06$

Degree of acceptance = 1.48

As calculated value is more than critical value. Hence, h1 is accepted and

**Comparison-** When an attempt was made to assess the opinion of managerial staff of private sector banks (degree of acceptance = 1.48) it was noticed that majority of the (78%) officers were satisfied with their salary. When tried to compare this to the responses of employees of public sector banks (degree of acceptance = 1.41) only 61% managers believed the same while rest of the (39%) officers were not happy with their pay packets.

## CONCLUSION

An employee is the key factor and his work response decide the fate or fortune of any organization and hence, they demand and deserve to be satisfied with their jobs. We observed that traditional management theories have become out of date. A new type of managerial philosophy is taking into shape according to which internal marketing is in urgent need for increasing the level of satisfaction of employees.

Efficient, committed and devoted employees are the need of present time to manage a bank successfully. Banks need to inculcate the habit of serving the internal customers (employees) first, and then only it would be possible to cater to the needs of external customers as per their expectations. Satisfied employees show high level of competence to work with zeal and zest. Such employees are essential assets for all banking institutions if they have to play their crucial role in the growth of Indian economy.

This has been revealed from the study that level of satisfaction among officers/managerial staff of private sector bank is higher than the public sector bank (based on different parameters which were taken into consideration while measuring their responses).

Work culture in public sector and private sector banks was found to be entirely different. The bank managers and officers working in private banks were found involving themselves personally in their work, which indicates personal commitment. The personality structure of the employees working in private banks was found to be superior to that of public sector bank employees. They don't consider work as compulsion, but they see it as an integral part of their lives and as a means of obtaining satisfaction through personal achievement.

Private Bank Employees (managerial staff) working in HDFC bank were mostly satisfied on various aspects (like salary and other facilities, transfer problems, training facilities, cooperative attitude of top management, etc.) included in the study to measure their level of satisfaction but they were complaining against lack of training facility for employees.

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# Community Initiatives in the Hospitality Industry: A Case of SHG Formation of Poor Fisherwomen by the Taj Group of Hotels

**Dr Hema Verma***

**ABSTRACT**

*Community Initiatives seek to extend a helping hand instead of a handout. These initiatives help in transforming lives of ordinary people from all walks of life.*

*The general perception about the Hospitality industry is that it is profit driven and is only concerned about its own business .The Taj Group of Hotels as a part of the Tata Group of companies have always been committed towards the environment and the society in which they operate. The Taj group is actively involved in a wide variety of community development projects and programs and covers many areas like health, education, livelihoods, woman- child welfare and so on.*

*The community initiative projects undertaken by the Taj Group of Hotels benefits both the community and the Taj Group's operations. This paper studies as to how an initiative by the Taj group transformed a group of ordinary Mumbai fisherwomen into a collective business enterprise and at the same time provided the Hotel with high quality product directly from the suppliers at a reasonable price. Social development initiatives and the objective of profit by hospitality firms need not be mutually exclusive. The Taj model can be adopted by other hospitality chains to fulfill the mission of sustainable and inclusive development.*

***Keywords:*** *Hospitality, Community, Initiatives, Development, Sustainable*

## INTRODUCTION

### The Indian Hotels Company: A brief profile

The IHCL was founded by Shri Jamshetji Tata, the founder of the Tata group. The company established its first property in Bombay in 1903 – the legendary Taj Mahal Palace Hotel. The IHCL and its subsidiaries are collectively known as the Taj Group of Hotels. The group now comprises of 93 hotels in 53 locations across India and 16 international hotels in Africa, Australia, Bhutan, Malaysia, Maldives, Middle East, Sri Lanka, UK and US. The Taj group operates in the luxury, premium, mid-market and the recently launched budget segments through the following brands:

- Taj is the flagship brand of the group.
- The Taj operates the brand Jiva spas which promises 'total wellness' through the wisdom and heritage of the Asian and Indian philosophy of wellness.
- The group operates resorts in the most exotic and relaxing places of the world under the brand name- Taj Exotica
- The Tata Safaris are India's first and only wildlife lodges' circuit.

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- The Premium Hotels brand provide a contemporary and creative hospitality experience
- The gateway Hotel brand offers a contemporary hotel experience.
- The Ginger brand is Taj group's revolutionary concept in the Indian Hospitality Industry for the budget segment. It is operated by Roots corporation- a wholly owned subsidiary of IHCL.
- A luxury private jet service is operated under the Taj Air brand.
- Taj Yatchs operates at Mumbai and Kochi.
- The group also operates an airline catering service.
- The group established and operates the Indian Institute of Hotel Management in Aurangabad.
- Taj Sats Air Catering is Taj group's joint venture with Singapore Airport Terminal Services (a subsidiary of Singapore Airlines). This is the largest airline catering service in South Asia.

The group has recently added important properties to its portfolio increasing its international visibility. These important acquisitions are- The Pierre which is the iconic landmark on New York's Fifth Avenue, the Taj Boston and the Blue, Sydney.

The group focuses on building a sustainable environment by improving operational efficiencies and conserving resources. Taj is one of the largest groups of hotels to commit to environmental management and energy conservation. The Taj group has initiated EARTH – Environment Awareness & Renewal at Taj Hotels and has implemented schemes like the Gangotri Glacier Cleanup Expedition. Green Globe, the only worldwide environmental certification program for travel and tourism has certified the Taj group's EARTH.

**Community Initiatives by the Taj Group of Hotels:**
As a part of the Tata Group, the Taj Hotels have always been committed towards the environment and the society in which they operate. These initiatives are appropriately referred to as "Taj in the Community" .The Taj group in collaboration with voluntary agencies implements community development programs. These initiatives encourage employees of Taj Group to share their skills with the underprivileged on voluntary basis. These community development projects aim to have a measurable and beneficial impact on the lives of the underprivileged people eg. to increase their employment prospects.

Various hotels of the group have undertaken several projects under 'Taj in the community" initiative. They are imparting skills and providing employment in the areas of Housekeeping, F&B Service and Bakery etc. to female slum dwellers, underprivileged boys & girls, the physically handicapped and destitute & orphaned children. Old age homes are being helped by some hotels to improve their services.

These hotels, as a leading hospitality group are working for a wide range of causes like reduction of malnutrition, promotion of indigenous artisans, enhancing employability of groups by training them in core competencies. The primary impact areas of these community initiatives are – skill development, promoting artisans & craftsmen and supporting voluntary organizations & welfare homes.

**Taj's Unique Community Development Initiative: Poor Women's Self Help Groups Developed as Taj Suppliers**

**(a) How it started?**
The Confederation of Indian Industry (CII), Southern Region, asked Taj Coromandel, Chennai, the help develop alternative marketing channels for women's self help groups in September 2003. The Taj group already was looking for opportunities to help local women become economically independent as a part of their community development project of 'building livelihoods' Taj believes in holding out a helping hand to encourage initiatives rather than giving handouts.

The then materials manager Mr. N. Srinivasan at Taj Coromandel made the project work. Initially a pilot project to supply fresh seafood was initiated with the Kumari Women's SHG. Taj made it clear that the then project was a business venture and not a charity programme.

**(b) Initial Problems**
The women were poor and uneducated. They had never done business on this scale and were scared. Taj for months discussed and trained them to begin

in a small way. They were trained on issues of hygiene, quality, timely delivery and cost management. It was not an easy task since these women had to compete against well-established vendors. Taj helped them by giving easy access to solve their difficulties, initially made cash payments to reduce their working capital requirements and constantly encouraged and supported them.

**(c) Progress and replication of the concept to other disadvantaged social groups**

The SHG at Taj Coromandel had started with a supply volume of 20 Kg/day and soon in about a year's time their supply reached 1600 Kg./month. Other Taj properties in Chennai – Taj Connemara and Fisherman's Cove joined the initiative.

This venture was successful and Taj soon tied up with Ullasa Paravaigal women's SHG to supply vegetables, Santhoshi Matha SHG to supply products like ghee and some vegetables, Easwari SHG for providing dry snacks for the staff canteen.

Mr. Srinivasan, the materials manager at Taj Coromandel who made this project a success was asked to replicate the same at Mumbai. He started looking for a cohesive women's group and noticed a group of fisherwomen who regularly came to pick fish bones and heads from kitchens to sell them and earn money. When he started talking to them he was impressed by their willingness and determination to work hard and succeed.

They were trained and they started in a small way. Last year Shree Fish Suppliers that supplied fish worth Rs. 30 Lakh and this year they have bagged the contract to supply 50% of the hotels seafood supply. The projected business is Rs. 1 Crore to supply seafood to three Taj Group hotels in Mumbai The Taj Mahal Palace & Tower, the Taj President and Taj Lands End.

Taj as a Tata Group Company believes in community development and encourages people from disadvantaged groups to establish themselves. The purchasing departments do their bit. eg. Instead of donating money to cancer patients they place orders for laundry bags and napkins. They source dusters from Happy Home School for the Blind and baskets from SAHAJ- a tribal women welfare association in Gujarat.

The first hotel of Taj's new brand Ginger opened in Bangalore and the company sourced young entrepreneurs to provide high-quality meals for their guests. There will be no in-house Food and Beverage set-up.

**(d) SHG's Way of Working**

Mr. Srinivasan, the material manager who made this project a success was skeptical initially whether SHG's would be able to provide high quality goods as per Taj's Standard. The eagerness of the women to learn and work hard made it a success.

At Chennai some members of the Thenkumari SHG are out at 4 AM in the morning to fish in the bay of Bengali. They separate the best of their catch and ice pack it to deliver to Taj Hotels. There they also clean and fillet it. In the evening the take orders for the next day.

At Mumbai the women of Shree Fish Suppliers SHG go to the wholesale Crawford Market and procure pomp fret, bekti and lay fish as per hotel order. Then breaking up into three groups, supply the seafood at the three hotels. Other members of the group painstakingly crack open crab shells to prepare ready to eat crabmeat for additional income.

A graduate girl manages the accounts of Shree fish suppliers and these women at their annual meetings with management confidently discuss their progress and have their sales and revenue data. The Taj management sees great potential in these women and hopes that the group will be able to come out as the sole supplier of fish to Taj hotels and also to other Mumbai hotels.

**(e) Impact on both the parties**

The initiative has changed the lives of these poor fisherwomen. Most women are sole earners in their families. Manjula Tai, head of Shree Fish Suppliers says "we had to run the house and pay school fees as a meager income." Now with increase in income their children go to better schools and even colleges. They have gained greater respect. One year of business has changed them to determined entrepreneurs confident of dealing with challenges. They now wear uniform saris; approach banks for loans, voice their opinion and are now an empowered lot.

While helping local communities by its initiatives, it benefits the group also. The women have a strong sense of belongingness to the group and feel a great sense of responsibility. As one of the members says "We have never been late in our deliveries. We know that it is important to deliver on time and give the best quality, otherwise the hotel's reputation suffers" (Agarwal, 2005).

It has been a mutually beneficial business initiative. The hotel gets quality product directly from procurers without the intermediaries. It is truly a win-win project for both the parties.

**(f) Recognition by U N**

The United Nations has also recognised the project and the M.S. Swaminathan Foundation have identified it as a best practice.

**Benefits of Community Initiatives:**

Business organisations are a part of society and should exist for the overall benefit of the society rather than for the sole objective of earning profit for its owners. By involving themselves in community initiatives, businesses encourage community growth and development and the corporations also benefit in several ways by operating with a broader perspective rather than just immediate short term profits.

A genuine culture of 'giving back to the society' builds business reputation and provides positive publicity and a good brand image. This also helps manage the risk of corruption scandals or environmental accidents. It improves the perception of a company in the eyes of its staff and potential employees which helps in recruitment and retention. Consumer loyalty improves as a result of an image of integrity in the mind of the consumer. It also helps build the community's faith and communities value such organisations as a great neighbour. e.g. In a state like Bihar disruptive forces have tried to undo good work done by other business houses but have never meddled with the Tatas.

Community initiatives by companies ensure that the money is well spent for the welfare of the society as compared to handing out funds to public authorities for the purpose of development projects. Providing manpower and involving locals is much more difficult than just handing out a cheque but it certainly yields incomparable results eg. Tata Steel provided manpower and equipment for the cleanliness drive in Patna rather than offering a meaty donation to the government of Bihar. Many community initiatives help in preserving the country's rich cultural heritage- maintaining skills which may have otherwise ceased to exist due to lack of support.

The Taj has helped the underprivileged groups develop as suppliers for the company which has benefited the Hotel in getting better quality supplies for a lesser price while giving back to the community in terms of building livelihoods of groups like cancer patients, tribals, poor women etc.

Many NGO's are actively involved to make sure that companies function in socially responsible ways. In coming times companies will have to take 'sanction' from communities to operate within their limits and shareholders will invest in socially & environmentally responsible companies.

Benefits of community initiatives by companies come in several unexpected 'bonuses' and sustainable organisations stand a better chance of being more successful in the future for decades and generations.

## CONCLUSION

Community initiatives by the Taj group have made an impact on the lives of thousands of people across the country. They have helped build livelihoods through programmes evolved out of their core competencies in hospitality management in the areas of kitchen management, food production, housekeeping, event management, art & handicrafts and other related services. These initiatives have been a win-win situation for both the hotel group and the underprivileged people of the society. The Taj model can be adopted by other hospitality groups to fulfill the mission of sustainable and inclusive development.

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# Impact of Information Technology on Indian Banking Industry

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**ABSTRACT**

*"Technology is about reaching you wherever you go. It's about reading your mind, foreseeing your worries and anticipating your needs. Technology is state of the art straight from the heart."These words have proved themselves as such with reference to Indian banking sector. This sector has benefitted a lot in extending its arms to come closer to the masses with the help of modern information technology. The information technological developments have helped the Indian banking sector to not only provide variety of modern banking services but with efficiency and at a low cost. However, it has also been observed that it has created a lot of problems to the customer as well as to the management of banks. This paper is an attempt to evaluate and assess whether modern information technological developments have benefitted the banks and its customers from cost, time and service efficiency points of view.*

## INTRODUCTION

**The Modern Banking in India:**

The Financial system of a country is essential to establish a balance between supply and demand of funds in the economic system. It consists of closely connected financial institutions, financial markets, financial instruments and financial services.

The financial institutions mobilize small savings and then distribute the collection for investment purposes thereby resulting in capital formation and economic development of the country. While the banks, insurance companies, mutual funds do the former work of resource mobilization, the industrial houses in the public and private sector do the latter work of resource utilization. Indian Financial System has got two types of market. The Indian money market (for short term funds) and The Indian Capital market (for medium and long term funds).

The market has got an organized sector wherebanks and financial institutions are operating and an unorganized sector where indigenous bankers and NBFCs are operating. The demand for funds in the Indian market is mostly seasonal as the country is agricultural. Financial instruments can take the form of equity shares, preference shares, debentures, bank deposits, insurance policies, mutual funds, bonds etc and give short term or long term return to the investor depending on the instrument. Financial services are the activities of borrowing, lending, trading and investing along with many more which are undertaken in the financial system through its various participants.

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Banking in India is a very important part of its financial system as it has both a promotional and regulatory role .Unlike the developed nations where the banks interfere only when disturbances occur, in India the banking sector acts as an agent of the GOI to fulfill its socio-economic policies of development and market stability. Besides this India is now an open economy and so the banks are also limit the influenced by the external markets. The Reserve Bank of India is the apex bank of the country.

## TRANSITION OF INDIAN BANKING INDUSTRY

Banking in India has transformed itself gradually. In the post independence era the quantum of banks was more but they were serving the interests of the elite mainly. To remove this discrepancy banks went in for mergers and were later nationalized in two phases. The objective behind nationalization was to make the banks operate for the masses. Banks became a tool in the hands of the government to implement their policies for development of the nation. Accordingly the banks had to give priority sector loans at subsidized rates, loans to weaker sections of the society, follow administered rates etc., under political interference. In this process the socio part was enlarged and economic part was diminished. It took its toll on the health of the banks. They had to face high level of NPAs, poor quality of assets, asset-liability mismatch, liquidity risk management problem and inability to follow the prudential norms etc. These weaknesses ultimately led to low productivity and efficiency and erosion in profitability of banking system. Their customer service was poor accompanied with obsolete technology making them uncompetitive to meet emerging challenges of the markets.

On the economic front, as the economy was protected there was no inflow of funds from outside .Internally, major portion of the bank funds were put to non-productive use. Money left for capital generation was very less and costly. As such, the pace of development was very slow. To overcome these problems reforms were introduced in the landmark year - 1991 by the Narasimham Committee. LPG (Liberalization, Privatisation, and Globalization) was introduced in doses. The banks were not suddenly opened to the external market .Firstly, they were made internally healthy. Their shackles were broken and functional autonomy was given to them. Interest rates were deregulated, captive investment was reduced, priority sector was redefined etc. The committee suggested that the banks had to follow prudential norms and uniform accounting practices and classify all assets into four categories-standard, sub-standards, doubtful and loss. Transparency and disclosure had to be increased. Restructuring of Indian Banks through mergers and acquisitions was also recommended. Dual control of RBI and Ministry of Finance was removed and RBI was made the regulatory authority of the banking system. SEBI took the place of CCI to protect the interests of the investors in the capital market. Now, BASEL-III has also required to be implemented to strengthen the Indian Banking System.

In the second phase, the banks were prepared to operate according to international standards. BASEL II norms were implemented to make the banks learn and employ international standards of banking. Capital adequacy, asset quality, market soundness, earnings and profitability, liquidity and sensitivity to market risk were some of the areas where stress was made. Consolidation to increase capital worth and Convergence of diversified services was attempted. Need of computerisation, including networking among the vast branch network was felt. IT had to be introduced to win new business and hold on to the old one.

The task of computerization was a formidable one as the public sector banks were traditional in their working methods and had a huge workforce which was resistant to change. They were used to stereotyped work and long queues of customers. Automation and computerization generated a negative feeling among them making them feel redundant. Besides, computerization appeared a costly affair for the banks who could not keep up with the pace of targets given to them and with their dwindling profitability on account of huge NPAs. However, as it was a necessary evil at that time some banks took the initiative of doing so and started with ALPMs. That made calculation and posting easy. This encouraged them for computers and the branches started with stand alone computers. Every desk had a PC but it could not interact with other PCs. In the next step some of the activities of the bank were connected like interest calculation, maintenance of SB/CA/FD a/c's etc. This was called partial bank automation. It gave speed and efficiency to the individual. Next was the total bank automation where the branch was networked and work could be done from any desk. Single window concept was not attempted here. Data was saved at one place. While the banks were going in for automation there was one discrepancy. The software or the application programs were not uniform. The vendors were also different. As such suiting their banks requirement software application was done. When the time came to integrate the branches, the banks compatibility became difficult. This resulted in making some packages redundant, shift to another application, increasing cost and unnecessary trouble. However as the oft quoted saying says "all is well that ends well" the Indian PSBs also overcame this problem and by 31st March 2008 had achieved 94.6 % computerization with 67 % branches as CBS. Presently almost 98 per cent of the branches of public sector banks are fully computerized, and within which almost 90 per cent of the branches are on core banking platform (as per the data given in Report on Trends and progress in Banking in India 2010-11 given by RBI)

Core Banking Solution provides centralized database and all the branches of a bank are networked to centralized servers. All types of activities related to a customer can be done from anywhere. This has not only given speed and efficiency to the system but also made inter-bank transactions possible as a whole. Internet banking, mobile banking, electronic transfer of funds and messages, CRM, ATMs have now become the common dialect in banking terminology. Customized application packages depending on the work of the bank employees have also increased the efficiency of the banks. Banks today are offering innovative and attractive packaged technology-based services to their customers. All commercial banks have converted their simple branches to CBS branches. This has resulted almost full computerization of all the branches

Under present set of conditions it is pertinent to explore and assess the impact of IT on Indian Banking Industry. In simple terms, it is important to look into the banking system to see whether any significant change has taken place in the working of bank branches resulting into positive or negative impact over its operational productivity, profitability and customer satisfaction.

An attempt has been made in this paper to have a micro view of the branches of PNB at the district level and the impact of IT on their productivity, profitability and customer satisfaction has been analyzed.

In this study a micro view is taken of the branches of PNB at the district level and the impact of IT on their productivity, profitability and customer satisfaction is analyzed.

The district is basically rural and has either rural or semi-urban branches. There is no urban branch. The demands of a rural and urban customer are different and the customer expectations are also different. An urban customer wants immediate doorstep service even if he has to pay a high price for it while a rural customer wants are primarily related to deposit or withdrawal of funds at economical rates. He has abundant time which the urban customer lacks. As such the impact that IT has created on the productivity, profitability and customer satisfaction of banks is slightly less than what it has created in the urban areas. But as the boundaries between rural ,semi-urban ,urban and metropolitan areas is gradually been broken, as the Indian middle class is expanding and going global, as technology reaches the villages, as India becomes literate the impact will be uniform through out the country.

## IMPACT OF IT ON BANKS PRODUCTIVITY

Information Technology has become a necessity for the banks to implement otherwise they shall lag behind their competitors. The following table presents the impact of IT on banks productivity.

**Impact of IT on Banks Productivity**

| S.No. | Parameters | Pre-IT | Post-IT | Impact |
|---|---|---|---|---|
| 1 | Business of the branch | restricted | increase towards optimum | Improved productivity |
| 2 | Employee efficiency | restricted | increase towards optimum | Improved productivity |
| 3 | Average No. of employees in a branch | 22 to 25 persons | 7 to 8 persons | Improvement in quantity. and quality of work done |
| 4 | Account opening | Cumbersome | Comfortable | Reduction of burden |
| 5 | No. of accounts opened in a day | 1 to 5 Accounts | 10 to 20 Accounts | Business Increase |
| 6 | Cash deposit | 3 to 5 hours | 5 minutes | Time Saving |
| 7 | Cash withdrawal | 20 min. to 3 hours | Instant | Work load shifted to other channels like ATM leading to better utilization of employee time |
| 8 | Cheque deposit local | One day | One day | Status Quo maintained with increased volume of work |
| 9 | Cheque deposit Outstation - Same Bank | 14 days | Instant | Time Saving |
| 10 | Cheque deposit Outstation - Inter Bank | 14 days | 1 to 4 days | Time Saving |
| 11 | Time required to make FD/ Draft/Pay order | One day | 15 minutes | Time Saving |
| 12 | Transfer of funds | 7 days | 2 hours to one day | Time Saving |
| 13 | Maintenance of Day to Day registers (housekeeping) | Throughout the day | Automatic | Reduced burden |
| 14 | Decision making | Slow | Fast | Better Marketing |
| 15 | Asset classification and follow up | Difficult and slow | Automatic and fast | Better productivity through reduction of NPAs |
| 16 | Transparency | Minimum | Maximum | Checking of frauds |
| 17 | Report generation | One Day per week | Instant | Time Saving and quick analysis, Feedback & Implementation. |
| 18 | Channels | only the branch | many | Distribution of work load |
| 19 | Data Storage | Lot of Office Space | Centralized | Space Saving |
| 20 | Data retrieval | Time and energy Consuming | Instant | Reduced burden |
| 21 | Data recovery | Very Difficult | Immediate through Back-ups | No Work Stoppage or Back-log |

| | | | | |
|---|---|---|---|---|
| 22 | Diversity in operations | Negligible - Only Traditional | Non-Conventional | Rise in Non Interest Income |
| 23 | Job Rotation | Minimum | Total | Knowledge Up gradation |
| 24 | Checking of frauds and suspicious transactions | Minimum One year | Automatic | Better implementation of Statutory guidelines (KYC, AML) |
| 25 | Financial Inclusion | Impossible task | Possible task | Achievement of the social objective. |
| 26 | Customer access | Only in banking hours | 24 * 7 | Improved customer satisfaction |

IT has helped the banks in raising their productivity at the individual, branch and bank level. It has helped in business growth by giving speed, accuracy, transparency and security to the transactions besides customization. IT has enabled the banks to handle increased scalability with maximum fault tolerance. Ultimately, resulting into cost cutting and better customer satisfaction.

## IMPACT OF IT ON BANKS PROFITABILITY

Though productivity of the banks has increased their profitability is moving at a slow pace. Increased IT expenditure has not been coupled with increased usage of IT services. This is because it is easy to change the physical goods but it takes time to change the mind-set of people. The numbers of people who are wary of using technology are more than tech-savy people. Banks can attain maximum profitability only when there is optimum and not under-utilization of its services.

Interest income and expenditures are more a control of market forces and the regulators. It is the non-interest income which will increase gradually as proportion of service charges and brokerage and commission increase, coupled with decreasing non-interest expenditure resulting in improved profitability.

**Impact of IT on Bank Profitability**

| S. No. | Parameters | Pre-IT | Post-IT | Impact |
|---|---|---|---|---|
| 1 | Interest Income | Dependent on market forces | Dependent on market forces | None |
| 2 | Interest Expenses | Regulated by RBI | Regulated by RBI | None |
| 3 | Net Interest Margin | More | Less | Shrinking Profits |
| 4 | Non Interest Income- | | | |
| | Service Charges | Very Little | Automatic | Increase in Income |
| | Brokerage/Commission | High with low volume | Low with high volume | Net Increase |
| 5 | Non Interest Expenditure- | | | |
| | Depreciation charges | Low | High | Increase in expenses |

| | | | | |
|---|---|---|---|---|
| | Wage Bill | High | Low | Cost Saving |
| | Office Space | Big | Small | Rent Saving |
| 6 | NPA recognition & recovery | Low | High | Income Recognition and Improved Profits |
| 7 | Volume of Business | Low | High | Improved Net Profits |
| 8 | Volume of Transactions | Low | High | Improved Net Profits |
| 9 | Volume of Deposits | Low | High | Improved Net Profits |
| 10 | Volume of Advances | Low | High | Improved Net Profits |

The above table shows that on the analysis of the various parameters of evaluation, most of the parameters are indication improvement in profit, cost reduction and improved efficiency which ultimately, results into increased profitability.

## IMPACT OF IT ON CUSTOMER SATISFACTION

From the customer satisfaction point of view those who have availed the services are enjoying its benefits and are satisfied .Those that have not used are also satisfied as competition between banks has benefited the customer even when it comes to services provided in the branch premises. The customer has got the bargaining power of switching over to another bank if services are not up to the mark. Bank personnel are able to meet customer requirements as technology has simplified the processes drastically. The following table no. 3 presents some aspects which have made banking experience delight in the post IT stage.

**Impact of IT on Customer Satisfaction**

| S.No. | Parameters | Pre-IT | Post-IT | Impact |
|---|---|---|---|---|
| 1 | Convenience | Only at the bank | Any where | Happy customer |
| 2 | Channels | Only bank | ATM,Mobile,Internet,PC | Time saving of the customer |
| 3 | Processing of data | Slow | Fast | Time saving of the customer |
| 4 | Account opening | Every time ,if new in same bank | only once within the bank | Time saving of the customer |
| 5 | Cash deposit | 3-5 hours | 5 minutes | Time saving of the customer |
| 6 | Cheque deposit | 1 to 14 days | 1 to 4 days | Time saving of the customer |
| 7 | Cash withdrawal | 20 min. to 3 hours | immediate | Time saving of the customer |
| 8 | Draft/Pay order/RTGS/NEFT | 1 day | 2 Hours | Time saving of the customer |

| | | | | |
|---|---|---|---|---|
| 9 | Issue of debit card | N.A. | Immediate | Time saving of the customer |
| 10 | Passbook printing | Next day | Immediate | Time saving of the customer |
| 11 | Customer access | Banking hours | 24* 7 | Ease in handling emergencies& maintaining low level of liquidity |
| 12 | Customer confidentiality | More, as the data was off line | Risky as the data is online | Customer has to follow safety parameters |
| 13 | Customer literacy | Limited, low | High | Higher satisfaction and more demanding |
| 14 | Customer cost | High | Low | Cost saving to the customer |
| 15 | Customization | Negligible | Flexible according to customer needs | Higher satisfaction |
| 16 | Quality of services | Below average | Good | Higher satisfaction |
| 17 | Customer loyality | More | Dependant on services | Customer becomes the king |
| 18 | Corrective action to customer complaints | Very slow and time consuming | Fast , in minimum time | Higher satisfaction |
| 19 | Handling of customer queries | Customer waiting time was more | Waiting time very less almost immediate, | Higher level of awareness and satisfaction |
| 20 | Transparency | Little ,scope of fraud | Maximum | Higher satisfaction |
| 21 | Customer relationship management | Little | Maximum ,generates business | Emotional attachment with the bank |
| 22 | Customer Base | Low | High | an outcome of improved satisfaction |
| 23 | Banking experience | Arduous | Delight | More use of banking services |

Banks in India have undertaken a long journey of transformation from legacy systems to modern global standards but as we are living in state of flux, a state of permanent temporariness they have to continually evolve themselves. Banks have to re-engineer their human resource management. They to take a tough stand (do or die) with respect to IT learning of their employees. This should however be accompanied with proper moral and intellectual support and speedy grievance redressal system. Personality job fits should be maximized and stress levels minimized which would definitely be an outcome of increased work pressure. Reinforcements should become performance orientated. The banks have already implemented their HR policies where in old employees have taken their retirement and new generation with modern knowledge have taken their seats.

Customer awareness programmes should also be enhanced so that the underutilization of these services is reduced. The procedures should be simplified so that the ignorant customer does not feel that IT is beyond his capacity.

High value customers should be paid more attention as they matter the most in bank's profitability. Besides the customers should be segregated according to their requirements and time zones and specialists who could match their requirements be recruited.

Consolidation and convergence should be increased and the different banks may also be networked so that the customer may get services not only from any branch of a bank but also from any bank of the country.

The customer shall become tech-savvy only when he feels that transactions are safe .Therefore the security aspect should not be ignored and should be updated according to needs and be uniform for better understanding.

Virtual banking is the ultimate application of technology. If it becomes successful banks will truly reap the benefits of harmonizing technology in their activities.

Summing up it can be said that as the Indian banking system is preparing itself to launch BASEL III norms which the RBI has finalized and issued norms for implementing the BASEL-III International Accounting Standards which will strengthen the Indian Banking System to avert any credit crisis. This will require at least $ 30 billion as capital over the next six years, starting January 01, 2013 till March 31, 2018. This buffer capital is required in the equity form. The usage of technology for banking services has to be increased whether by choice or by force to stand, survive and gain in the race. Information technology shall then fulfill the vision of "ONE ACCOUNT, ONE BANK, ONE NATION".

# Strategic Considerations for Work Life Balance

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**ABSTRACT**

*Today, work is widely viewed as a source of personal satisfaction. A good balance in work and life can play a phenomenal role in the attainment of personal and professional goals. The subject of how work life balance can be achieved and enhanced has received significant attention from employers, workers, politicians, academics and the media. For future commercial sustainability, organisations need to ensure that they not just encourage but mandate a practical and workable work life balance policy, benefiting and meeting the needs of both the organisation and its employees. And importantly, organisations not providing real opportunity for employee work/life balance are opening themselves up to increasing numbers of dissatisfied and unproductive employees and hence increased attrition rates. Merely creating a work/life policy framework is not enough; fostering an organizational culture that supports the use of available policies is also of great importance.*

***Keywords:*** *work-life conflict, organization strategies, job & schedule, managing burnout*

## INTRODUCTION

Work life balance, in its broadest sense, is defined as a satisfactory level of involvement or 'fit' between the multiple roles in a person's life. Although definitions and explanations vary, work/life balance is generally associated with equilibrium, or maintaining an overall sense of harmony in life. The study of work/life balance involves the examination of people's ability to manage simultaneously the multi-faceted demands of life.

Although work/life balance has traditionally been assumed to involve the devotion of equal amounts of time to paid work and non-work roles. More recently the concept has been recognized as more complex and has been developed to incorporate additional components. A recent study explored and measured three aspects of work/life balance:

1. Time balance, which concerns the amount of time given to work and non-work roles.
2. Involvement balance, meaning the level of psychological involvement in, or commitment to, work and non-work roles.
3. Satisfaction balance or the level of satisfaction with work and non-work roles.

This model of work/life balance, with time, involvement and satisfaction components, enables a broader and more inclusive picture to emerge. For example, someone who works two days a week and spends the rest of the week with his or her family may be unbalanced in terms of time (i.e. equal measures of work and life), but may be equally committed to the work and non-work roles

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(balanced involvement) and may also be highly satisfied with the level of involvement in both work and family (balanced satisfaction). Someone who works 60 hours a week might be perceived as not having work/life balance in terms of time. However, like the person who works only a few hours a week, this individual would also be unbalanced in terms of time, but may be quite content with this greater involvement in paid work (balanced satisfaction). Alternatively, someone who works 36 hours a week doesn't enjoy his or her job and spends the rest of the time pursuing preferred outside activities may be time-balanced but unbalanced in terms of involvement and satisfaction. Thus, achieving balance needs to be considered from multiple perspectives.

## A BRIEF HISTORY–TRIAL AND ERROR

During the 1960s and 1970s, employers considered work-life mainly an issue for working mothers who struggled with the demands of their jobs and raising children. Throughout this period and into the mid-1980s, the U. S. government had the major impact in the field, as reflected by the Presidential Conference on Families, the Pregnancy Discrimination Act, and the Quality of Employment Survey.

During the 1980s, recognizing the value and needs of their women contributors, pioneering organizations such as Merck, Deloitte & Touche, and IBM began to change their internal workplace policies, procedures, and benefits. The changes included maternity leave; employee assistance programs (EAPs), flextime, home-based work, and child-care referral. During the 1980s men also began voicing work-life concerns. By the end of the decade, work-life balance was seen as more than just a women's issue, affecting men, families, organizations and cultures.

The 1990s solidified the recognition of work-life balance as a vital issue for everyone--women, men, parents and non-parents, singles, and couples. This growing awareness of the central importance of the issue resulted in major growth in attempted work-life solutions during this decade. Numerous studies showed that the generations from baby boomers to new college graduates were making job choices based on their own work-life issues and employers' cultures.

Unfortunately, although companies were adopting family-friendly policies, employees and managers were not implementing them. Many of the policies put into place in the 1980s failed to have a significant impact on most managers' and employees' real-world work-life-balance results. Americans still reported feeling even more overworked and out of touch with their non-work lives much of the time.

During the first years of the twenty-first century, the disappointing results made human resource and work-life professionals as well as executives at all levels take stock. Karol Rose, author of the soon to be published book Work Life Strategies, comments on these trends in Fortune Magazine's third annual work-life special feature included in the October 2005 issue. She noted that the Work-Life Leadership Council of the Conference Board, a gathering of high-level corporate HR and work-life professionals, drew these conclusions on looking back over the last decade of efforts. Among their concerns were:

- Work-life business cases have not achieved their intended effect.
- Stress, overwork, and their negative impact on productivity and health-care costs are real and growing.
- Competition for talent from all levels and ages will increase.

Some of the solutions proposed by The Work-Life Council included:

- Draw from different organizations and departments representing different perspectives to identify key work-life issues, the next "big thing," and future best practices.
- Identify the new trends--which might not be visible now--and develop strategic responses.
- Create a new language for the work-life field.
- Maximize the beneficiaries of work-life efforts.

What is the next "big thing" or new trend that will produce successful results for individuals and the organization? How do you implement it with support from across the organization? How do you avoid past mistakes? How do you create a new language that maximizes value for the most beneficiaries? You start by recognizing the two key components necessary for any successful work-life strategy.

## THE TWO LEGS OF THE WORK-LIFE STRATEGY

Until recently, most organizations have taken a one-sided "systems" approach to their work-life efforts. Their focus has been on adopting organization policies, benefits, and procedures to solve the work-life-balance problem. Although helpful, the systems approach overlooks a critical fact: At its core, work-life balance is more an individual issue that affects the organization than it is an organizational issue that affects the individual.

The systems approach asks, "What can the organization do to create a better work-life balance for the individual?" The other half of the work-life strategy, the "individual" approach, asks, "What can individual employees and managers do for themselves to create their own best work-life balance?"

In the work-life strategy ladder at Work-Life Strategy Ladder, the rungs of the ladder represent your organization's reasons for addressing work-life balance in the first place. You want to climb the ladder, starting out with the recruiting rung. Once new employees are recruited you want positive retention, higher productivity, attitude/morale, great customer service, and ongoing employee commitment, all of which will generate higher revenue and record Profits for businesses or exceptional levels of service for governmental and nonprofit organizations?

**A Balance of Family, Life and Work**

In recent years, the term 'work/life balance' has replaced what used to be known as 'work/family balance'. Although the concept of family has broadened to encompass extended families, shared parenting, same-sex relationships and a wide range of social and support networks and communities, the semantic shift from work/family to work/life arises from a recognition that care of dependent children is by no means the only important non-work function. Other life activities that need to be balanced with employment may include study, sport and exercise, volunteer work, hobbies or care of the elderly.

The universal adoption of the term 'work/life', as distinct from 'work/family' has other positive consequences such as legitimizing non-standard work arrangements for a diverse range of employees. For example, although a lack of work/life balance is often associated with either working mothers or white-collar executives working long hours, there is a growing recognition that other groups too may experience less than optimal work/life balance. Recent reports suggest that as well as large numbers of unemployed people who cannot find any paid work; many workers are 'under-employed', preferring more paid work than is available. Blue-collar workers, the self-employed and those earning low hourly rates may also struggle to achieve balance.

**The Changing Face of Family**

With the growing diversity of family structures represented in the workforce in the new millennium, it is important that human resource professionals better understand the interface of work and family relationships and the resulting impact in the workplace.

Research by Parasuraman and Greenhaus (2002) documented that segments of the workforce may be subject to unique work/family pressures, yet often have few sources of support. The under-representation of these groups of individuals with potentially difficult types of work/family pressures represents a major gap in work/family research and employers' understanding of their needs. Typically, studies have focused on employed men and women who are married or living with a partner or those with children. Omitted from research are single-earner mothers and fathers, single and childless employees with extensive responsibility for eldercare, blended families with children from both partners' prior marriages, families with shared custody of children, and grandparents raising their grandchildren.

**A Pivotal Study**

In their highly acclaimed book, Work and Family-Allies or Enemies, Friedman and Greenhaus (2000), two leaders in work/life balance, bring forth new evidence to help us understand choices we make as employers and individuals regarding work and family. This pioneering study of more than 800 business professionals considered values, work, and family lives and found that "work and family, the dominant life roles for most employed women and men in contemporary society, can either help or hurt each other."6

To handle work/life balance, Friedman and Greenhaus emphasize that working adults learn to build networks of support at home, at work, and in the community. Conflict between work and family has real consequences and significantly affects quality of family life and career attainment of both men and women. The consequences for women may include serious constraints on career choices, limited opportunity for career advancement and success in their work role, and the need to choose between two apparent opposites-an active and satisfying career or marriage and children. Many men have to trade off personal and career values while they search for ways to make dual career families work, often requiring them to embrace family roles that are far different, and more egalitarian, than those they learned as children. This research reveals a compensatory effect between two forms of psychological interference: work-to-family and family-to-work. Specifically, support from two domains (partner and employer) has a significant impact on one another. The impact of partner support is greater when business professionals feel their employers are unsupportive of their lives beyond work. Conversely, for employees with relatively unsupportive partners, the employer family-friendliness reduces role conflicts more than partners. Thus, one source of support compensates for the lack of the other. Looking at behavioral interference of work on family, the picture changes. In this case, the whole is greater than the sum of its parts: the combined impact of employer and partner support leads to a greater professionals.

**Work/Life Conflict**

Work/life balance is out of kilter when the pressures from one role make it difficult to comply with the demands of the other. This is known as work/life conflict. This means that if individuals do not feel they have a 'good' mix and integration of work and non-work roles, they may experience negative or conflicting outcomes. This implies a bi-directional relationship where work can interfere with non-work responsibilities (work/life conflict) and vice versa (life/work conflict). Employees who experience increased stress due to work/life conflict and decreased perceptions of control over their work and non-work demands are less productive, less committed to, and satisfied with, their organization and more likely to be absent or leave the organization. Individuals experiencing interference between work and personal lives are also significantly more likely to suffer from reduced psychological well-being and physical health. In one study, people who experienced life/work conflict were nearly 30 times more likely to suffer from a mood disorder (e.g. depression), 10 times more likely to have an anxiety disorder and 11 times more likely to have a substance-dependence disorder (e.g., heavy drinking). On the other hand, employees with lower levels of work/life conflict report higher job satisfaction overall.

**Organizational Policies**

In addition to the development of public policies supporting responsibilities outside of paid employment, organizations have increasingly been developing formal policies that attempt to facilitate the work/life nexus. Work/life balance strategies enhance the autonomy of workers in coordinating and integrating the work and non-work aspects of their lives. Three broad types of work/life strategies have been created to help employees balance their work and non-work lives: flexible work options, specialized leave policies and dependant-care benefits. These include a range of policies and practices:

**Figure 1: Range of different organizational work/life balance initiatives**

| | |
|---|---|
| 1. | Flexitime |
| 2. | Compressed work week |
| 3. | Job sharing |
| 4. | Work-at-home programs |
| 5. | Home telecommuting |
| 6. | Part-time work |
| 7. | Bereavement leave |
| 8. | Shorter work days for parents |
| 9. | Paid maternity leave |
| 10. | Paid leave to care for sick family members |
| 11. | Paternity leave |
| 12. | On site/near site company childcare |
| 13. | Company referral system for childcare |
| 14. | Program for emergency care of ill dependents |
| 15. | Childcare programs during school vacation |
| 16. | Re-entry scheme |
| 17. | Phased retirement |

| | |
|---|---|
| 18. | Sabbatical leave |
| 19. | Professional counselling |
| 20. | Life skill programs |
| 21. | Subsidised exercise for fitness centre |
| 22. | Relocation assistance |
| 23. | Work and family resource kit or library |

*Source: Bardoel (2003).*

These interventions are generally aimed at facilitating flexibility, supporting employees with childcare (and more recently eldercare) obligations and alleviating the negative impact of interference between work and non-work commitments and responsibilities.

**Managing priorities**

You can take two simple yet important steps to limit the demands of work and manage priorities. Understanding the job and knowing the schedule can clarify and simplify the overwhelming list of things to do. The suggestions that follow are divided into two sections, for an employee and for a supervisor. Looking at both may give you insight into the workplace environment and the work/life balance.

**Understanding the Job-for Employees**

- Develop a broad perspective. Understanding how higher education works can help you decide if you want to stay in the field. Working in higher education is not the same as going to college or attending graduate school. For IT, higher education may be as pressured an environment as any corporation. Getting summers off in higher education is a myth for IT-summer is the busy season for many IT departments trying to catch up on systems upgrades while students and faculty are not on campus. At the same time, summer may be the most difficult season for parents of young children who need to balance summer camps, vacation, and simple relaxation with hectic, high-pressure schedules at work.
- Know the goals. For a staff member, knowing why something must be done can be very helpful. A good deal of frustration from having too much on your plate can be relieved by understanding the project goals. It is also easier to discuss how to balance workload if you have the whole picture.
- Understand expectations. Make sure you understand your job description and the expectations of your supervisors. For example, a frequent point of contention is after-hours communications. Are staff members expected to check e-mail in the evenings or on weekends? Do you have to carry a cell phone or a pager? What are the policies covering off-hours? If you take responsibility for meeting communications expectations, you should be able to take time off without guilt or recrimination.

**Understanding the Job-for Supervisors**

- Know the goals. Really understanding the environment and expectations of your job makes setting priorities simpler. Maintaining perspective on what is important-what must be done immediately and what can wait-becomes easier if you see the big picture. A supervisor must determine and communicate goals and objectives clearly. Know where you are going and what you expect yourself and others to do. Be available for questions, and anticipate them. Explain how your department fits into the larger environment. Describe the issues and options. Do not expect everyone to understand your perspective every time. Be patient.
- Distribute decision making. One way to help staff understand priorities is to let staff work with you in setting them. If you can, bring the issues to the table and present the full picture. What resources are available? Are there constraints or issues to address? What are the deadlines? Can the work be distributed across departments? After an open and creative discussion, new alternatives to accomplishing goals may arise, and the team feels a sense of engagement from going through the process together.
- Set clear expectations. Clearly communicate expectations around work schedules. If you work 50 hours a week, do you expect everyone to do that? If you arrive at 8:00 a.m., should everyone be there? Is flextime an option? Do departmental habits or customs dictate staff hours? Can staff telecommute regularly? Do they have Internet access at home provided as part of their compensation packages? What about laptops? Decide on acceptable behaviors and be explicit about your expectations. What are the policies? You can take the following

specific steps to achieve clarity:

- Work with staff and human resources to develop a set of operational norms that include work hours. Communicate these to everyone.
- If people do not meet expectations (for example, by coming in at 10:00 a.m. each day), let them know immediately. Tell them what you expect (everyone at their desks by 9:00 a.m.) and ask for the rationale behind the later arrival time. Perhaps the expectations were not clear, or the person might have a long commute or childcare responsibilities. If exceptions are not acceptable, you will need to work out a performance plan to ensure changes.
- Publish clear policies on after-hours coverage. If you expect staff to check e-mail at regular intervals on weekends, make it part of the job description and orientation. Do not assume everyone knows what he or she should do.

**Knowing the Schedule-for Employees**

- Understand business cycles. If you know that the end of August and early September will be busy on campus, try not to plan competing events at home. This is not always possible; of course, especially if you have young children starting school who need extra time to adjust. Discuss options for a more flexible schedule with your supervisor-in advance.
- Share the load. Get to know your colleagues. If you build good relationships with them, it will be easier to spot areas of overlap. Know the team's strengths and weaknesses, and share the burdens. If you see another team member struggling with something, offer to assist. Then when you are under pressure, chances are co-workers will help you in return.
- Communicate often. Communication is the key. For supervisors, employees, and communities, it is important to keep communication flowing. Understand the relevant goals, know the priorities and who has responsibility for each task, and be clear on the deadlines. Share questions and concerns before problems get out of hand. Maintaining good communication with partners at home is also critical. Further, knowing when problems really are based at work and not at home can help prevent arguments. It is also important to keep a sense of humor and perspective.

**Knowing the Schedule-for Supervisors**

- Know cycles and patterns. Higher education has routine events and regular cycles. Every year the academic calendar dictates the work on a college or university campus. Developing a calendar of activities and reviewing it with the staff well in advance of the events is basic to good project planning and can help avoid surprises and late nights at work.
- Accommodate the schedule. The back-to-school time can be particularly taxing and affect schedules more than other times of the year. Hiring temporary workers and scheduling student workers for fall hours before they leave for the summer break are two useful techniques. Working across traditional boundaries can also be helpful.

**Productivity and Managing the Time**

Controlling the demands of work and being productive requires that you manage your time well. This is easier said than done, but a few basics will help you find the model that works best for you.

**Managing time-for Employees**

- Create a schedule. Follow a schedule as much as possible. If your work offers a shared calendar utility, use it-it's easier to schedule meetings and make effective use of everyone's time. If you can keep to a routine schedule and mark blocks of time for regular tasks, you can better plan and execute your work. Once you get into a routine, you will see how long it actually takes to do something and become better at predicting your schedule.
- Find a time-management strategy. Many time management models can help you organize your schedule. David Allen proposed one popular approach, chiefly making and using lists. Allen's model offers ways to collect things that demand attention, process them, organize the results, review options, and do something about them. His theory is, do it now or do it later, and schedule it, delegate it, or forget it.7
- Plan some uninterrupted time. Reserve an hour of quiet time every day, and close your office door if you can. Use the uninterrupted time to catch up on e-mail, work on projects, or return

calls. Marking that hour a day in your calendar will keep others in the department from scheduling you then. If taking that time during the day is not possible, try to schedule it at the end or beginning of the day. Know the flow of work around you, and adjust to it.

**Managing time-for Supervisors**

- Respect others. Your calendar is important, yes, but remember to respect your staff's time as well. Hold meetings only when necessary, and keep them short. Check to see if staff is busy before initiating a meeting. Give advance warning on the time and topic. All meetings should have agendas and minutes.
- Open door policy. If you need time to concentrate on writing or making calls, put the time into your calendar and shut the door. As long as others know the signal, and you are available for consultation on a regular basis, holding aside occasional periods of solitude will not cause a problem.

**When Worlds Collide**

Making choices is what the balance between work and life is all about. There may be times when the choice between moving ahead with your career takes a back seat to your health or happiness at home. How to make choices and deal with the demands for your time and energy are up to you. The values you identify as important can guide you in making decisions.

One of the places where conflict arises, for women in particular, comes during childbearing years. The decisions on having children, whether to interrupt career plans, how soon to return to work, and how to manage ongoing child care are a source of conflict for many workers. According to a 2002 RAND study, whether women remain in the workforce will depend to a great extent on working parents' ability to balance work and family. As a woman enters the labor force, not all of her homemaker responsibilities will be transferred to others. These dual work and homemaker responsibilities can strain a woman's limits on time and effort. Women (and their spouses or partners who share in homemaking responsibilities) are therefore likely to increasingly favor family-friendly workplace policies and benefits.

Similarly, working adults may face greater demands when it comes to caring for aging parents. According to the same RAND study, the proportion of elderly people requiring help with daily activities increased from 35 percent in 1984 to nearly 43 percent in 2004. To provide this help, middle-aged and older workers may increasingly need flexible scheduling and assistance with finding caregivers. Individuals who care for both children and aging parents may feel pressure from both sides at the same time.

Fortunately for many of us, institutions of higher education have led the way in providing policies and services that support faculty and staff. On-campus child care, health and wellness programs, telecommuting opportunities, flexible working hours, and more generous leave policies can assist staff in balancing these family and work demands. Careful, thoughtful, and open communication with your supervisor, your colleagues, your partner, and your family is critical to dealing with these special demands.

**Dealing with Burnouts**

We have all heard colleagues describe themselves as having had enough of the pressures and demands of the job. Not only do self-described workaholics experience high levels of stress and anxiety, but even those who try hard to maintain a reasonable work/life balance will at times succumb to stress. Burnout is not simply excessive stress but a complex reaction to ongoing stress-"a physical, mental, and emotional response" that often includes emotional exhaustion and an increasingly negative attitude toward work and perhaps life.10 A person who is overwhelmed, overworked, or burned out can not only be ineffective in his or her job and have a very negative effect on colleagues but also is at risk of serious depression that can threaten employment, relationships, and health. College and university health centers and counseling centers have resources available to help individuals deal with job burnout and identify early indicators of a developing problem. It is important for all of us to observe the early signs of burnout and develop strategies to avoid it.

Mental health associations, counseling centers, and career Web sites offer lots of advice on how to identify problems and monitor levels of stress. Not surprisingly, many of the strategies for preventing burnout are the same as those recommended for managing stress. Examining and making changes to your job or even to your daily routine can help prevent stress from building.

**Making Changing**

This may seem dramatic, but many times a drastic change is needed to obtain your desired balance. If your work schedule is excessive or inflexible, seek remedies from your institution-talk candidly about the situation with your supervisor. Flexible scheduling tends to increase employee satisfaction and lessen the conflict between work and family. When the work schedule fits poorly with an employee's preferences, burnout is more likely.

If your institution cannot accommodate you, you may want to seek other positions at other places. IT is a very mobile profession; use that to your advantage. If IT is the source of your problems with balance, consider changing careers. For some people, the fast pace of change in technology may be a reason to get off the IT career track.

**Strategies to Promote Balance-for Employees**

- Take time off. Work has been hectic for months and things at home have been busy. Tension has been building for weeks. What should you do? Plan a vacation and take it! Your vacation can be a day on the porch with a good book, a picnic by a river or lake with the kids, or a trip to a far away location. The point is-it is not work. A break in the routine, even a small one, can bring back perspective. Relaxation is important for good physical and mental health.
- Take a lunch break. This may not always be possible, but no one should work through lunch every day. Get outside into the fresh air and sunshine. Take a 10-minute walk. Take care of yourself, and then you can take care of others.
- Exercise. Working up a good sweat eliminates lots of frustration and has many other benefits. It takes time to make the commitment, so work on managing your calendar and your time. Make exercise a priority.
- Volunteer. Join a committee and get a new perspective on the organization. Meet new people and give yourself a new challenge. Volunteering can lead to a new job, help you contribute to your organization or community, and break up your routine.
- Learn something new. Teach a class or take one. Can you use the class to make your job easier? Or to help you get another job in the future?
- Laugh. Keep your sense of humor. Read the comics every day. Tell a silly joke. Blow bubbles.
- Get help. Ask for help if you need it.

**Strategies to Promote Balance-for Supervisors**

- Be a role model. Follow the preceding advice and let your employees do the same. Work on making your organization healthy and productive. No one is irreplaceable, and no one needs to be there all the time. You may find your employees more relaxed when you have been away-they can get things done in your absence. Insist that staff take all the vacation they earn. One IT division at an institution in the east implemented a policy where every IT staff member was required to take five consecutive working days of vacation every year. Temporary staff can help if necessary. Train other people to help where they can-cross-training is a morale builder that benefits everyone in the organization. Remember that you are a role model for your employees. What kind of manager or leader do they see? Can you find positive ways to change your behavior? It will help them as well.
- Cultivate the next generation. Build a good team with good managers and next-generation leaders. If you have a good team working for you, you can relax more yourself. The trust you have in each other will provide the stability and structure needed for letting people take vacation or pass tasks to team members.
- Promote camaraderie. Allow for humor and play in the organization. Food is a great icebreaker and a way to get people to mingle. Could you have lunch as a group? Are there playing fields nearby for a quick softball game? How about bowling during a winter break? Movies and popcorn? Potluck lunches? Do you do team-building exercises during meetings to get to know each other? Do you have casual dress days? Do you have "team" shirts or other types of rewards for staff? Anything outside the routine can help in creating a strong team, but remember to respect individual preferences on participation.
- Use your resources. Use your human resources

department as a place to get advice when staff members need help. Often the HR office can point to resources or offer suggestions on how to open up channels of communication.

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# M&A in Indian Banking Industry: An Analytical study of Merger of Bank of Rajasthan with ICICI Bank"

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## ABSTRACT

*Merger and acquisition being an inorganic growth strategy has been in vogue in Indian banking Industry also. The strategy carries both high risk and high return. If it is carried out in a premeditated way, it can create ample of benefits for the banks. Mergers and Acquisitions ( M&A) refer to the aspect of corporate strategy, corporate finance and management dealing with the buying, selling, and combining of different companies and similar entities that can help an enterprise grow rapidly in its sector or location of origin, or a new field or new location. M&A as a strategy is also constructive at the time of economic downturn. Banks have been employing this strategy majorly for achieving higher growth. With pursuing this strategy, banks achieve synergy benefits, market power, and economy of scale, operational and financial efficiency and so on. The present study also looks into the M&A followed in Indian Banking Industry with reference to the deal of Bank of Rajasthan merging with ICICI bank. Proper analysis of the deal has been done to know its impact on various stakeholders and how it has been an advantageous deal for the banks. The deal has been a win-win situation. ICICI bank achieved its objective of expansion in western and northern region of India by expanding its ATM and branch network and also shareholders of BOR gained a huge hike in their wealth. Many mergers and acquisition have failed in the past but this strategy can give immense results if the due diligence and integration process have been carried out flawlessly.*

***Keywords:*** *Merger and Acquisition, Indian Banking Industry, ICICI Bank, Bank of Rajasthan*

## INTRODUCTION

In the last two decades, merger activities in the world rose to unprecedented level. M&A is a very important tool for an organization's growth. A firm can achieve growth in several ways. It can grow either internally or externally. Internal Growth can be achieved if a firm expands its existing activities by up-scaling capacities or establishing new firm with fresh investments in existing product markets. It can grow internally by setting its own units into new market or new product. But if a firm wants to grow internally it has to face certain problems like the size of the existing market may be limited or the existing product may not have growth potential in future or there may be government restriction on capacity enhancement. Also organization may not have specialized knowledge to enter into new product/ market. Above all it takes a longer period to establish own units and yield positive returns. One alternative way to achieve growth is to resort to external arrangements like Mergers and Acquisitions. External alternatives of corporate growth have certain advantages. In case of mergers and acquisitions, organizations achieve synergy benefits, tax benefits, market power, economy of scale and scope, operational and financial efficiency and many more such benefits. Many banks in India have been implementing this strategy for growth purpose. The horizontal form of merger has always

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been the way out for the banks in India to increase their customer base and presence. Also the key driving force for merger activity is severe competition among firms of the same industry which puts focus on economies of scale, cost efficiency, and profitability. The other factor behind bank mergers is the "too big to fail" principle followed by the authorities. In some countries like Germany, weak banks were forcefully merged to avoid the problem of financial distress arising out of bad loans and erosion of capital funds. The present study is conceptual in nature and looks into the merger of Bank of Rajasthan with ICICI Bank with the overall background of Indian banking industry.

## OBJECTIVES

The objectives of the study were:

1. To gain an insight about the concept of Mergers and Acquisitions.
2. To understand the use of M&A strategy in Indian Banking Industry.
3. To analyze the merger deal of Bank of Rajasthan with ICICI Bank.

## REVIEW OF LITERATURE

An extensive review of literature has been carried out in order to enhance the level of understanding in the area of mergers. These studies have been reviewed and summarized as follows:
**Akhavein et al. (1997)** found little change in cost efficiency but an improvement in profit efficiency of large US banks from 1980-90 following M&A, especially when both merger participants were relatively inefficient prior to the merger. Also, after merging, banks tended to shift their portfolios to take on more loans and fewer securities. They attributed gains in profit efficiency to the benefits of risk diversification as larger banks have more diversified loan portfolios and lower equity-asset ratios.

**Landerman (2000)** explored potential diversification benefits to be had from banks merging with non banking financial service firms. Simulated mergers between US banks and non-bank financial service firms shows that diversification of banks into insurance business and securities brokerage were optimal for reducing the probability of bankruptcy for bank holding companies.

**Qingxiong et al. (2001)** examined the value created by M&A activities involving internet firms using an event study methodology taking 84 M&A deals in 1999. The results indicate a significant and positive wealth creation for the shareholders of acquiring firms.

**Focarelli et al. (2002)** found that Italian bank deals that consist of the purchase of a majority (but not all) of the voting shares of the target appear to result in significant improvements, mainly due to a decrease in bad loans. For full mergers, they observe that Italian banks aim to change their business focus towards providing a broader range of financial services and thus increase their non-interest income, rather than to obtain efficiency gains. After the merger, they observe an increase in profitability in the long run that is also related to a more efficient use of capital.

**DeLong (2003)** studied sample of 54 bank mergers, announced between 1991 and 1995, testing several facets of focus and diversification. The study found that upon announcement, the market rewards the merger of partners that focus their geography and activities and earning stream. Only of these facets, focusing earning streams enhances long-term performance.

**Martynova et al. (2006)** investigated the long-term profitability of corporate takeovers. Both acquiring and target companies significantly outperform the median peers in their industry prior to the takeovers, but the raw profitability of the combined firm decreases significantly following the takeover. Economically significant difference was found in the long-term performance of hostile versus friendly takeovers, and of tender offers versus negotiated deals: the performance deteriorates following hostile bids and tender offers. The acquirer's leverage prior takeover has no impact on the post-merger performance of the combined firm, whereas the acquirer's cash holdings are negatively related to performance. Acquisitions of relatively large targets result in better profitability of the combined firm subsequent to the takeover, whereas acquisitions of a small target lead to a profitability decline.

**Selvam. M (2007)** in his book entitled, "Mergers & Acquisitions in the Banking Sector- The Indian Scenario", has analyzed the implications of stock price reactions to mergers and acquisitions activities taken place in banking industry with special reference to private and public sector banks. The author has found from the analysis that the share prices are market sensitive. From the financial analysis it was observed that majority of the banks went for branch expansion and this has affected profitability to some extent and it resulted in unhealthy competition among the players.

**Sergio & Olalla (2008)** finds that financial deregulation and technological progress has an important role in the process of mergers and acquisitions in the banking sector during the period 1995-2001. They used Multinomial logit analysis to conclude the characteristics of continental European financial institutions and observed that size is an important factor in mergers and acquisitions.

**Vish (2009)** examined cumulative abnormal returns of mergers and acquisitions in the computer industry over a twenty-day event window surrounding merger announcement. The findings indicate that acquirers, on average, are generally not able to capture statistically significant cumulative abnormal returns, while targets are able to capture large, positive statistically significant cumulative abnormal returns. Author found that the premium paid by acquirers and in turn received by targets possesses explanatory merit with regards to both acquirer and target cumulative abnormal returns.

**Sharma (2010)** examined M&A in the United States banking industry involving the formation of mega banks by using event study methodology and accounting performance techniques to determine the valuation affects of structural changes. Acquisitions that concentrated on increasing the diversity of the business earned the highest abnormal returns. However, other types of mergers neither created nor destroyed shareholders value.

**Shukla et al. (2010)** observed the effects of multinational mergers and acquisition on shareholders' wealth & corporate performance. The paper studied the impact on the operating performance of the acquiring firm by examining the pre merger & post merger financial ratio. It analyzed Tata Steel's merger with Corus Steel the largest ever foreign merger by an Indian company. It compared the pre & post financial ratios & behavior of share prices. The results failed to support the hypothesis that bidder's gains are captured at the beginning of merger program. It observed that negative excess returns prevail in the market between the announcement & the outcome date. It exhibited negative abnormal returns in almost every interval surrounding the announcement period.

**Goyal et al. (2011)** in their paper probe the motives of banks for mergers and acquisition with special reference to Indian Banking Industry. For this purpose, sample of 17 mergers (post liberalization) of Banks were taken. The study was conducted on the basis of number of branches, geographical penetration in the market and benefits from the merger. Their article leaves footprints on the way of further studies on mergers and acquisitions from a different outlook.

**Panwar (2011)** studied ongoing merger trends in Indian banking from the viewpoint of two important stakeholders of a banking firm- stockholders and managers. The findings showed that the trend of consolidation in Indian banking industry has so far been limited mainly to restructuring of weak banks and harmonization of banks and financial institutions. Voluntary mergers demonstrating market dynamics were very few. She concluded that Indian financial system requires very large banks to absorb various risks emanating from operating in domestic and global environments.

## MERGER & ACQUISITION (M&A)

Mergers and Acquisitions (M&A) refers to the aspect of corporate strategy, corporate finance and management dealing with the buying, selling, and combining of different companies and similar entities that can help an enterprise grow rapidly in its sector or location of origin, or a new field or new location, without creating a subsidiary, other child entity or using a joint venture.

**Reasons underlying Merger:**

This strategy is being pursued a lot because of high level of technological change, reduction in the cost of communication and transportation that created international market, increased competition, and emergence of new industries; favorable economic and financial environment and deregulation of most of the economies. Another set of factors that gave rise to these activities relates to efficiency of operations. Economies of scale that reflects in cost reduction by avoiding duplicating works and operating efficiency, which is the result of combining complementary strength, are the other reasons. Different growth opportunity among different products, birth of new industries, and concept of value creation through specialization, under capacity utilization are the other forces.

Apart from above mentioned motives, reasons like Synergy effect, improved profitability, market power etc. are also the major ones. There are numerous other qualitative and quantitative factors that inspire firms to resort to this route of corporate growth, like to limit competition, utilization of under utilized capacity/resources/managerial skills, improved assets turnover, inventory turnover, reduction in consumer surplus, overcome the problem of slow growth and profitability in one's own industry, to establish a transnational bridgehead without excessive startup cost to gain excess to foreign market, to circumvent Govt. regulations, empire building, to change P/E ratio favorably etc.

**A Brief Overview of India Banking Industry:**

The history of Indian banking industry reveals that seeds of banking in India were sown back in the 18th century when efforts were made to establish the General Bank of India and Bank of Hindustan in 1786 and 1790 respectively. Later some more banks like Bank of Bengal, Bank of Bombay and the Bank of Madras were established under the charter of British East India Company. Merger happened between these three banks in 1921 and it formed the Imperial Bank of India, which later became the State Bank of India. Banks such as Bank of India, Bank of Baroda, Canara Bank, Corporation Bank, Indian Bank and Central Bank of India; which have survived to the present were established in the period between 1906 and 1911. The banking sector in India can be divided into two era i.e. pre-liberalization era and post liberalization era since 1991. In the pre-liberalization era, the Government of India nationalized the 14 largest commercial banks in 1969. A second dose of nationalization of six more commercial banks followed in 1980. The stated reason for the nationalization was to give the government more control of credit delivery. Later, in the year 1993, the government merged New Bank of India with Punjab National Bank. It was the merger between two nationalized banks and resulted in the reduction of the number of nationalized banks from 20 to 19. The banking sector has seen a tremendous amount of change in the post liberalization era i.e. in the early 1991; the then Narasimha Rao government embarked the policy of liberalization. Licences were given to small number of private banks like Global Trust Bank, which later amalgamated with Oriental Bank of Commerce, Axis Bank (earlier UTI Bank), ICICI Bank and HDFC Bank. This move had augmented the growth in Indian Banking along with the rapid growth in the economy of India followed by the growth with strong contribution from all the three sectors of banks, i.e. government banks, private banks and foreign banks. The impact of globalization on Indian Banking has caused many changes in terms of regulations and structure. With the changing environment, many different strategies have been adopted by this sector to remain efficient and to surge at the forefront in the global arena. One such strategy in the course of consolidation is merger and acquisition.

**Mergers in India Banking Industry:**

Indian policy milieu has always kept improvement of operational and distribution efficiency of commercial banks as priority. Thus, Government of India in consultation with Reserve Bank of India (RBI) has, over the years, appointed several committees to suggest structural changes towards this objective. Some important committees among these are the Banking Commissions, 1972 and 1976, and the Committee for the Functioning of Public Sector Banks, 1978. All these committees have emphasized on restructuring of the Indian banking system with an aim to improve the credit delivery and also recommended in favour of having three to four large banks at the all India level and the remaining at regional level. However, the thrust on consolidation has emerged with the Narasimham committee (1991) emphasizing on convergence and consolidation to make the size of Indian commercial banks comparable with those of globally active banks. Further, the second Narasimham Committee (1998) had also suggested mergers among strong banks, both in the public and private sectors and even with financial institutions and Non-Banking Finance Companies (NBFCs). The Government of India has adopted the route of mergers among others with a view to restructure the banking system. Many small and weak banks have been merged with other banks mainly to protect the interests of depositors. These may be classified as forced mergers. When a specific bank shows serious symptoms of sickness such as huge NPAs, erosion in net worth or substantial decline in capital adequacy ratio, RBI imposes moratorium under Section 45(1) of Banking Regulation Act, 1949 for a specific period on the activities of the sick bank. In this moratorium period, RBI identifies a strong bank and asks that bank to prepare a scheme of merger. In the merger scheme, normally the acquiring bank takes up all assets and liabilities of the weak bank and ensures payment to all depositors in case they wish to withdraw their claims. Almost all the pre-reform period mergers fall in this category. The main thrust of these forced mergers has been protection of depositors' interest of the weak bank. There have been a few mergers in Indian banking with expansion, diversification, and overall growth as the primary objectives. The first of its kind in the post 1993 period was the acquisition of Times Bank by HDFC bank subsequently followed by Bank of Madura's acquisition by ICICI Bank. The latest merger of this type is the proposed merger of Lord Krishna Bank with Centurion Bank of Punjab. Of course in almost all these cases the target banks suffer from the problem of low profitability, high NPAs and lack of alternate avenues to increase capital adequacy. Hence the only available option was merger. Though there was no direct regulatory intervention the motive behind these mergers may not necessarily be scale economies and market power. A recent trend is cross border acquisitions by the Indian banks. For example, with a motive to gain an entry in Russia, ICICI Bank has acquired a bank in Russia with a single branch. Similarly, the State Bank of India (SBI) has acquired 51 per cent shareholding in a Mauritian bank, viz. Indian Ocean International Bank Ltd (IOIBL), which will be integrated with SBI's international business as a subsidiary. The following table clears the picture of mergers in Indian Banking Industry:

| S.NO. | TARGET BANK | ACQUIRER BANK | YEAR |
|---|---|---|---|
| 1 | BAREILLY CORPORATION BANK LTD. | BANK OF BARODA | 07.06.1998 |
| 2 | SIKKIM BANK | UNION BANK OF INDIA | 25.05.1999 |
| 3 | TIMES BANK LTD | HDFC BANK LIMITED | 26.02.2000 |
| 4 | ANZ GRINDLAYS BANK | STANDARD CHARTERED BANK | 27.04.2000 |
| 5 | BANK OF MADURA LIMITED | ICICI BANK LTD | 14.03.2001 |
| 6 | BENARES STATE BANK LTD | BANK OF BARODA | 21.06.2002 |
| 7 | ICICI | ICICI BANK LTD | January, 2002 |
| 8 | SOUTH GUJARAT LOCAL AREA BANK LTD | BANK OF BARODA | 25.06.2004 |
| 9 | GLOBAL TRUST BANK | ORIENTAL BANK OF COMMERCE | 27.08.2004 |
| 10 | UNITED WESTERN BANK | IDBI BANK | 03.01.2006 |
| 11 | GANESH BANK OF KURUNDWAD LTD | FEDERAL BANK LTD | 25.01.2006 |
| 12 | THE GANESH BANK OF KURUNDWAD | THE FEDERAL BANK LTD | 02.09.2006 |
| 13 | BANK OF PUNJAB LIMITED | CENTURION BANK OF PUNJAB LTD | 19.04.2007 |

| | | | |
|---|---|---|---|
| **14** | LORD KRISHNA BANK LTD | CENTURION BANK OF PUNJAB LTD | 29.08.2007 |
| **15** | SANGLI BANK LTD | ICICI BANK LTD | 31.10.2007 |
| **16** | CENTURION BANK OF PUNJAB LTD | HDFC BANK LIMITED | 23.05.2008 |
| **17** | THE BANK OF RAJASTHAN LTD. | ICICI BANK LTD | 13.08.2010 |

*Source: History of Banks.*

**ICICI Bank & Bank of Rajesthan Deal:**
ICICI bank approved merger with Bank of Rajasthan (BOR). The bank then entered into agreement with certain shareholders of BOR consenting to the share swap ratio of 25:118 (25 shares of ICICI Bank for 118 shares of BOR), subject to necessary regulatory approvals. The Tayal group was a dominant shareholder in BOR with a declared stake of 28% as of March10. The deal, after the due diligence by Deloitte, was found satisfactory in maintenance of accounts with no bad loans.

## BANK OF RAJASTHAN - A BRIEF PROFILE

- Bank of Rajasthan was an old private sector bank headquartered in Jaipur. The bank was founded in 1943 and had a customer base of over 2 million.
- The Tayal group was the dominant shareholder of the bank with a declared stake of 28% (as of March10). However as per SEBI, Tayals hold 55% stake in the bank as of December 2009. Mr Tayal was the representative of the dominant shareholder group on BOR's board of directors. The board also included 13 non-executive independent directors out of which 4 directors had been appointed by Reserve Bank of India.
- BOR had a network of 463 branches, 29 offsite ATMs and 82 onsite ATMs covering 22 states and 2 Union territories across the country. Most of BOR branches were located in northern and western India and the bank had a strong hold in the state of Rajasthan with a network of 294 branches (63 % of total branches).
- BOR had an asset base of Rs172.2 billion with a loan book size of Rs77.8 billion. Retail loans constituted 10.8% of the total loan book. The bank had delivered net profit of Rs1.18 billion in FY09 and booked a loss of Rs100 million for 9mFY10. The bank had total deposits base of Rs151.9 billion with a CASA ratio of 27.4%.

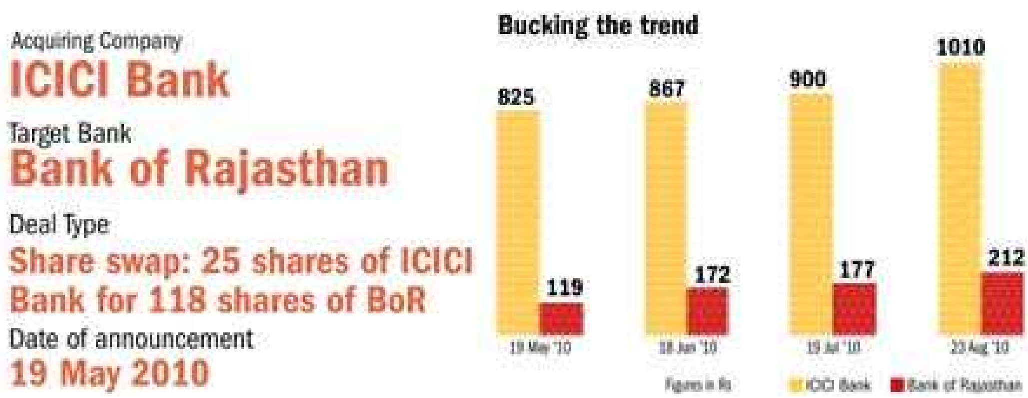
**Regulatory issues:**

- In Dec-09, declared stake of the Tayals stood at 28%, while as per SEBI Tayals' stake stood at 55%. Consequently, BOR had run into regulatory trouble as SEBI had banned the promoters and other entities of the controlling Tayal family from dealing in the securities market on account of incorrect disclosure of promoter's holding in the bank.
- RBI had also levied a fine of Rs2.5 million on the bank for alleged violation of various norms pertaining to transactions and misrepresentations of various documents. The regulator had then appointed Deloitte Haskins & Sells to conduct a special audit of the bank.

**Valuations:**
Given the regulatory hurdles, lack of access to growth capital (Tier-I at 6.19% as of Mar-09) had constrained BOR's growth trajectory in FY10 (5% advances growth over 9mFY10) and had resulted into an underleveraged franchise. The merger provided ICICI Bank a lucrative opportunity to take out productivity gains and create value over the medium term. The announced swap ratio imputes BOR's valuation at Rs30.4billion (4.8 times book value as of Dec-10), translating into a per share price of Rs188.3 – a premium of 89% over the CMP. An attempt to value the CASA franchise of BOR offers a plausible explanation for the valuation offered by ICICI Bank. Assuming a nominal growth in CASA deposits (in line with GDP growth), the interest gains made by ICICI Bank would result into a present value of Rs26-33billion, which amounts to over 85% of BOR's valuation. Moreover, creation of such a wide branch network (with a CASA/branch of Rs91m) would have consumed significant time

and management bandwidth. The merger was marginally earnings dilutive (by 3%) in the near-term, but there was significant value creation over the medium-term as the bank leverages BOR's underutilized network of 463 branches (25% of ICICI Bank's present branches) in the northern and western regions of the country.

**Value Creation for shareholders:**
There have been instances when, even in the short term, the share price of the acquiring company has shot up with that of the target firm. After the announcement of ICICI Bank's plan to acquire Bank of Rajasthan, the stock prices of both companies surged. The stock price of ICICI Bank gained around 22% between the date of announcement (May 19, 2010) and August 23, 2010. The stock price of Bank of Rajasthan surged around 78% in the same period from Rs 119 to Rs 212 on August 23, 2010. On an average, target firm shareholders receive positive and statistically significant returns following M&A announcements, while the acquirer firm shareholders receive negative, zero, or small positive returns.




**ICICI Bank gone for merger:**
ICICI Bank announced swap ratio of 1:4.72 for the shareholders of the bank. The ratio imputes a BOR's valuation at Rs30.4 billion (4.8 times estimated book value as of Dec-10). It has been a value creation for ICICI Bank in the medium term. With respect to balance sheet size, BOR is significantly smaller than ICICI Bank. Consequently, it is not expected much of the material impact on asset profile of ICICI Bank. However, BOR's branch network of 463 branches stands at 25% of ICICI Bank's network at the time of merger. Access to this large underutilized branch network with concentration in the CASA-rich northern region is a key positive factor for ICICI Bank. It was an opportunity for significant value creation as ICICI Bank leverages BOR's branch network by improving productivity levels (cost to income ratio at 62% for 9mFY10 against 37.6% for ICICI Bank for FY10). The various advantages for the ICICI bank were as follows:

**Access to a large branch network:** The merger of ICICI Bank and BOR had augmented the network of the combined entity to 2,463 branches (25% increase in ICICI Bank's present branch network) further consolidating its position as largest private sector bank by branches. The access to such a large and wide branch network proved well for ICICI Bank as it entered growth phase in FY11.

**Merger strengthened presence in north-west region:** BOR had pan India presence but its network was significantly stronger in the north-west states like Rajasthan, Punjab, Haryana and Delhi (73% of total branches in these states). The merger has strengthened ICICI Bank's presence in these areas.

**Limited impact on asset profile:** BOR's balance sheet is significantly small with respect to ICICI Bank (5% of total assets). Consequently, there was insignificant impact of this merger on overall advances profile of ICICI Bank.

**Productivity improvement with limited investments:** BOR had 463 branches, which was significant for the present balance sheet size of the bank. However, there was improvement in utilization of the branch network and branch/employee productivity. Additionally, ICICI Bank and BOR had the same software platforms. So, that enabled smoother integration with limited investments in infrastructure.

BOR's asset quality: BOR's asset quality had remained relatively healthy over 9mFY10 with Gross NPAs increasing by Rs714m in absolute terms (0.9% of advances). It was believed that this increase was the reflection of the phenomenon witnessed across the industry in the aftermath of the downturn and not specifically a reflection of bank's credit quality. Going forward, with revival in the economic environment, asset quality concerns were withdrawn and they were not that bad. Moreover, the non-performing assets (NPAs) track record for BOR was better than ICICI Bank. For the quarter ended Dec 09, BOR recorded 1.05 percent of advances as NPA's, which was far better than 2.1 percent recorded by ICICI Bank.

## BANK OF RAJASTHAN GONE FOR MERGER

There were certain benefits for the stakeholders of Bank of Rajasthan also. Like:

**No layoffs for employees of BOR:** When merger was announced, the employees of Bank of Rajasthan announced a three-day strike to oppose the proposed merger between the two banks. Around 4,000 employees across 460 branches of the bank supported the strike. The employee unions opposed the merger as they felt it will destroy BOR's identity and will result in job losses. ICICI Bank later said that jobs of over 4,000 employees of Bank of Rajasthan, which it is acquiring, are safe and there would be no layoffs or discrimination against its new staff members. ICICI Bank, the country's largest private sector bank, in the past acquired Bank of Madura and Sangli Bank and there had been no retrenchments even then. Describing the bank as a responsible entity, Kochhar said, "Employees will become a part of our parivar and bank takes great care of its employees". ICICI Bank's employee strength went up to 39,000 from the 35,000 employees after the merger.

**Better future prospects for customer of BOR:** The merger resulted in addition of 30 lakh customers of BOR for ICICI Bank that already had about 2 crore customers. ICICI Bank welcomed 30 lakh customers of BOR and all the customers were treated like the part of the ICICI family. Bank approach the BOR customers formally after the merger and assured them that they will face no problem and welcomed BOR customers with open arms. The management of ICICI Bank did not compare the customer service standards of the two banks but customers are always the biggest asset of any bank and thus they treated them as their biggest assets. The BOR customers now had the chance to receive service from one of India's largest private bank.

**Value creation for Shareholders of BOR:** BOR stock rose 19.95% on the Bombay Stock Exchange with the approval given by ICICI Bank's board and reached to the closing price of Rs99.50, its year high. Boards of both banks met separately, and after the meeting ICICI Bank sent a release, saying, "it has entered into an agreement with certain shareholders of Bank of Rajasthan agreeing to effect the merger of Bank of Rajasthan" with itself. ICICI Bank stock was down 1.45% to Rs 889.35.

## CONCLUSION

Banking sector is one of the fastest growing areas in the developing economies like India. M&A is one of the most useful tools for growth, which has evoked the interest of researchers and scholars. Indian economy has witnessed fast paced growth post liberalization era and banking is one of them. M&A in banking sector has provided evidence that it is a useful tool for survival of weak banks by merging into larger bank. It is found in our study that banks face difficulty in bearing the impact of global economy. Therefore, they need support and it is one of the reasons for merger. Private banks use mergers as a strategic tool for expanding their horizons. Therefore ICICI Bank Ltd. has used mergers as its expansion strategy in Indian market. It is successful in making its presence felt all over India. It strengthened its networks across geographical boundary, improved customer base and market share. ICICI Bank successfully merged BOR into itself and realized all its objectives.

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# Search Engine Marketing: Growth of a Global Phenomenon in India

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**ABSTRACT**

*Organizations worldwide are making use of the Internet and Internet related technologies to create differential advantages. The growth of Information and Communication Technology (ICT) has spelt revolution in the sphere of marketing. One such revolution has been caused by the concept of Search Engine Marketing (SEM), which is the subject of this study. This paper deals with the growth of SEM in the recent past in the World and in India. It attempts to point out the advantages and challenges that SEM faces in Indian scenario. From an Indian perspective, there is great opportunity for marketers using SEM in India. Also, due to the rapid growth of internet usage and the advantages of outsourcing SEM services to India also spells a great future for Indian companies involved in this field. Need, however, exists for dealing with apprehensions about India being a viable option for Search Engine Marketing outsourcing.*

## INTRODUCTION

Advent of Internet has brought transformation in marketing, one of which being lower costs for the distribution of information and media to a global audience. The interactive nature of Internet, both in terms of providing instant response and eliciting responses, is a unique quality of the medium. Internet marketing ties together creative and technical aspects of the Internet, including design, development, advertising, and sale.

Successful Internet marketing requires the development of a high quality website & a strategic mix of methods to lead traffic to it. Marketing through Search Engine is one of the methods, which have all the potential to improve the bottom line of corporate as well as of any Small & Medium Enterprise. The marketers can harness the benefits of usage of "the search" or "Googling" by those potential customers who are searching information prior to make a purchase.

SEM is fully established subset of commercial activity on the Internet. It essentially utilizes power of search engine as a tool to generate leads & channelize the Internet traffic towards the website of the marketers. Dynamism of Internet is leading to emergence of innovative tactics by marketers to gain the confidence of "the browsers" (potential

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customers) and smoothly converting them into "the buyers". For the user these innovations are a bonanza.

They are able to get relevant, varied and valuable information that is informed by social connections and delivered anywhere. But for marketers, an already complex maze of art and science is getting even more complicated.

Search Engine Marketing is a growing concept globally, however in India it is still in a nascent stage. This study attempts to explore the scope of SEM in the Indian context. The secondary data survey results have been used to gain understanding of the concepts related to the topic and of the present situation. Secondary data has been collected through various journals, websites, reports and various other published sources.

## LITERATURE REVIEW

Online information search is a ubiquitous and critically important activity in e-commerce (Gefen and Straub, 2000). Search engines occupy a prominent position in the online world; more than half of all visitors to web sites now arrive there from a search engine rather than through a direct link from another web page (Introna and Nissenbaum, 2000; Telang et al. 2004). Along with the increasing importance of searches, search engines play a greater role as critical links between firms that use the Internet to build their images and their target customers (Wu et al. 2005). Companies' spending on search engine marketing is growing faster than spending on other online advertising means and analysts estimate that search engine marketing spending soon will capture a lion's share of the online advertising pie (Garside, 2007), the key growth sector for e-commerce activities (McCoy et al. 2007).

From the perspective of web vendors, like Google the application of search engines as powerful e-commerce tools can be wide ranging, from extending public relation functions (New Media Age, 2007) to helping enterprises sell to a global audience (Lalisan, 2007), to promoting small, local stores inexpensively (O'Connell, 2007), and to building brands. Despite the increasing importance and rising popularity of search engines, attention pertaining to search engine effectiveness largely centers on the number of clicks generated (Kitts and LeBlanc, 2004), although ample evidence suggests that some advertisers (e.g., cosmetics makers, beverage producers) are more interested in the branding impact of search results than actual clicks on their web sites (Economist, 2006). Some industry observers even proclaim that search results can help build awareness, regardless of whether people click on them (Hansell, 2005). If search engines can help shape Internet users' brand perceptions simply by exposing consumers to search results, they have profound implications for companies eager to gain exposure through the so-called "gate to the Internet" (Laffey, 2007).

## SEARCH ENGINE MARKETING (SEM): THEORETICAL BACKDROP

**Concept:**

To begin with, using search engine to market products & services is SEM. When users access search engines and commit a search, different links and advertisements appear. The particular link or advertisement that appears is dependent on the keywords that the user entered. The basic idea is to identify potential consumers of your product or service and have your link or ad displayed when they enter related criteria. But content strategy, tagging, and titling are more demanding than ever, as search expands to include new content types.

**Search Engine Marketing (SEM),** the term was first used by Danny Sullivan of Searchengineland.com in 2001. It referred to the broad sphere of activities involved in performing Search Engine Optimization (SEO), managing paid listings at the search engines, submitting sites to directories, and developing online marketing strategies for businesses, organizations and individuals. It is a form of Internet marketing that seeks to promote websites by increasing their visibility in search engine result pages. New York Times define SEM as the practice of buying paid search listings. The reason being natural search results are already encountering heavy competition.

SEM has continued to evolve as the dependence on the search engines has grown. The companies are allocating bigger budgets to digital marketing thus making more expenditure on SEM. According to a survey by the Search Engine Marketing Professional Organization (SEMPO) 20% of advertisers are shifting money to SEM from print magazine ads, 16% are moving direct mail dollars, 13% are shifting TV spot dollars and 13 % are moving newspaper print dollars (Bielski, 2008).

## TECHNIQUES OF SEM

For practicing SEM, a Web search engine is used. It is a tool designed to search for information on the World Wide Web. The search results are usually presented in a list and are commonly called hits. It searches an index of documents for a particular term, phrase or text specified by the user. Search engine marketing can be practiced through various techniques, which ensure a lucrative return on investment made in it. However, the most commonly used and known methods are Keyword-related banner advertisements, paid submission/ paid listing, search engine optimization (SEO), paid placements and paid listings.

1. **Organic Listing:** This listing is also known as free listing or natural listing. A good organic search engine ranking take months to achieve, but it is fairly easy to maintain on an ongoing basis. It is essentially when search results are returned based on the natural indexing of the web site (Bielski, 2008). This relies on the users search criteria to select a website when the search terms used matches that of a business web site. Thus it has to be practiced by being very active on the Internet, blogs, communities accompanied by placing right keywords & linkage to the company's online presence.

2. **Pay Per Click:** By 2007, the Pay Per Click programs was the primary money maker for search engines (Janson, 2007). Pay Per Click (PPC) is an Internet advertising model used on search engines, advertising networks, and content sites, such as blogs, in which advertisers pay their host only when their ad is clicked (Porter, 2007). For PPC, advertisers typically bid on keyword phrases relevant to their target market. Content sites commonly charge a fixed price per click rather than use a bidding system.

   Websites that utilize PPC ads will display an advertisement when a keyword query matches an advertiser's keyword list, or when a content site displays relevant content. Such advertisements are called sponsored links or sponsored search (Sullivan, 2002), and appear adjacent to or above organic results on search engine results pages, or anywhere a web developer chooses on a content site. Some search engines mix natural results and paid search results, to make segregation difficult for users. Although many PPC providers exist, Google AdWords, Yahoo! Search Marketing, and Microsoft adCenter are the three largest network operators, and all three operate under a bid-based model.

3. **Key word-related banner advertisements:** Key word-related banner advertisement was one of the earliest forms of SEM, and is still widely used today. Rather than showing as the results of a search as the PPC does, when key words are searched a banner advertisement (generally either at the top or along the right side of the page) appears for the company or Web site. Again, like PPC the marketer bids on how much they are willing to pay for key word searches (Sullivan, 2002).

   However, a study by the NPD Group found that standard banner or button advertisements are not as effective as search listings when it comes to brand recall, favorable opinion ratings, and fostering purchases Therefore, on-line sellers need to get listed in the search-results pages as soon as they register with the search engine.

4. **Search Engine Optimization (SEO):** Search Engine Optimization, is a vital tool in online success. It is essentially the most popular way to improve your sites overall ranking and access when searches are performed. SEO helps to ensure your site is accessible to a search engine and improves the chances that the site will be found by the search engine (Sullivan, 2009). Sellers can improve their listings on the search-results pages by modifying their site codes to make them more relevant and thus more search-engine compatible (Rashtchy, 2004). Sites can modify their title tag, meta-tag, heading tags, links and other areas on their page to ensure the search engine algorithm gives their page a higher score in comparison to other pages (Porter, 2007).

So, Search Engine Optimization uses knowledge and observation of exactly 'how' search engines and web directories decide which web sites to return as results for queries, and applies this to attain significantly higher placement for particular documents and sites. It is the process of structuring a web page such that it is found, read, and indexed by search engines in the most effective manner possible. This makes the web site and its content attractive, relevant and visible to search engines and web searchers.

SEO has gained immense importance in recent years owing to the following points:
**Brand Recognition:** SEO is a powerful tool in increasing brand recognition among customers and enhance the company's branding image among the targeted audience. This was initially supported by a study by the Dieringer Resource Group (2004), which surveyed 3,000 respondents regarding their online purchasing habits. Interestingly, 60% of these respondents' brand opinions were changed or enhanced as a result of online research.

**Reaching the right Customers:** Search engines divide the market and connect the right people together. SEO targets the right keywords that the customers may use to find the company on the search engines and its one of the most effective Internet marketing strategies. Search engines offer a surplus local search features, and strategies for local search, which helps the business to get popularized in the region where the business wants to be targeted.

**Trustworthiness:** Search Engine's organic / natural results are viewed as authority referrals, Internet marketing tactics helps to build the customer's trust and confidence on your business. The greater trust gives businesses more number of customers and thus greater goal conversions.

**Growth in Business:** The overall benefit obtained through a good SEO work is more conversion leads and sales. SEO is affordable and cost effective and not doing SEO is even more expensive. It is the single best investment for a business that brings a powerful presence.

5. **Paid inclusion listings:** This is another method of getting indexed just like pay-per-click advertisement. It guarantees the marketer that the search engine spider will index his web page but it does not guarantee about the location of the web page.

6. **Paid placements (PP):** In Paid placements Sellers can pay the search engine for placement in the sponsored section of the search-results pages. Rather than an advertisement the results show as a related link of sponsored Web sites. This can be a faster way to obtain visibility, as the initial results of an optimization are visible in as early as 120 days. Search engines like Google will crawl through the content of sponsored sites and place them in the sponsored margin based on the content. From the standpoint of the on-line seller, this is just an extension of paid placement and an additional incentive to invest in paid-placement programs. As users trust the editorial section much more than the sponsored links section so it may not be as effective as the SEO techniques of SEM (Porter, 2007).

7. **Paid submission/paid listing for regular updates:** This is typically an agreement made with the search engine to ensure the Web sites URL is added to the search engines index and regularly updated. This really helps the users Web site stay near the top of a search (Porter, 2007). For example, Yahoo! Commercial accepts free submissions. This is used generally alongside other forms of SEM.

## IMPORTANCE OF SEARCH ENGINE MARKETING

According to e-Marketer (www.emarketer.com), spending for search engine marketing is projected to grow from $14.1 billion (in 2009) to $23.3 billion (in 2013). SEM expenditures in North America including US and Canada will reach $25.2 billion in 2011, which stood at $12.7 billion in 2007. The importance of SEM can be established by the findings of the report by the Interactive Advertising Bureau and Nielsen Net Ratings (Sponsored Listings Effectiveness Study, July 2004) that suggested 27% of survey respondents were more likely to name a specific brand if it was in the top spot of the search results page.

**Table1: U.S. Interactive Marketing Forecast 2009 - 2014**

| Year | Spending on Paid Search (in US$) | Spending on SEO (in US$) | Total Spend (in US$) |
|---|---|---|---|
| 2009 | 12.9 billion | 2.4 billion | 15.3 billion |
| 2010 | 14.9 billion | 2.8 billion | 17.7 billion |
| 2011 | 17.5 billion | 3.2 billion | 20.7 billion |
| 2012 | 20.5 billion | 3.7 billion | 24.2 billion |
| 2013 | 23.4 billion | 4.3 billion | 27.7 billion |
| 2014 | 26.5 billion | 5.0 billion | 31.5 billion |

*Source: Report by Forrester Research (www.forrester.com), July 2009*

Additionally, the SEMPO report (2009), shows that companies are continuing to shift money from other marketing and IT activity into search engine marketing. Of the companies re-allocating budgets to search engine marketing, around half (49%) are moving it from print advertising. More than a third (36%) are shifting money from direct mail, and almost a quarter are moving budgets from conferences and exhibitions (24%) and web display advertising (23%). The report also revealed that Paid Placement, Organic SEO, and Email Marketing were the top three most efficient media of advertising.

The number of companies who engage in search engine optimization (90%) has remained steady since 2007, while the proportion of companies carrying out paid search marketing (now 81%) has increased from 78% in 2009 and 70% in 2008.

## SEARCH ENGINE MARKETING IN INDIA

India's growth story in the past decade has been one of the most discussed stories globally. Investors and consumers, both from the global and domestic front have shown considerable interest in India Inc. There are an increasing number of businesses in India, involved in Search Engine Marketing through SEO and paid placements today, as compared to three years back. These companies provide highly skilled professionals, who are involved in various SEO techniques which include website design, for faster landing and navigation of pages, social media, link building, branding and content writing.

Coupled with this, is the phenomenal growth in digital media and telecommunication. The job of marketers has become very challenging, keeping in mind these developments. Not only the marketer has to adapt to the changing needs of the customers, but he also has to deal with demographically and geographically diverse customers. In such a scenario, the role of SEM gains a lot of importance. The growth in India is largely demand driven. This can be proven by the fact that even during the slowdown of 2008, the Indian ad spendings grew by 12.7%. Although the major ad spending is concentrated around Print media, Internet advertisement in India is poised for growth as evident from the growing size of SEM Industry.(FICCI-KPMG Media Entertainment report, 2011)

Internet and Mobile Association of India's (IAMAI) report on the Indian SEM market (2006) said that the industry is expected to grow from $112.5mn in 2006 to $175mn by 2009 and $225mn by 2010. According to the same report, there were about 40,000 marketers using SEM in India. Firstly, successful SEM requires penetration of Internet. According to Report by I-cube (2011), there will be 112 million Internet users as of September 2011. This comprises of 88 million users from urban cities and 24 million users from rural areas. Compared to last year there has been a growth of Internet users by 13%. The case for SEM rests on the fact that Internet usage in India is driven by the youngsters and so is the buying decision. More than 75% of Internet usage is by youngsters including school and college going kids.

India recently moved up to the fourth place on the list of largest Internet markets, with 81 million users. (internetworldstats.com, 2010) This figure becomes even more interesting when looking at the overall population of India – those 81 million internet users account for less than 7% of the overall population, meaning that India could one day be ahead of the US market in terms of volumes, even chasing China for the top spot. Sources such as The

Boston Consulting Group estimate close to 250 million users in India by 2015. (Reform International Search Review, 2010)

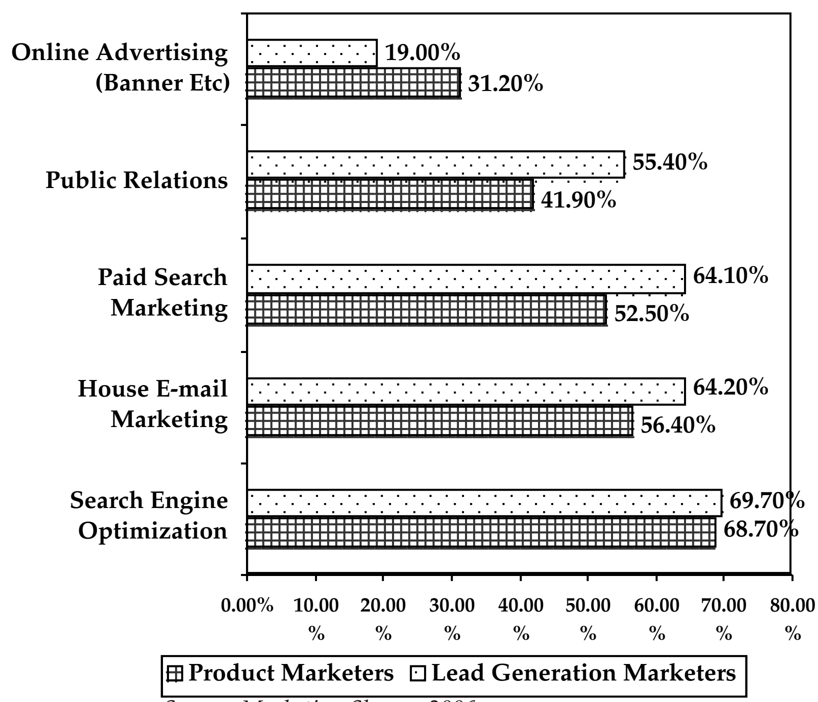
Another encouraging trend is that of penetration of Internet in smaller towns and rural India. Internet usage continues to spike their dominance over top 8 metros with a combined usage of more than 60%. Mobile Internet usage has risen tremendously in the country. According to a recent report by Google, India is now the second largest consumer of mobile internet after the US, though India accounted only for 5.9% of the 14 million web pages viewed via mobile in February this year, while the US accounted for more than 50%. In terms of browser choice for regular PC users, Google Chrome has been picked up much faster than it has in other countries, putting a dent into the dominance of Internet Explorer. (Reform International Search Review, 2010)

India has joined the bandwagon of Search Engine Marketing. Interestingly, 29% of all Internet usage in India is for information search through search engines. This can be a huge opportunity for Marketers to use SEM to tap the "gold at the bottom of the pyramid". Small and Medium Enterprises (SME's) may also use this medium to acquire more visibility and thus, generate more revenue. Strategies such as local search engine marketing for increasing online presence for business websites and many other global methods including fresh content, branding and social media marketing are now fascinating most marketers. Pay-by-click forms of sponsored links are also part of the growing trend, for Indian commercial websites. This means, that there are more opportunities for businesses to grow in this field and more employment opportunities for SEM and SEO professionals to create a niche.

The search market in India is "Google-driven". In the Indian market, users do not consider whether the links are sponsored or not – either way, the advertisers that appear at the top of the page get the clicks. Based on site statistics, India is a country where the sites that rank first in both PPC and SEO listings consistently receive more traffic through the PPC ad.

When SEM is used judiciously it results in better ROI compared to other media. Recently, the Marketing Sherpa Study (2011), conducted on 3,944 marketers revealed that both Product Marketers and Lead Generation Marketers find SEO most rewarding in terms of Return on Investment (ROI). (Ref. Chart 1).

**Chart 1: Most Preferred Media: SEM (based on ROI Evaluations)**




*Source: Marketing Sherpa, 2006*

SEM can also drive the B2B model over the digital media. Since more and more businesses are moving towards automation, they seek for supplier online. This creates an opportunity for many to adopt the techniques of SEM for better visibility.

India has carved a niche for itself in providing state-of-the art services in IT sector. The ever increasing potential of SEM India can present itself as a global hub for outsourcing SEM services. By 2007-2008, the SEM Industry of India's revenue was pegged at $ 112.5 million. Only about 1/3rd was from domestic companies. Rest was from US, UK, Spain, Middle East and South-East Asia (IAMAI, SEM-2008). Outsourcing to India for SEM provides several benefits like:

**Low Cost:** According to FinFacts Ireland Survey (2006) by Mercer Human Resources Consulting on international salaries' comparisons, India ranks among one of the countries offering lowest pay to IT managers.

**Adequate professional expertise in IT:** India has been globally recognized for its knowledgeable and skilled manpower. Further, the English-speaking people in the country are on a rise, which lends further advantage. Also, India has a competitive edge vis-à-vis other players in outsourcing market as India has the largest workforce holding endorsement from internationally recognized organizations such as Google, through its certificate program for online advertising professionals (GAP). (whoisagap.com)

Thus, India as a preferred destination for supplier of SEM service is not a distant dream. However, SEM can also face a few challenges in India. Although Internet usage seems to be increasing, there is still a lack of awareness in the country regarding digital media. Language barrier also affects the marketer's ability to use SEM as a potent tool. Data security is a very crucial issue on which Indian companies have not been able to convince their clients. There has been an effort to include content in vernacular, for SEM to be effective, but it still is in a nascent stage.

## CONCLUSION

It is important for a business to have visibility on the Internet for top rankings and targeted traffic. Search engine marketing efforts are not limited to submission of websites in search engines. While the visual appearance of the website is one factor to being easily found on the search engines, it should be able to quickly present information through easy navigation. The cost of subscribing to search engine marketing is very much affordable Search engine marketing and optimization can give a seller better return on investment than the other methods used in advertising and promotion. Businessmen have now resorted to SEM and SEO for growth and profitability. And it is not only businessmen of small and medium industries but also of big corporations and multi national companies. They have started to redesign and optimize their websites to increase their target traffic, improve their positions on the search engines, and generate better revenues for their business.

Search Engine Marketing has shown tremendous growth globally and it won't be wrong to estimate increased profits in this area in India, if present trends continue. The attraction of online advertising and increasing emphasis of search engines acquiring larger revenues from advertisers shows positive signs, of the growth of SEM in India. Even small and medium businesses are capitalizing on Search Engine Marketing and as it has revolutionized the way businesses advertise and publicise their brands, products and services.

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# Challenges and Opportunities faced by Indian Banking Sector (Special Reference to Foreign Direct Investment)

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**ABSTRACT**

*The last decade has seen many positive developments in the Indian banking sector. The policy makers including the Reserve Bank of India (RBI), Ministry of Finance and related government and financial sector regulatory entities, have made several notable efforts to improve regulation in the sector. The sector now compares favorably with banking sectors in the region on metrics like growth, profitability and non-performing assets (NPAs). The contribution of foreign investors cannot go unnoticed. A few banks have established an outstanding track record of innovation, growth and value creation. However, improved regulations, innovation, growth and value creation in the sector remain limited to a small part of it. While the onus for this change lies mainly with bank management, an enabling policy and regulatory framework will also be critical to their success. This paper emphasizes the need to act both decisively and quickly to build an enabling, rather than a limiting banking sector in India.*

***Keywords:*** *Banking sector, India, Foreign Banks, RBI, Government-controlled banks, Private Banks, FIPB*

## INTRODUCTION

### Retrospects of Indian Banking Sector

The banking system in India is significantly different from that of other Asian nations because of the country's unique geographic, social, and economic characteristics. India has a large population and land size, a diverse culture, and extreme disparities in income, which are marked among its regions. There are high levels of illiteracy among a large percentage of its population but, at the same time, the country has a big reservoir of managerial and technologically advanced talent. Between 30 to 35 percent of the population resides in metro and urban cities and the rest is spread in several semi-urban and rural areas. The country's economic policy framework rests on mixed economy combining socialistic and capitalistic features with a heavy bias towards public sector investment. India has followed the path of growth-led exports rather than the "export-led growth" unlike other Asian economies, with emphasis on self-reliance through import substitution. These features are reflected in the structure, size, and diversity of the country's banking and financial sector. The banking system has had to serve the goals of economic policies enunciated in successive five year development plans, particularly concerning equitable income distribution, balanced regional economic growth, and the reduction and elimination of private sector

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monopolies in trade and industry. In order to use banking industry to serve as an instrument of state policy, it was subjected to various nationalization schemes in different phases (1955, 1969, and 1980). As a result, banking remained internationally isolated (few Indian banks had presence abroad in international financial centers) because of preoccupations with domestic priorities, especially massive branch expansion and attracting more people to the system. Moreover, the sector has been assigned the role of providing support to other economic sectors such as agriculture, small-scale industries, exports, and banking activities in the developed commercial centers (i.e., metro, urban, and a limited number of semi-urban centers).

The banking index has grown at a compounded annual rate of over 51 per cent since April 2001 as compared to a 27 per cent growth in the market index for the same period. Policy makers have made some notable changes in policy and regulation to help and strengthen the sector. These changes include strengthening prudential norms, enhancing the payments system and integrating regulations between commercial and co-operative banks. However, the cost of intermediation remains high and bank penetration is limited to only a few customer segments and geographies. While bank lending has been a significant driver of GDP growth and employment, periodic instances of the "failure" of some weak banks have often threatened the stability of the system. Structural weaknesses such as a fragmented industry structure, restrictions on capital availability and deployment, lack of institutional support infrastructure, restrictive labour laws, weak corporate governance and ineffective regulations are very hazardous and seeks immediate revival. This study lays impetus on the subject under the following phases; (a) FDI in India, (b) FDI in Banking Sector, (c) Challenges and opportunities in Indian Banking Sector in context to FDI.

## OBJECTIVES OF THE STUDY

Following are the objectives of the study;

1. To study the inflow of FDI in banking sector of India.
2. To highlight the profitability and performance of foreign banks.
3. To study the legal procedures regarding regulations of foreign investment in India.
4. To study the opportunities and challenges faced by foreign investors in context to Indian Banks.

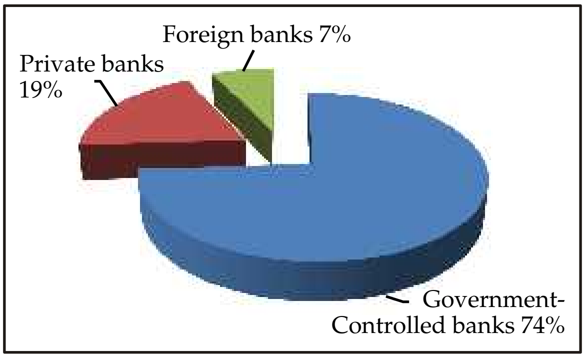
## RESEARCH METHODOLOGY

The study is descriptive cum analytical based upon secondary data and the data has been collected from websites of various relevant organizations like; Reserve Bank of India, Export Import Bank of India, Directorate General of Commercial Intelligence and Statistics, Directorate General of Foreign Trade, Department of Industrial Policy and Promotion etc.. The study relates to 5 years period commencing from 2005-2010.

## FDI IN BANKING

Though foreign banks have a long history in India, they have remained only a small part of the banking industry. Among them, they had only 310 branches as of last year and almost all of them are concentrated in major cities. Most foreign banks focus on business banking in India, servicing the domestic operations of their global clients. But the aggressive overseas expansion by some of the large Indian businesses has opened up more opportunities for these lenders in recent years. Foreign banks derive more than a quarter of their total revenues from fee-based services, a far higher ratio than the domestic banks. Only a handful of the foreign banks have made serious efforts to expand their retail business. That is why the total assets held by foreign banks are roughly 7% as exhibited through the following pie diagram.

**Figure 1: Diagram showing percentage share of different banks in Total assets**



The diagram clearly shows that Government controlled banks command the largest percent of total assets i.e. 74%, whereas Private sector banks accounted for 19%.

All foreign banks in India now operate as fully-owned branches of their parents, though the RBI has encouraged them to open domestic subsidiaries. The foreign banks have not opted for the subsidiary model as there is some skepticism about the future policy requirements. The Committee on Financial Sector Assessment, appointed by the RBI, recently opined that the 74% foreign investment limit should be made applicable to subsidiaries of foreign banks as well. If imposed, this limit, which currently applies to only domestic private banks, will force foreign banks to seek domestic equity partners in their subsidiaries. The committee, however, favors listing the foreign bank subsidiaries on the domestic stock exchanges. Interestingly, depository receipts of Standard Chartered, which is one of the largest and oldest foreign banks in India, are listed on the domestic exchanges.

**Table 1: Largest Foreign Banks in India – Asset Size and Branches as on 31-03-2010**

| | Assets in $ Billions | Number of Employees | Number of Branches |
|---|---|---|---|
| Citibank | 21 | 4,613 | 43 |
| Standard Chartered | 20 | 7,903 | 95 |
| HSBC | 20 | 6,685 | 50 |
| Deutsche Bank | 6 | 1,498 | 13 |
| RBS | 5 | 2,716 | 31 |
| Barclays | 5 | 1,083 | 7 |
| **Source: Reserve Bank of India** | | | |

**Table 2: Profitability and Return ratios of Foreign banks as on 31-03-2010**

| | Cost of Funds % | Net Interest Margin % | Return on Total Assets % | Total Capital Adequacy % |
|---|---|---|---|---|
| Government-controlled Banks | 5.3 | 3.8 | 1.0 | 13.3 |
| Private Banks | 4.8 | 5.1 | 1.3 | 17.5 |
| Foreign Banks | 2.8 | 7.2 | 1.3 | 17.3 |
| **Source: Reserve Bank of India** | | | | |

The present Government had chosen to carry forward the policy of banking deregulation, following the footsteps of the preceedor Government. On 28th February, 2005, the day the Union Budget 2005-06 was presented before the Parliament, the Reserve Bank at the instance of the Finance Minister, released a roadmap for the presence of foreign banks in India. The RBI notification formally adopted the guidelines issued by the Ministry of Commerce and Industry under the previous government on March 5, 2004 which had raised the FDI limit in Private Sector Banks to 74 per cent under the automatic route, and went on to spell out the steps that would operationalize these guidelines.

The RBI roadmap demarcates two phases for foreign bank presence. During the first phase, between March 2005 and March 2009, permission for acquisition of share holding in Indian private sector banks by eligible foreign banks will be limited to banks identified by RBI for restructuring. RBI may, if it is satisfied that such investment by the foreign bank concerned will be in the long term interest of all the stakeholders in the investee bank, permit such acquisition subject to the overall investment limit of 74 percent of the paid up capital of the private bank. Appropriate amending legislation will also be proposed to the Banking Regulation Act, 1949, in order to provide that the economic ownership of investors is reflected in the voting rights. Further, the notification announces that foreign banks will be permitted to establish presence by way of setting up a wholly owned banking subsidiary (WOS) or conversion of the existing branches into WOS. A clause on one-mode-presence, i.e. one form of banking presence, as branches or as WOS or as a subsidiary with a foreign investment in a private bank, has been added as the only safeguard against concentration. There are no caps specified for individual ownership (except the 74 per cent overall limit), which in the first phase would be left to RBI's discretion.

The second phase will commence on April 2009 after a review of the experience of the first phase. This phase would allow much greater freedom to foreign banks. It would extend national treatment to WOS, permit dilution of stake of WOS and allow mergers/acquisitions of any private sector banks in India by a foreign bank subject to the overall investment limit of 74 percent.

The following table gives a glimpse of the business done by Foreign banks in India based on the factors like; total income, employee cost, non-performing assets and network of banks.

**Table 3: Depiction of few vital factors in the performance of Foreign banks in India**

**Table 3a**

| Categorisation of Banks | Other Income % of Total Income |
|---|---|
| Government-controlled Banks | 13.6 |
| Private Banks | 19.6 |
| Foreign Banks | 27.4 |

Table 3 (a) shows clearly that the income factor of Foreign banks is 27.4% which is double as compared to the earnings done by Government controlled banks (13.6%) and Private banks of India (19.6%).

**Table 3b**

| Categorisation of Banks | Employee Costs as % of Total Cost |
|---|---|
| Government-controlled Banks | 14.8 |
| Private Banks | 12.8 |
| Foreign Banks | 23.5 |

Table 3(b) gives a clear picture in context to the expenditure done on employee aspects by Foreign banks which amounts to 23.5% whereas, Private banks expenditure is 12.8% and 14.8% is spent by Government-controlled banks.

**Table 3C**

| Categorisation of Banks | Bad Loans % of Net Assets |
|---|---|
| Government-controlled Banks | 1.1 |
| Private Banks | 1.0 |
| Foreign Banks | 1.8 |

Table 3(c) indicates the percentage of non-performing assets of which Foreign banks suffered by 1.8% , Government-controlled Banks by 1.1% and Private banks by 1%.

**Table 3D**

| Categorisation of Banks | Number of Branches |
|---|---|
| Government-controlled Banks | 61,301 |
| Private Banks | 10,387 |
| Foreign Banks | 310 |

Table 3(d) indicates the network strength of banks in which the Government controlled banks have the strongest network of 61,301 branches, Private banks have 10387 branches and Foreign banks have 310 branches which is minimal in Indian context.

Table 3 shows two sides of Foreign banks wherein table (a) and (b) depicts the strength of Foreign banks and tables (c) and (d) shows the weaker aspects of Foreign banks.

Table 4 shows the assets and network of Foreign banks in India where Citibank enjoys the biggest asset treasure of $21billions on the other hand Barclays occupy last place with 1,083 employees, 7 branches and $5 billion business in India.

**Table 4: Network and Assets of Largest Foreign Banks in India as on 31-03-2010**

| | Assets in $ Billions | Number of Employees | Number of Branches |
|---|---|---|---|
| Citibank | 21 | 4,613 | 43 |
| Standard Chartered | 20 | 7,903 | 95 |
| HSBC | 20 | 6,685 | 50 |
| Deutsche Bank | 6 | 1,498 | 13 |
| RBS | 5 | 2,716 | 31 |
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**Source: Reserve Bank of India**

## REGULATION OF FOREIGN INVESTMENT IN INDIA

- **General Rules Limiting Foreign Investment in Indian Companies:** A traditional argument against foreign equity participation in domestic companies is that these businesses involve strategic national interests and therefore, operational and strategic control must be retained domestically (Lam, 1997). This view held sway in India until the early 1990's and foreign investment in all domestic companies was restricted and could be undertaken only with the prior approval of the Government of India. The New Industrial Policy of 1991 was the first step toward liberalization. It introduced foreign direct investment (FDI) via the "automatic route", allowing companies in selected industries to raise new equity capital (in some industries, up to fifty-one per cent ownership) by issuing new shares in foreign markets without prior approval from the Ministry of Commerce and Industry (MCI).

Banking was not one of the thirty-five industries where foreign direct investment via the automatic route was allowed. The next significant step occurred in late 1992 when foreign institutional investors were first allowed to invest in outstanding domestic securities. Such investments are referred to as foreign institutional investment (FII). Initially, the holding of any single foreign institutional investor was limited to five percent of the company's total shares with an aggregate cap of twenty-four percent of the issued and paid-up capital for all foreign institutional ownership. These FII limits were intentionally designed to prevent a controlling interest by any foreign investor or group of investors. On April 4, 1997, the upper limit for FII was allowed to be increased up to thirty percent by the company concerned if its Board of Directors passed a resolution to that effect that was also ratified by its shareholders. Over time, the upper limit on FII was gradually increased - first to forty percent (March 1, 2000) and ultimately to the industry's sectoral cap. In every instance, the new upper limit was subject to the same conditions (called the "special procedure") as the thirty percent limit. While FDI and FII both enable foreign institutions to invest in Indian firms, FDI and FII are quite different and are subject to very different regulatory treatment. FDI via the automatic route was viewed by the government as a source of new capital and was expected to create large block investors who would have a long term relationship with the firm and its management. On the other hand, FII did not directly generate new capital for the firm since investment was via secondary trading in existing securities and investment by any single institution was limited with the explicit objective of preventing significant influence by any foreign investor or group of investors. As a result of these different purposes and views 4 by the government, FDI and FII were regulated by different governmental bodies and were subject to separate legal limitations and regulatory procedures. The regulations were complex and allowed for different combinations of caps on FII and FDI. Depending on the industry, the caps could be independent or cumulative. Cumulative caps limited the sum of FII and FDI and the cumulative cap could be less than the sum of the two individual caps. For example, FII and FDI could each be allowed up to forty percent individually, but the sum could also be limited to a maximum of forty percent. A further complication is that the FDI regulation could include sub-limits based on the purchaser of the newly issued shares. For example, regulation that specified a forty percent limit on FDI could have a sub-limit of twenty percent on capital raised from foreign institutions but allow non-resident Indians (NRIs, or entities they controlled) to invest up to the full forty percent limit.

Indian federal government has opened up the banking sector for foreign investors raising the ceiling of foreign direct investment in the Indian private sector banks to 49 percent. However, the ceiling of FDI in the country's public sector banks remains unchanged at 20 percent. Foreign banks having branches in India are also entitled to acquire stakes up to 49% through "automatic routes". It is to be noted that under "automatic route" fresh shares would not be issued to foreign investors who already have financial or technical collaboration in banking or allied sector. They would require FIPB approval. However, some statutory approvals of the Reserve Bank of India (RBI), country's central banking authority, would be required. There are 29 Indian private sector banks. RBI has also specified the voting rights of foreign investors. The scope for disinvestment is also there.

**Statutory Precincts**

- Foreign direct investment (FDI) up to 49 percent is permitted in Indian private sector banks under "automatic route" which includes Initial Public Issue (IPO), Private Placements, ADR/GDRs; and Acquisition of shares from existing shareholders.
- Automatic route is not applicable to transfer of existing shares in a banking company from residents to non-residents. This category of investors require approval of FIPB, followed by "in principle" approval by Exchange Control Department (ECD), Reserve Bank of India (RBI).
- The "fair price" for transfer of existing shares is determined by RBI, broadly on the basis of Securities Exchange Board of India (SEBI)

guidelines for listed shares and erstwhile CCI guidelines for unlisted shares. After receipt of "in principle" approval, the resident seller can receive funds and apply to ECD, RBI, for obtaining final permission for transfer of shares.

- Foreign banks having branch-presence in India are eligible for FDI in private sector banks subject to the overall cap of 49% with RBI approval.
- Issue of fresh shares under automatic route is not available to those foreign investors who have a financial or technical collaboration in the same or allied field. Those who fall under this category would require Foreign Investment Promotion Board (FIPB) approval for FDI in the Indian banking sector.
- Under the Insurance Act, the maximum foreign investment in an insurance company has been fixed at 26 percent. Application for foreign investment in banks which have joint venture/subsidiary in insurance sector should be made to RBI. Such applications would be considered by RBI in consultation with Insurance regulatory and Development Authority (IRDA).
- FDI and Portfolio Investment in nationalized banks are subject to overall statutory limits of 20 percent.
- The 20 percent ceiling would apply in respect of such investments in State Bank of India and its associate banks.

**Foreign Investors Right to Vote:**

**Private Sector Banks:** Not more than 10 percent of the total voting rights of all the shareholders.

**Nationalized Banks:** Not more than 1 percent of the total voting rights of all the shareholders of the nationalized bank.

**State Bank of India:** Not more than 10 percent of the issued capital. This does not apply to Reserve Bank of India (RBI) as a shareholder. However, government in consultation with RBI, ceiling for foreign investors can be raised.

**SBI Associates:** Not more than 1 percent. This ceiling will not be applied to State Bank of India. If any person holds more than 200 shares, he/she will not be registered as a shareholder.

**RBI Approval**

- Transfer of shares of 5 percent and more of the paid-up capital of a private sector bank requires prior acknowledgement of RBI.
- For FDI of 5 percent and more of the paid-up capital, the private sector bank has to apply in the prescribed form to RBI.
- Under the provision of Foreign Exchange Management Act (FEMA), 1999, any fresh issue of shares of a bank, either through the automatic route or with the specific approval of FIPB, does not require further approval of Exchange Control department (ECD) RBI from the exchange control angle.
- The Indian banking company is only required to undertake two-stage reporting to the ECD of RBI as follows: (1) the Indian company has to submit a report within 30 days of the date of receipt of amount of consideration indicating the name and address of foreign investors, date of receipt of funds and their rupee equivalent, name of bank through whom funds were received and details of govt. approval, if any. (2) Indian banking company is required to file within 30 days from the date of issue of shares, a report in form FC-GPR (Annexure II) together with a certificate from the company secretary of the concerned company certifying that various regulations have been complied with. The report will also be accompanied by a certificate from a Chartered Account indicating the manner the manner of arriving at the price of the shares issued.

## DIVESTMENT BY FOREIGN INVESTORS

- Sale of shares by non-residents on a stock exchange and remittance of the proceeds thereof through an authorized dealer does not require RBI approval.
- Sale of shares by private arrangement requires RBI's prior approval.

## CHALLENGES AND OPPORTUNITIES FACED BY INDIAN BANKS

**Challenges**

The banking system's international isolation was also due to strict branch licensing controls on foreign banks already operating in the country as well as entry restrictions facing new foreign banks. A criterion of reciprocity is required for any Indian bank to open an office abroad. These features have left the Indian banking sector with weaknesses and strengths. A big challenge facing Indian banks is how, under the current ownership structure, to attain operational efficiency suitable for modern financial intermediation. On the other hand, it has been relatively easy for the public sector banks to recapitalize, given the increases in nonperforming assets (NPAs), as their Government dominated ownership structure has reduced the conflicts of interest that private banks would face. The challenges facing larger FDI in India are in spite of the fact that more than 100 of Fortune 500 companies are already investing in India. These FDIs are already generating employment opportunities, income, technology transfer and economic stability. India is focusing on maximizing political and social stability along with a regulatory environment.

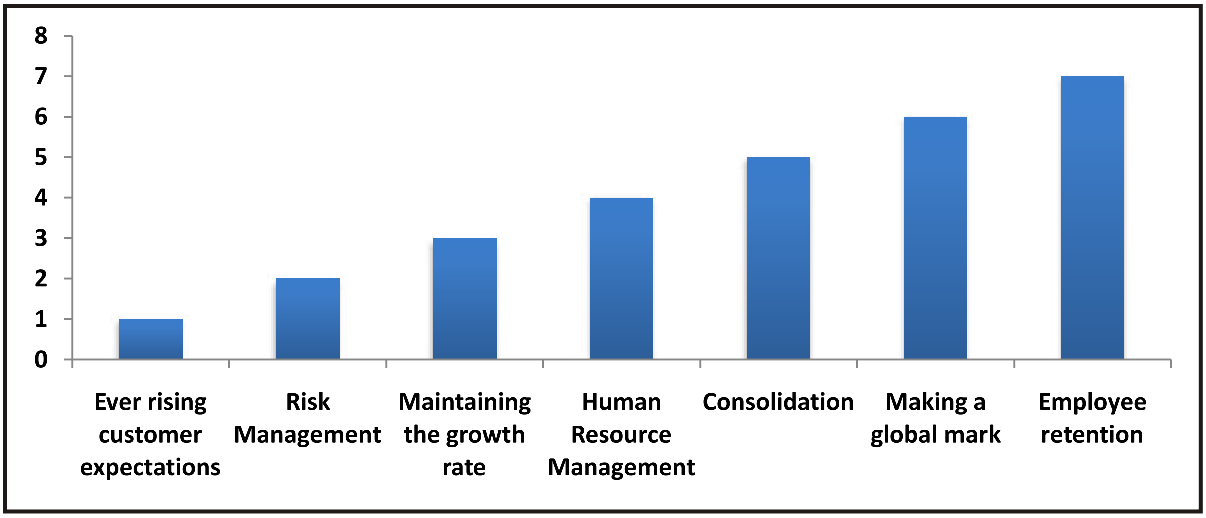


**Figure 2: Most Challenging Factors faced by Indian Banking Sector**

In spite of the obvious advantages of FDIs, there are quite a few challenges facing larger FDIs in India, such as:

1. **Resource challenge:** India is known to have huge amounts of resources. There is manpower and significant availability of fixed and working capital. At the same time, there are some underexploited or unexploited resources. The resources are well available in the rural as well as the urban areas. The focus is to increase infrastructure 10 years down the line, for which the requirement will be an amount of about US$ 150 billion. This is the first step to overcome challenges facing larger FDI.
2. **Equity challenge:** India is definitely developing in a much faster pace now than before but in spite of that it can be identified that developments have taken place unevenly. This means that while the more urban areas have been tapped, the poorer sections are inadequately exploited. To get the complete picture of growth, it is essential to make sure that the rural section has more or less the same amount of development as the urbanized ones. Thus, fostering social equality and at the same time, a balanced economic growth.
3. **Political Challenge:** The support of the political structure has to be there towards the investing countries abroad. This can be worked out when foreign investors put forward their persuasion for increasing FDI capital in various sectors like banking, and insurance. So, there has to be a common ground between the Parliament and the Foreign countries investing in India. This would increase the reforms in the FDI area of the country.
4. **Federal Challenge:** Very important among the major challenges facing larger FDI, is the need to speed up the implementation of policies, rules, and regulations. The vital part is to keep

the implementation of policies in all the states of India at par. Thus, asking for equal speed in policy implementation among the states in India is important.

5. **Trade liberalization:** India must also focus on areas of poverty reduction, trade liberalization, and banking and insurance liberalization. Challenges facing larger FDI are not just restricted to the ones mentioned above, because trade relations with foreign investors will always bring in new challenges in investments.
6. **Other challenging factors:** a relatively large number of banks, some of which are sub-optimal in size and scale of operations. On the regulatory front, alignment with global developments in banking supervision is a focus area for both regulators and banks. The new international capital norms require a high level of sophistication in risk management, information systems, and technology which would pose a challenge for many participants in the Indian banking sector. The deep and often painful process of restructuring in the Indian economy and Indian industry has resulted in asset quality issues for the banking sector; while significant progress is being made in this area, a great deal of work towards resolution of these legacy issues still needs to be done.

**Opportunities:**

i. **Indian consumer:** The biggest opportunity for the Indian banking system today is the Indian consumer. Demographic shifts in terms of income levels and cultural shifts in terms of lifestyle aspirations are changing the profile of the Indian consumer. This is and will a key driver of economic growth going forward.

ii. **Consolidation:** The consolidation process could lead o emergence of four or five large banks with country-wide presence and offices abroad who could act as national champions. At the same time, smaller private sector banks and foreign banks will continue to co-exist mainly as niche players.

iii. **Transform operational expertise into in-sourcing plays:** Longer term, global banks can leverage their operational capabilities into new revenue streams by in-sourcing selected capabilities to other financial institutions. India's development as a global business processing outsourcing hub has attracted major investments from global banks establishing a captive back-office presence in the country. Over time, these banks may parlay these captive businesses into revenue-generating insourcing businesses. With BPO offerings based in India moving "up market" - from call centers to data analytics; from accounts payable processing to financial reporting; and from loan origination to loan underwriting - the revenue upside of this opportunity is poised to explode.

iv. **Leverage operational efficiency advantages:** Global banks will face intense competition in India: from entrenched, state-owned institutions, to long-established private sector banks, to innovative, more recent arrivals. New market entrants face significant disadvantages in channel reach and brand recognition. Simply put, the odds of success are daunting. One of the areas where global banks possess a clear advantage over most domestic institutions is in terms of operational capabilities. Global banks typically maintain higher standards of productivity and profitability relative to their India peers, resulting in the need for fewer employees and branches to generate similar income levels. Consequently, entrants must leverage their best-in-class processes and systems to support back office processing functions, as well as customer-facing activities. By focusing on operational excellence, global banks will implement a strong base to achieve future scale economies.

## CONCLUSION

The visage of banking is changing rapidly. Competition is going to be tough and with financial liberalization under the WTO, banks in India will have to benchmark themselves against the best in the world. For a strong and resilient banking and financial system, therefore, banks need to go beyond peripheral issues and tackle significant issues like improvements in profitability, efficiency and technology, while achieving economies of scale through consolidation and exploring available cost-effective solutions. These are some of the issues that need to be addressed if banks are to succeed, not just survive, in the changing scenario. The new rules of competition require recognition of the importance of consumers and the necessity to address the needs through innovative products supported by new technology. The opportunities are immense - to enter new businesses and new markets, to develop new ways of working, to improve efficiency and to deliver higher levels of customer services.

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# Trend of IT-BPO in India: Present State and Future Prospects

**Mohit Dubey***
**Nishtha Sharma****
**Ritika Khanna***

**ABSTRACT**

*The Indian Information Technology and Information Technology Enabled Services (IT-ITES) industry has been contributing its role in the economic development of India since post liberalization era. It is an important emerging sector of Indian economy. The pace growth of this industry is considered as a growth driver for the economy. The performance of IT industry can be revealed with the confirmation of its contribution to the GDP (Gross Domestic Product) of the country, provision of employment opportunities all over the country, IT services and software exports and revenue to the country. This paper examines the growth and performance of IT industry in recent years and also examines the contribution of IT to the GDP of India, and employment opportunities.*

***Keywords:*** *GDP, Revenue, BPO*

## INTRODUCTION

The Information Technology-Business Process Outsourcing (IT-BPO) industry has become one of the most significant growth catalysts for the Indian economy. In addition to fuelling India's economy, this industry is also positively swaying the lives of its people through an active direct and indirect contribution to the various socio-economic parameters such as employment, standard of living, education and diversity among others. Growing at an extremely high pace, the industry has demonstrated a decade of strong growth – growing 15 times to aggregate revenues of USD 69.4 billion in FY2009. In addition, as one of the largest employers in the organized private sector, it provides direct livelihood to 2.2 million people.

The IT-BPO industry has played a significant role in transforming India's image from a slow moving bureaucratic economy to a land of innovative entrepreneurs and a global player in providing world class technology solutions and business services. The industry has helped India to transform from a rural and agriculture based economy to a knowledge based economy.

BPO is an important branch and trend of outsourcing that many management theories and methodologies generated and developed for outsourcing can be applied to. Many corporations, like Dell, AIG, IBM and Citi Group, have been using BPO and leveraging the larger scale of outside service providers to cut costs, improve process quality and speed time to market. Also, many IT service vendors, like IBM, EDS, Accenture, and SAP, have integrated BPO services into their systems and models.

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BPO started with non-core processes and is now moving towards more critical applications. It has boomed with call centers and customer support processes, and now is happening with software development, Human Resources (HR), Finance and Accounting (F&A), training, payroll, and procurement. The trend is moving beyond the outsourcing of typical back-office functions into middle-office functions. BPO is catching up with industries like medical transcription, animation production, and even disaster recovery management systems. Moreover, it is not just India or the Philippines that are booming with BPO. Central & Eastern Europe's markets are aggressively chasing near shore outsourcing from Europe.

## GROWTH OF IT BPO

***Growth is never by mere chance; it is the result of forces working together***

*- James Cash Penney*

Emerging economies, the world over, have grown in importance and are creating considerable demand for products and services in all spheres. India, being one of the key emerging economies, is no exception and represents one of the fastest growing markets in the world. With business flourishing at an unprecedented rate and the ICT infrastructure in the country rapidly improving, the market for IT-BPO consumption in the country is also growing steadily. The domestic IT-BPO market in India has grown at an impressive growth rate at 20.7 % (in USD terms) in FY2011 as against 12% in China, 13% in Brazil, 18.1% in Russia and 5.7% worldwide.

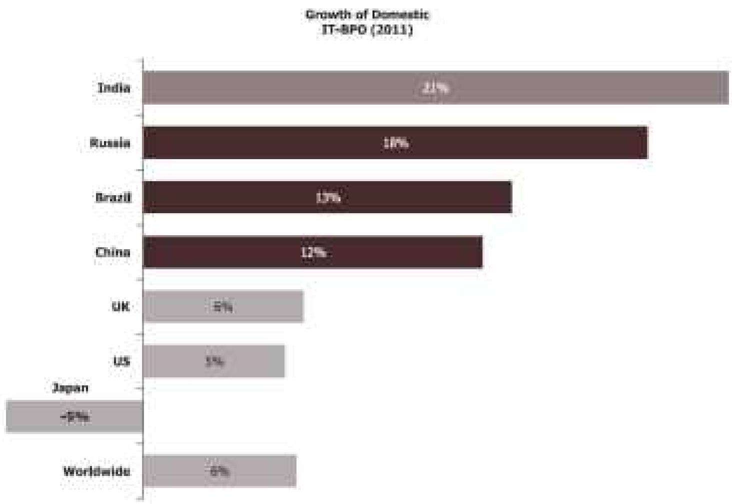



**Figure: Growth of IT-BPO**

**CONTRIBUTION TO India's GDP:**

FY2012 is a landmark year – while the Indian IT-BPO industry gnarled uncertainties in the global business environment, this is also the year when the industry is set to reach a significant milestone – aggregate revenue is expected to cross USD 100 billion. Aggregate IT software and services revenue (excluding hardware) is estimated at USD 88 billion.


## PERFORMANCE OF INDIAN IT-BPO

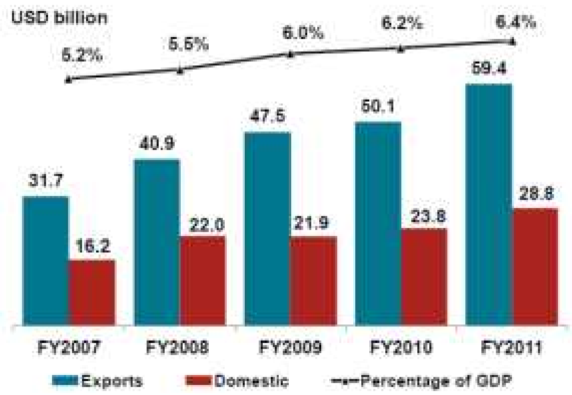
The sector is estimated to aggregate revenues of USD 88.1 billion in FY2011, with the IT software and services sector (excluding hardware) accounting for USD 76.1 billion of revenues. During this period, direct employment is expected to reach nearly 2.5 million, an addition of 240,000 employees, while indirect job creation is estimated at 8.3 million. As a proportion of national GDP, the sector revenues have grown from 1.2 % in FY1998 to an estimated 6.4 % in FY 2011. Its share of total Indian exports (merchandise plus services) increased from less than 4 % in FY1998 to 26 % in FY2011.

Exports market: Export revenues are estimated to gross USD 59 billion in FY2011 accounting for a 2 million workforce.

- **Geographic focus:** The year was characterised by a consistent demand from the US, which increased its share to 61.5 %. Emerging markets of Asia Pacific and Rest of the world also contributed significantly to overall growth.
- **Vertical Markets:** While the sector's vertical market mix is well balanced across several mature and emerging sectors, FY2011 was characterized by broad based demand across traditional segments such as Banking, Financial Services and Insurance (BFSI), but also new emerging verticals of retail, Healthcare, Media and Utilities.
- **Service Lines:** Within exports, IT Services segment was the fastest growing segment, growing by 22.7 % over FY2010, and aggregating export revenues of USD 33.5 billion, accounting for 57 % of total exports. Indian IT service offerings have evolved from application development and maintenance, to emerge as full service players providing testing services, infrastructure services, consulting and system integration. The coming of a new decade heralds a strategic shift for IT services organizations, from a 'one factory, one customer' model to a 'one factory, all customers' model. Central to this strategy is the growing customer acceptance of Cloud-based solutions which offer best in class services at reduced capital expenditure levels.

The BPO segment grew by 14 % to reach USD 14.1 billion in FY2011. The year also witnessed the next phase of BPO sector evolution - BPO 3.0 - characterised by greater breadth and depth of services, process re-engineering across the value chain, increased delivery of analytics and knowledge based services through platforms, strong domestic market focus and SMB centric delivery models. During the year, the BPO sector growth was affected by delayed decision making and deal restructuring in the first half of the year, though it picked up momentum in the second half. Changing demand patterns led to revamp of operations for service providers - high focus on client relationships, mining existing clients and restructured operations to provide focused vertical solutions. Further, the industry focused on achieving excellence in business process management, and delivering strong transformational benefits creating revenue impact for clients.

The engineering design and products development segments generated revenues of USD 9 billion in FY2011; growing by 13.6 %, driven by increasing use of electronics, fuel effi ciency norms, convergence of local markets, and localised products. Increasing confidence in relationships between customers and service providers successfully executing a variety of activities across low-medium-high complexity projects has led to increasingly larger sizes of projects being sourced from India.

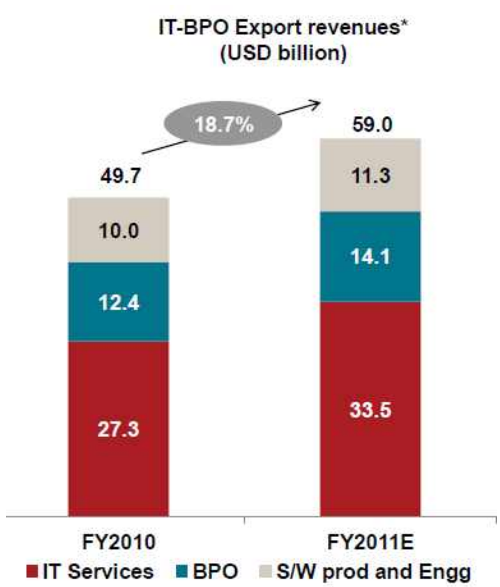



*Source: Nasscom*

Despite economic uncertainties in the US and Europe, India's software body Nasscom is confident of a 16-18 % growth rate of the country's information technology (IT) industry in FY'12, with the sector slated to bring in about $68-70 billion in revenue. Growth in the domestic market is estimated at 15-17 %, with revenues of about $19-20 billion.

This assumes significance as the industry body had presented a conservative outlook of 16-18 % growth in IT exports in 2011-12 in the wake of the slow economic recovery in the US and uncertainty in the European region in February this year.

IT-BPO revenue aggregate to grow by 19.2 % and reach USD 88.1 billion in FY2011 . IT-BPO revenues




*Source: Nasscom*

as a percentage of the India's GDP to reach 6.4; of this value-added contribution is estimated at 60-70 %

Though NASSCOM president Som Mittal maintained a cautious outlook, he said: "There is no reason for us to be worried... We have spoken to customers and they are looking at expanding into geographies and bringing newer solutions to the market". As for the business process outsourcing (BPO) industry, a Nasscom and Crisil report noted that India is positioned as a knowledge services powerhouse, with 70 % share of the $2.9-billion global industry. The industry also generated employment for almost 70,000 people in over 100 firms.

"In the last decade, the industry has grown 16 times in size, to reach $16.9 billion (including domestic) in FY'11. In addition to fuelling India's economy, direct and indirect employment creation is estimated at 4.5 million," said Nasscom president Som Mittal.

In fact, India is the leading BPO destination, accounting for over 37 % of the total global sourcing BPO revenues, followed by Canada and Philippines. Industry directly employs 2.54 million professionals.10 % employee growth corresponding to 18.7 % revenue growth signifying growing non-linearity .Industry building future ready organizations through - .Sustained investment in training Opportunities for career growth. Managing people challenges effectively. Ensuring cost competitiveness. ~2 % of revenues spent on training - industry supplementing the education system

**The Way Ahead:**

Efforts being undertaken by the Indian BPO industry will enable it to breed rapidly in the future. Continuing on current growth momentum could help the Indian BPO industry reach about US$ 30 billion in export revenues by 2013. However, comparing precedent growth trends with the significant future market opportunity, the Indian BPO industry can set itself a stretch target of US$ 50 billion (that is, approximately five times its present size) in export revenues by 2013. A fivefold growth in the Indian BPO market will add nearly 2.5 percent directly to India's GDP from exports earnings and endow with direct employment to about 2 million people. This will also spur growth in smaller Tier - 2/3 cities to enable the six fold growth in the number of delivery centers that will be required to support the stretch target for the industry. Also, it is important to note that secondary impact of the Indian BPO industry's growth on employment in related service industries and consumer spending is likely to be multiple times as compared to the direct impact.

The Nasscom- Crisil report - 'India Knowledge Services Industry' - added that led by financial services and healthcare, the knowledge services outsourcing industry in India is expected to grow at a 22.2 % CAGR over FY2010-15 to a $5.6 billion market. While business research would continue to be the most widely adopted service line with a 39.4 % share, representing a $2.2 billion opportunity, the share of data analytics is expected to increase from 18.5 % to 20.6 % ($1.15 billion).

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# A Critical study of Customer satisfaction with their Mobile Brand Preference - A Case of Bareilly District

**Mr. Abhinav Nath***
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**ABSTRACT**

## INTRODUCTION

Communication is a process of transferring information from one entity to another. Communication processes are sign-mediated interactions between at least two agents which share a repertoire of signs and semiotic rules. Communication is commonly defined as "the imparting or interchange of thoughts, opinions, or information by speech, writing, or signs".

Communication is a process whereby information is enclosed in a package and is channeled and imparted by a sender to a receiver via some medium. The receiver then decodes the message and gives the sender a feedback. All forms of communication require a sender, a message, and an intended recipient; however the receiver need not be present or aware of the sender's intent to communicate at the time of communication in order for the act of communication to occur. Communication requires that all parties have an area of communicative commonality. There are auditory means, such as speech, song, and tone of voice, and there are nonverbal means, such as body language, sign language, paralanguage, touch, eye contact, through media, i.e., pictures, graphics and sound, and writing.

India has emerged as one of the worlds's best performing economies during the last five years. This is evident from economy growth rate of 8 percent per year, the size of the middle class has trebled, people below poverty line have decreased by ten percent, population growth has slowed down and the per capita income in terms of purchasing power has increased to nearly three times. The important thing to be noted is that India has not adopted the popular Asian strategy of exporting labor-intensive, low priced manufactured goods to

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the developed world, but has rather built services sector for exports and the domestic market for consumption. Despite all these positive achievements there a number of bottlenecks like inadequate infrastructure - particularly in rural areas, slow success in public education, stringent labor laws, poor governance and insensitive bureaucracy.

One sector that has emerged winner in the current scenario in India is the telecom sector. The growth of cellular mobile services is leading the telecom revolution in India and the other services are following. But still after over a decade of start of mobile services in the country, only 30 percent of the 600 million addressable markets of mobile users in the country of over one billion people have been reached. Coverage-wise, only 60 percent of the population mainly in urban areas has access to mobile communication. But the coverage is likely to be increased to about 75 percent in the next two years.

India is the second largest and one of the fastest growing markets with strong demand of ICT services. Like all over the world, the unprecedented surge is towards mobile communications in India. GSM mobile and CDMA networks for wireless local loop as well as for complete mobility have come in a big way in urban areas. The competition and falling revenues are soon expected to force operators to extend cellular networks to rural areas.

This study attempts to find out the Satisfaction level of Consumers with their Mobile Brand Preference in Bareilly district.

## OBJECTIVE OF THE STUDY

The study is undertaken with the following objective:

- To analyse the profile of consumers and their satisfaction level with their mobile brands.

## DURATION OF STUDY

The study covers a span of three months that is from 15 June 2012 to 15 Sep 2012. The study is based on the data collected from individual consumer of Bareilly district.

## DOMAIN OF STUDY

The Bareilly district is the area of study. Situated on the bank of Ramganga river, it is the capital of the Bareilly division and the geographical region Rohilkhand. It is a center for the manufacture of furniture and for trade in cotton, grain, and sugar. Geographically it forms the outer gateway to enter Uttarakhand State. This fast-growing city is also known as Bans-Bareilly (due to the names of its founders Bansaldev & Baraldev). Though Bareilly is also a production center for cane (Bans) furniture, but it is just a coincidence. The name Bans Bareilly is not derived from its big bans (bamboo) market. It derived after the name of two princes named Bansaldev & Baraldev (Son of Local King). The status of the city has been upgraded when its name was included in the "Counter Magnets" of National Capital Region (NCR), because it is equidistant from New Delhi, the capital of India and Lucknow, the capital of Uttar Pradesh. The district has a very good combination of various market segments namely rural and urban, poor and rich, educated and illiterate which is worth to study about marketing of consumable items.

## RESEARCH METHODOLOGY

**Research Design:**
Research design for this study was descriptive in nature.

**Sampling:**
A sample of 150 positive respondents was selected. Great care had been taken to include both male and female respondents from different profiles such as businessman, employees, students and professionals. Data were collected with the help of a structured questionnaire. Sampling technique used was convenience & judgmental. The information collected with the help of questionnaire was tabulated and analyzed by using various statistical measures like percentage and chi-square test.

**Sample Profile:**

| | | |
|---|---|---|
| Sex | | |
| | Male: | 108 |
| | Female: | 42 |
| Marital Status | | |
| | Married | 78 |
| | Unmarried | 72 |

**Hypothesis**

In line with the objective of the study, various hypothesis were formulated and tested for their validity:

It is presumed that

There is no significant relationship between various personal & demographic factors and satisfaction of consumers with their mobile brands.

So Hypotheses on various personal factors were taken one by one during analysis.

## DATA INTERPRETATION & INFERENCES

**Detailed Responses at a glance with corresponding spectrum of sample:**

| S. No | Personal Factors | Very Much Satisfied | Satisfied | Not Satisfied | Number of Consumers |
|---|---|---|---|---|---|
| 1. | **Gender** | | | | |
| | Male | 35 (32.4) | 64 (59.3) | 9 (8.3) | 108 (72.0) |
| | Female | 16 (38.1) | 25 (59.5) | 1 (2.4) | 42 (28.0) |
| 2. | **Age** | | | | |
| | Upto 20 yrs | 16 (38.1) | 22 (52.4) | 4 (9.5) | 42 (28.0) |
| | 21 - 30 | 15 (32.7) | 26 (56.5) | 5 (10.8) | 46 (30.6) |
| | 31 – 40 | 5 (17.9) | 23 (82.1) | - | 28 (18.7) |
| | 41 – 50 | 8 (33.3) | 15 (62.5) | 1 (4.2) | 24 (16.0) |
| | 51 and above | 7 (70.0) | 3 (30.0) | - | 10 (16.7) |
| 3. | **Marital Status** | | | | |
| | Married | 28 (37.0) | 46 (61.0) | 2 (2.0) | 76 (50.7) |
| | Un married | 23 (31.1) | 43 (58.1) | 8 (10.8) | 74 (49.3) |
| 4. | **Qualifications** | | | | |
| | Upto +2 | 25 (32.5) | 48 (62.3) | 4 (5.2) | 77 (51.3) |
| | Degree | 19 (38.0) | 27 (54.0) | 4 (8.0) | 50 (33.3) |
| | P G | 7 (33.3) | 13 (61.9) | 1 (4.7) | 21 (14.0) |
| | Professional | - | 1 (100.0) | - | 1 (0.7) |
| | Others | - | - | 1 (100) | 1 (0.7) |
| 5. | **Occupational status** | | | | |
| | Salaried person | 20 (30.8) | 35 (53.8) | 10 (15.4) | 65 (43.3) |
| | Students | 16 (43.2) | 21 (56.8) | - | 37 (24.7) |
| | Business | 9 (27.3) | 24 (72.7) | - | 33 (22.0) |
| | Professional | 1 (25.0) | 3 (75.0) | - | 4 (2.7) |
| | Others | 5 (45.5) | 6 (54.5) | - | 11 (7.3) |
| 6. | Monthly Income | | | | |
| | 0 – 5000 | 32 (35.6) | 50 (55.6) | 8 (8.8) | 90 (60.0) |
| | 5000 – 10000 | 9 (29.1) | 20 (64.5) | 2 (6.4) | 31 (20.7) |
| | 10000 – 15000 | 4 (40.0) | 6 (60.0) | - | 10 (6.7) |
| | 15000 – 20000 | 5 (45.5) | 6 (54.5) | - | 11 (7.3) |
| | 20000 and above | 1 (12.5) | 7 (87.5) | - | 8 (5.3) |
| 7. | Name of Brand | | | | |
| | Nokia | 35 (33.9) | 60 (58.3) | 8 (7.8) | 103 (68.7) |
| | Micromax | 5 (31.3) | 10 (62.5) | 1 (6.2) | 16 (10.7) |
| | Samsung | 2 (25.0) | 5 (62.5) | 1 (6.2) | 8 (5.3) |
| | Spice | 3 (50) | 3 (50.0) | - | 6 (4.0) |
| | LG | 1 (25.0) | 3 (75.0) | - | 4 (2.7) |
| | Sony Erricson | 4 (25.0) | 7 (75.0) | - | 11 (7.3) |
| | Karbonn | 1 (50.0) | 1 (50.0) | - | 2 (1.3) |

| | | | | | |
|---|---|---|---|---|---|
| 8. | **Motivation to purchase** | | | | |
| | Self | 18 (27.3) | 43 (65.2) | 5 (7.5) | 66 (44.0) |
| | Friends | 11 (45.8) | 12 (50.0) | 1 (4.2) | 24 (16.0) |
| | Relatives | 16 (35.6) | 26 (57.8) | 3 (6.6) | 45 (30.0) |
| | Colleagues | 4 (40.0) | 5 (50.0) | 1 (10.0) | 10 (6.7) |
| | Others | 2 (40.0) | 3 (60.0) | - | 5 (3.3) |
| 9. | **Place of Purchase** | | | | |
| | Company owned | 24 (38.7) | 35 (56.5) | 3 (4.8) | 62 (41.3) |
| | shop | 17 (28.8) | 39 (66.1) | 3 (5.1) | 59 (39.3) |
| | Retail outlets | 6 (46.2) | 5 (38.5) | 2 (15.3) | 13 (8.7) |
| | Market | 4 (25.0) | 10 (62.5) | 2 (12.5) | 16 (10.7) |
| | Others | | | | |
| 10. | **Period of usage** | | | | |
| | Below one year | 7 (25.0) | 19 (68.0) | 2 (7.0) | 28 (18.7) |
| | 1-2 years | 18 (40.9) | 22 (50.0) | 4 (9.1) | 44 (29.3) |
| | 2-3 years | 11 (36.7) | 15 (50.0) | 4 (13.3) | 30 (20.0) |
| | 3 and above | 15 (31.3) | 33 (68.7) | - | 48 (32.0) |
| 11. | **Adv. Media** | | | | |
| | Radio | 2 (66.7) | 1 (33.3) | - | 3 (2.0) |
| | Television | 25 (44.6) | 30 (53.6) | 1 (1.8) | 56 (37.3) |
| | Newspaper | 4 ( 40.0) | 6 (60.0) | - | 10 (6.7) |
| | Direct mail | 4 (44.4) | 3 (33.4) | 2 (22.2) | 9 (6.0) |
| | Others | 16 (22.2) | 49 ( 68.1) | 7 (9.7) | 72 ( 48.0) |
| 12. | **Amount spent for mobile** | | | | |
| | **services** | 7 (29.2) | 15 (62.5) | 2 (8.3) | 24 (16.0) |
| | 0-100 | 3 (21.4) | 9 (64.3) | 2 (14.3) | 14 (9.3) |
| | 101-200 | 19 (38.8) | 27 (55.1) | 3 (6.1) | 49 (32.7) |
| | 201-300 | 10 (31.3) | 20 (62.5) | 2 (6.2) | 32 (21.3) |
| | 301-400 | 12 (38.7) | 18 (58.1) | 1 (3.2) | 31 (20.7) |
| | 400 and above | | | | |
| 13. | **Mobile services** | | | | |
| | BSNL | 24 (43.6) | 31(56.4) | - | 55 (36.7) |
| | Airtel | 9 (28.1) | 15 (46.9) | 8 (25.0) | 32 (21.3) |
| | Vodafone | 13 (44.8) | 16 (55.2) | - | 29 (19.33) |
| | Reliance | 3 (13.6) | 17 (77.3) | 2 (9.1) | 22 (14.66) |
| | Idea | 2 (16.7) | 10 (83.3) | - | 12 (8.00) |
| | **Total** | | | | **150** |

*Note: Figures in brackets indicates percentage.*

**Satisfaction of consumers with mobile brands**

An attempt has been made just to enquire as to which extent consumers are satisfied i.e. whether the consumers are:

Very much satisfied, Satisfied or Not satisfied with their Brand

With regard to the overall experience regarding brand preference, the responses were as follows:

| S.No. | Option of consumer | No. of Consumers | Percentage |
|---|---|---|---|
| 1. | Very much satisfied | 51 | 34.00% |
| 2. | Satisfied | 89 | 59.33% |
| 3. | Not satisfied | 10 | 06.67% |
| | **Total** | **150** | **100%** |

From the table it can be said that 59.3% of the sample consumers were satisfied with their brand preference, not only this 34% were found to be very much satisfied, while 6.67% of the sample consumers were not satisfied with their brand preference.

**1) Gender and level of satisfaction**

72 percent of consumers are male and 28 percent are female. Among the male sample consumers, 59.3 are satisfied, 32.4 percent are very much satisfied and 8.3 percent are not satisfied. Among the female consumers, 59.5 percent are satisfied, 38.1 percent are very much satisfied and 2.4% are not satisfied.

**Hypothesis: 1**

There is no significant relationship between gender wise of sample consumers with their satisfaction of brand preference.

Chi-square test was applied to find out whether there is any significant relationship between the gender wise of sample consumers with their satisfaction of mobile brand preference. The calculated value is 1.895 at 5 percent level of significance. Since the calculated value is less than the table value of 5.99, it is inferred that there is no significant relationship between the gender wise with their satisfaction with brand preference. Hence the hypothesis is accepted.

**2) Age and level of satisfaction**

30.6% of sample consumers are in the age group of 21-30 years and only 16% are in the age group of 41-50. 28% are up to 20 years of age and 18.7% are in the age bracket of 31-40 years. Among the sample consumers who are in the age bracket of 21-30, 52.4% are satisfied, 38.1% are very much satisfied and 9.5% are not satisfied. In the age bracket of 31-40, 82.1% are satisfied, 17.9% are very much satisfied and 18.7% are not satisfied.

**Hypothesis: 2**

There is no significant relationship between age wise of sample consumers with their satisfaction of brand preference.

When Chi-square test was applied to find out whether there is any significant relationship between the age wise of sample consumers with their satisfaction of mobile brand preference, it was found that the calculated value is 15.51 at 5 percent level of significance. Since the calculated value is less than the table value 15.854, it is inferred that there is no significant relationship between the age wise and the satisfaction of consumers with their mobile preferences. Hence the hypothesis is accepted.

**3) Marital status and level of satisfaction**

In this demographic front 52 percent of sample consumers are married and 48 percent are unmarried. Among the married sample consumer, 61 percent are satisfied, 37 percent are very much satisfied and 2 percent are not satisfied. Among the unmarried sample consumers, 58.1 percent are satisfied, 31.1 percent are very much satisfied, and 10.8 percent are not satisfied.

**Hypothesis: 3**

There is no significant relationship between marital status of sample consumers with their satisfaction of brand preference.

Here also Chi-square test was applied to find out whether there is any significant relationship between the marital statuses of sample consumers with their satisfaction of mobile brand preference. The calculated value is 4.165 at 5 percent level of significance. Since the calculated value is less than the table value 5.99, it is inferred that there is no significant relationship between the marital statuses and the satisfaction of consumers with their mobile preferences. Hence the hypothesis is accepted.

**4) Educational qualification and level of satisfaction**

51.3 percent of sample consumers are qualified up to 10+2 level, followed by 33.3 percent are degree holders. Among 10+2 level, 62.3 are satisfied, 32.5 are very much satisfied and 5.2 percent are not satisfied. Among the degree holders, 54 percent are satisfied, 38 percent are very much satisfied, 8 percent are not satisfied.

**Hypothesis: 4**

There is no significant relationship between educational qualifications of sample consumers with their satisfaction of brand preference.

Chi-square test when applied to find out whether there is any significant relationship between the educational qualifications of sample consumers with their satisfaction of mobile brand preference it was found that the calculated value is 16.234 at 5 percent level of significance. Since the calculated value is greater than the table value 15.854, it is inferred that there is significant relationship between the educational qualifications and the satisfaction of consumers with their mobile preferences. Hence the hypothesis is rejected.

**5) Occupational status and level of satisfaction**

43.3 percent of sample consumers belong to salaried persons, followed by 24.7 percent of student's category. 22 percent are business-men and 2.7 percent are professionals. Among the salary based category, 53.8 percent are satisfied, 30.8 percent are very much satisfied and 15.4 percent are not satisfied. In the student's category, 56.8 percent are satisfied and 43.2 percent are very much satisfied.

**Hypothesis: 5**

There is no significant relationship between occupation of sample consumers with their satisfaction of brand preference.

Chi-square test showed the calculated value as 16.322 at 5 percent level of significance. Since the calculated value is greater than the table value 15.51, it is inferred that there is significant relationship between the occupations and the satisfaction of consumers with their mobile preferences. Hence the hypothesis is rejected.

**6) Income and level of satisfaction**

It is observed that 60 percent of sample consumers are having income between Rs 0-5000 per month, followed by 20.7 percent in the range of 5000-10000. in the 0-5000 category, 55.6 percent are satisfied and 35.6 percent are very much satisfied. In the range of 5000-10000, 64.52 percent are satisfied, 29.03 percent are very much satisfied and 6.45 percent are not satisfied.

**Hypothesis: 6**

There is no significant relationship between monthly incomes of sample consumers with their satisfaction of brand preference.

Chi-square test gives the calculated value as 5.979 at 5 percent level of significance. Since the calculated value is less than the table value 15.51, it is inferred that there is no significant relationship between the monthly incomes and the satisfaction of consumers with their mobile preferences. Hence the hypothesis is accepted.

**7) Basis of Motivation and level of satisfaction**

44 percent of sample consumers are taking own decisions to purchase their brand followed by 30 percent motivated by their relatives. Among those who are taking their own decisions 65.2 percent are satisfied, 27.3 percent are very much satisfied and 7.5 percent are not satisfied. While with those consumers who are motivated by their relatives, 50 percent are satisfied, 40 percent are very much satisfied and 10 percent are not satisfied.

**Hypothesis: 7**

There is no significant relationship between basis of motivation of sample consumers with their satisfaction of brand preference.

In Chi-square test the calculated value was 9.310 at 5 percent level of significance. Since the calculated value is less than the table value 18.307, it is inferred that there is no significant relationship between the bases of motivation and the satisfaction of consumers with their mobile preferences. Hence the hypothesis is accepted.

**8) Place of Purchase and level of satisfaction**

41.3 percent of sample consumers have purchased their mobile brand from company owned shop followed by 39.3 percent from retail outlets.

Among those who have purchased from company owned showroom, 56.5 percent are satisfied, 38.7 are very much satisfied and 4.8 percent are not satisfied. Among those who have purchased from retail outlets, 66.1 percent are satisfied, 28.8 percent are very much satisfied and 5.1 percent are not satisfied.

**Hypothesis: 8**
There is no significant relationship between places of purchase of sample consumers with their satisfaction of brand preference.

The calculated value is 6.171 at 5 percent level of significance. Since the calculated value is less than the table value 12.592, it is inferred that there is no significant relationship between the places of purchase and the satisfaction of consumers with their mobile preferences. Hence the hypothesis is accepted.

**9) Period of usage and level of satisfaction**

It is observed that 32 percent of sample consumers are using their brand for more than 3 years and above and 18.7 percent are using for less than 1 year. In the 3 years and above category, 68.7 percent are satisfied, 31.3 are very much satisfied. 68 percent are satisfied, 25 percent are very much satisfied and 7 percent are not satisfied and they belong to under one year category.

**Hypothesis: 9**
There is no significant relationship between periods of usage of sample consumers with their satisfaction of brand preference.

In this case the calculated value is 9.198 at 5 percent level of significance. Since the calculated value is less than the table value 12.59, it is inferred that there is no significant relationship between the period of usages and the satisfaction of consumers with their mobile preferences. Hence the hypothesis is accepted.

**10) Advertising media and level of satisfaction**

37.3 percent of sample consumers are motivated by TV commercials. Among the sample consumers who are motivated by some other sources, 68.1 are satisfied, 22.1 are very much satisfied and 9.7 percent are not satisfied. Among those who are motivated by radio 66.7 percent are satisfied and 33.3 percent are very much satisfied. In the newspaper section, 60 percent are satisfied and 40 percent are very much satisfied. 53.6 percent are satisfied, 44.6 are very much satisfied and 1.8 percent are not satisfied among those motivated by television. 33.4 percent are satisfied, 44.4 percent are very much satisfied and 22.2 percent are not satisfied by direct mail.

**Hypothesis: 10**
There is no significant relationship between advertising media of sample consumers with their satisfaction of brand preference.

Here the calculated value is 15.886 at 5 percent level of significance. Since the calculated value is greater than the table value 15.507, it is inferred that there is significant relationship between the advertising media and the satisfaction of consumers with their mobile preferences. Hence the hypothesis is rejected.

**11) Amount spent and level of satisfaction**

32.7 percent of sample consumers are spending Rs. 201-300 for mobile services followed by 21.3 percent spending 301-400 per month. 20.7 percent are spending 400 and above, while 16 percent are spending under 100.

**Hypothesis: 11**
There is no significant relationship between amounts spent by sample consumers with their satisfaction of brand preference.

The calculated value is 3.626 when Chi-square test is applied at 5 percent level of significance. Since the calculated value is less than the table value 15.507, it is inferred that there is no significant relationship between the amount spent and the satisfaction of consumers with their mobile preferences. Hence the hypothesis is accepted.

**12) Mobile services and level of satisfaction**

36.7 percent of consumers have BSNL mobile service followed by 21.3 percent having Airtel. Among them 43.6 percent are very much satisfied, 56.4 are satisfied and these are for BSNL. 28.1 percent are very much satisfied and 46.9 percent are satisfied and 25 percent are not satisfied, and these are for the Airtel brand.

**Hypothesis: 12**
There is no significant relationship between mobile services of sample consumers with their satisfaction of brand preference.

The calculated value here is 32.659 at 5 percent level of significance. Since the calculated value is greater than the table value 15.507, it is inferred that there is significant relationship between the mobile services and the satisfaction of consumers with their mobile preferences. Hence the hypothesis is rejected.

**13) Name of Brand and level of Satisfaction**

68.7 percent of sample consumers are having Nokia brand, followed by 10.7 percent of Micromax. Among the sample consumers of Nokia brand, 58.3 percent are satisfied, 33.9 are very much satisfied and 7.8 percent are not satisfied. With the sample of Micromax users 62.5 percent are satisfied and 31.3 percent are very much satisfied, while 6.2 percent are not satisfied with Micromax.

## OVER ALL FINDINGS

- 93.3 percent of sample consumers are satisfied with their mobile brand and only 6.7 percent are dissatisfied.
- Male respondents are in majority than the female respondents, but the percentage of female respondents is more than the male respondents when it comes to the point of satisfaction with their mobile brand.
- Respondents in the age bracket of 31-40 and 51 and above are 100% satisfied with their mobile brand preference. The dissatisfaction level is highest in the age bracket of 21-30 years.
- The percentage of dissatisfied respondents is more in Unmarried case than the married individuals.
- In terms of educational qualification and level of satisfaction, post graduates and professionals are highly satisfied.
- 43.3% of the respondents were married and 15.4% of them were dissatisfied with their mobile brand preference.
- Dissatisfaction level is also high in the group with 0-5000 rupees of monthly income.
- Nokia is the most preferred brand followed by Micromax and Samsung.
- Group of respondents with period of usage 3 and above are 100% satisfied.
- BSNL is the most preferred brand of mobile service among the respondents as 36.7 percent are satisfied with it.

## CONCLUSION

With the rapid growth of the telecommunication sector in India, the demand for mobile brands is bound to increase. With the coming up of new brands like Micromax, Spice, Karbonn, Zen etc the big and established brands will face a tough time ahead. The success of Micromax of being the second ranker in terms of customer preference in Bareilly region I a clear indication of the fact that big fishes will need to do something extra to keep their market share intact. Also the demand of mobile phones and specific brands is increasing in the rural areas, so the rural market also offers tremendous scope and avenues for marketers to tap the untapped market.

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# High Attrition rate - The Major issue of BPO Industry

**Dr. Priyanka Agarwal***

**ABSTRACT**

*Business Process Outsourcing (BPO) industry in India is progressing with an unparalleled velocity. The BPO industry is undoubtedly considered as one of the biggest fields of employment in India and stands number two worldwide after Philippines. However, it is facing a phenomenal increase in attrition rate which is the biggest challenge. NASSCOM, in a report said that that the outsourcing industry is expected to face a shortage of 2, 62,000 professionals in 2012. In the study released by Associated Chambers of Commerce and Industry of India claimed that the high attrition is due to bad working hours and a perceived lack of long term growth. In this paper an attempt is being made to build a model which contributes to high attrition rate.*

*This paper analyses the factor affecting the attrition. Despite its momentous growth and brilliant future, the BPO industry has experienced high attrition rates since its very inception. There are many factors that lead to attrition in BPOs and much research has taken place time and again. In this study, an attempt has been made to explore the dimensions of attrition and the factors for attrition.*

***Keywords:*** *Attrition, job satisfaction, morale, organizational commitment.*

## INTRODUCTION

BPO! One reads the word and myriad of well-groomed youth on calls, fast money, and phenomenal lifestyles seem to flash the mind in a jiffy. That's just the start. One reads it again, contemplates over it, dives into the unveiled afflictions, and gives it a second thought and a completely differing depiction blazes the mind.

The last decade saw an upheaval in the growth and development of the Indian economy, which was accompanied by the revolution in the technological front and a radical change in the way businesses were done. Instead of being the jack of all trades, the smart organizations have now redefined the way of working and now aim at being the master of their core business. Outsourcing the non-core processes in order to concentrate on the core ones is how the companies prefer to work now.

BPO has become the obvious strategic choice of the companies looking at the visible profits of cost reduction while improving the quality of service, increasing shareholder value etc. (Shah and Sharma 2006). With the whirlpool of opportunities the Indian Business Process Outsourcing sector seems to be on a happy ride. It has emerged rapidly, and its exports have grown from $565 million in 2000 to about $7.3 billion in 2005 (Budhwar et al. 2006). With the boat steaming ahead in the global markets, India has already become the most privileged destination.

**Assistant Professor, Amity School of Business, Amity University*

Hence such an eternal inventory of opportunities simply showcases a phenomenon which is no less than the renaissance for our Indian markets.

*"This high attrition rate, coupled with a talent-crisis, have an adverse affect on the BPO sector," said D S Rawat, secretary general, Assocham.*

Attrition is defined as a reduction in the number of employees through retirement, resignation or death and attrition rate is defined as the rate of shrinkage in size or number (BPO India 2009). Attrition of employees in a limited measure is desirable for influx of new ideas in any type of organization. It helps organizations to maintain their agility in fast changing environment. It brings in new blood, opens up new vistas for change, development and improvement, shows avenues to expand operations and add to the creative lines of the organizations. Attrition in a limited measure can thus bring gains to the organization.

## MORE VIEWS

(Review of Literature)

Recruiters explain that high attrition rates significantly increase the investment made on employees (Prakash and Chowdhury 2004). Significant investments in time and money need to be made for acquiring employees in any organization. These can never be translated into profit when attrition is high.

There is an escalating paucity of the appropriate skills gained through the education system, which is short on quality and relevance. Because of dearth, hiring new talent has become more expensive. In 1999, the average pay packet of an entry-level agent was $160–$180; now it is $300–$350. Due to high attrition rates, every employee who leaves costs the company another $900–$1100 to recruit and train a replacement. Finding the right candidate and sustaining it is now becoming a problem. Years ago, the success rate was of choosing the right candidate was 20 percent (Rediff.com, 2005a, 2005b; Sangameshwaran and Rai, 2005). Besides this, BPO employees are experiencing problems related to stress, sexual and racial abuse, and dissatisfaction at work (Walletwatch, 2003; Cacanas, 2004; Singh, 2005b; Witt et al., 2004; Rose and Wright, 2005; Houlihan, 2002). Inside a BPO organization, HR related issues arising at all levels have become significantly alarming and need to be addressed soon.

Major HR-related issues standing as problems in the various levels of management include attrition, HR policies, absenteeism, performance appraisal, and manpower allocation (Mehta et al. 2006). In organizing, the major concerns at the lower management level are related to job design and job requirements, like night shifts, monotony, and long hours. At the middle-management level, critical issues were related to HR, organizing, and motivation. Middle-level managers have difficulty retaining good employees, motivating them to put in their best effort, and keeping them happy. Often managers are not trained to work with teams and directing and motivating numerous teams simultaneously is challenging (Mehta et al 2006).

## ATTRITION & BPO INDUSTRY

Attrition in the BPO industry is two fold. One part of the attrition is where the employee leaves the industry entirely. The other section of attrition is where the employee joins another firm in the industry. Both the sections have separate reasons which need to be identified. The primary reason for people leaving the industry is due to the cause that the industry is viewed as a gap filler occupation. There seems to be a flaw in the way the industry is structured. The industry has been mainly dependent on youth who take out time to work, make money in the process while thinking of career alternatives. Hence for this group BPO is never a long term career but only as a part time job. The easy availability of BPO jobs is only a source of easy money till the time there is no other source of funding. Also the unfriendly working conditions, late night work shifts, high tension jobs acts as a deterrent for people to stick to this industry for long time. In addition, the BPO jobs are not being taken with a positive spirit by the society on a large. Research says that nearly 50 per cent of those who quit leave the industry (Prakash and Chowdhury 2004).

## OBJECTIVES AND METHODOLOGY

**Objective of the study:**

The objective of the study was to find out that despite being given high incentives and fringe benefits why Job satisfaction, morale and organizational commitment are low and there is high rate of attrition in call centre industry.

**Research Design, Sampling, Domain & Span of Study:**
A sample of 110 employees, randomly chosen from 22 call centres (Sales and Service, Telemarketing and Fundraising, Market Research and Survey, as well as Medical Services) of New Delhi and NCR.

The picking time of respondents was the break time and 5 employees were interviewed everyday in one BPO. The duration for information gathering was about 23 days.

The method of information collection was face to face interview and conversations were recorded. The interviews were unstructured and the data so collected was compiled & analysed and a simple format was given to throw a light on the rate of attrition in the BPOs.

As far as the profile of respondents is concerned, out of 110 respondents:
27 were working in the call centre for less than six months.
38 were working for more than 6 months but less than 1 year.
25 were working for more than 1 year but less than 2 years.
20 were working for more than 2 years.

All the respondents were between 18 to 30 years of age and 36 of them were married while 74 were single.

## COMPILED OUTCOMES OF THE STUDY

In the present days BPO industry is witnessing a high attrition rate. Indian youth no longer perceived the call centre industry as a career option that could guarantee stability and consistent growth. In context the responses from yes and no of 110 employees were tabulated as:

| Responses | Yes | No | Total |
|---|---|---|---|
| No. of Respondents | 78 | 32 | 110 |
| Percentage | 70.9% | 29.1% | 100% |

Out of 110 respondents 78 were of the opinion that despite being given high incentives and fringe benefits, attrition rate was very high, while 32 disagreed with this.

Attrition level in this industry, which has given employment to more than a million people, was found to be as high as 55 percent (Mail Today, 3rd Apr. 2011). The significant part of this attrition was seen at the middle level which was due to the absence of a diversified career stream and lack of opportunity for lateral movement with a firm.

Most of the attrition usually happened within the first two to three years of an employee's career and the sole season for the switch was higher salary, often in the range of a couple of thousand rupees. When further analyses were done, it could be said that the attrition rate was high for voice-based in comparison to non voice based BPOs. The employees who left call centre industry were belonged to middle class family and worked for one or two call centre for 2 to 3 years.

Frequent job switches has resulted in call centre wages moving 'north' without actual improvement in the quality of deliverables which in long-term would effect the BPO market especially given the availability of cheaper options in the Philippines and Sri Lanka. The highest percentage of employees who left the jobs were postgraduates and then graduates who wanted to pursue some professional courses or got a higher salary job.

After analysis it was also evident that employees working with their clients in banking, financial and insurance sector registered highest attrition rate.

These employees opined that the incentives were given at a very high accuracy level and with incredible targets which were not possible to achieve. If the employees met the targets, they were shifted to other new processes before the appraisal cycle which was one of the reasons for high attrition. "The handling of calls was observed to be difficult and after four 'fatal calls' the employee was terminated and it was de-motivating and forced the employees to look for other options, commented a respondent from Wipro".

The much hyped 'work for fun' tag normally associated with industry had backfired as the fresh graduates took it as a pass time job. After analysis, it was concluded that call centres offer unjustifiable salaries even to modestly trained people, just getting a variety of salaries starting from 5 thousand. The high percentage of female in the workforce added to high attrition rate. Most females resigned from their job either after marriage or because of social pressures caused by irregular work hours.

On the other hand, 32 (29.1%) employees disagreed with the statement. But all these employees were found to be undergraduates and who did not have any other career option to move on.

Firms such as Infosys' and Wipro offered skill development courses and training to their staff while pure-play BPOs like Genpact offered degree and diploma programs through institutional tie up but India's position as the dominant destination for call centre activities could be compromised soon due to high attrition rate.

## KEY FINDINGS

The remuneration structure is not as competitive in BPO firms as they are in the rest of the Indian market. The short-term variable pay was just four percent last year while the rest of India's workers enjoyed 10 percent.

- The attrition rate at BPOs last year was 23.5 percent compared to 15 percent in the general market.
- The benefits package mainly focused on retirement benefits, which is disconnect since most of these workers are in their 20s.
- Many BPO workers use the money they earn to fund a post-graduate degree. Some use the experience to get a day job as soon as they can.
- The BPO work is attractive to younger workers. India is a relatively conservative society that expects its young people to be home at night. BPO workers, however, work through the night to be able to call the Western world.
- Many of the jobs are monotonous. The study suggested cross-training employees in other processes to provide a respite. For example, a voice person can also learn data processes. A secondary benefit: "it makes the employee more visible in the organization,"
- There is growing trend of job-switching in the BPO industry, and this might prove fatal for the survival for this sector in the long run.
- The rise in pay-packages in the BPO industry in India has not been in keeping with the rise in the knowledge and skill levels.
- Erratic working hours and perceived lack of long-term career growth in the sector have taken a toll.
- The companies paying higher wages and the individuals who are getting higher wages short-term, are both at a disadvantage in the long run.
- The BPO employees, as a trend, prematurely move out of their low and mid-level job profiles, to move into higher managerial jobs, leaving a vacuum below.
- Rapid job switches within the call-centre circuit is also to blame.
- The attrition rate is maximum among young and entry level employees as they desire to get hefty pay package ahead of schedule, according to many respondents

## CONCLUSION

It could be concluded from the study that call centre industry has witnessed a high attrition rate during the past year. Indian youth no longer perceived the call centre industry as a career option that could guarantee stability and consistent growth. Frequent job switches has resulted in call centre wages moving 'north' without actual improvement in the quality of deliverables which in long-term would effect the BPO market especially given the availability of cheaper options in the Philippines and Sri Lanka. The highest percentage of employees who left the jobs were postgraduates and then graduates who wanted to pursue some professional courses or got a higher salary job.

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# About The University

Institute of Foreign Trade and Management (IFTM) was a pioneering attempt to provide the world class professional education in the brass city of Moradabad in the year 1996 by a family of public spirited entrepreneurs. It was a joint vision by a philanthropist to the core and visionary in the education arena (Late) Sri Onkar Saran Kothiwal and renowned economist Dr. R.M. Dubey. IFTM was the first institute in entire Rohilkhand region to bring BBA, MBA & MIB programmes for Management education.

Having tasted the success and feeling the appetite of ever growing demands of students and parents alike, IFTM ventured into other areas of professional education. It started offering new courses in Engineering, Pharmacy and Computer Applications to cover the entire spectrum of professional courses. Year 2002 saw the addition of another feather in IFTM's cap whereby a new Engineering institute, College of Engineering and Technology (CET) was established. It offers various undergraduate and postgraduate engineering courses in Computer Science, Electronics & Communication, Information Technology, Mechanical and Biotechnology. By the year 2010, IFTM group has established itself as a niche player by becoming a "**Centre of Excellence**" in various disciplines of professional education providing best in class education for Management, Engineering, Computer Applications and Pharmacy courses. All the technical and professional courses are approved by AICTE with Pharmacy course being also approved by PCI. National Board of Accreditation (NBA) has accredited all the eligible courses.

Year 2010 brought a new dawn for IFTM group and the great dedication, commitment, perseverance; untiring efforts of the entire IFTM team were noticed and appreciated by the government of Uttar Pradesh (U.P.). Hence IFTM was granted the University status by U.P. Government vide IFTM University Act No. 24 of 2010. IFTM University started the operations from the session 2010 as it already had the necessary and university compliant facilities and infrastructure. In an endeavour to expand the horizon of its offerings in professional education space, IFTM University has added more programmes at UG, PG and Doctorate levels in different disciplines. To bridge the gap between High School and Degree courses, IFTM University will also offer the Diploma courses. In addition to professional courses the University has a comprehensive plan to introduce other subjects in the field of Natural, Social and Medical Sciences.

Current times are challenging for Education sector with lot of churn happening and as the saying goes **"Challenging times need unprecedented measures"**, IFTM University embarks upon a journey to be the "Trusted Partner of Choice" for Parents, Students, Teachers and Industry Champions. In this attempt, University management has set a challenging target to house nearly 6000 students and 400 faculty members in the session 2011-2012. Thus with the humble beginning in 1996, IFTM has traversed a long path to become IFTM University by 2010. It strives to scale new heights and aspires to forge new partnerships with National & International bodies in order to make an indelible mark on the face of Indian Education.


# About The School of Business Management

School of Business Management (SBM) is one of the most reputed and sought-after Centres of education in the field of management studies in the region.

This school was established in the year 1996 as Institute of Foreign Trade & Management and had been offering the BBA, MBA & MIB programmes of Management of Rohilkhand University, Bareilly, until 2000 when MBA programme came under the affiliation of the Uttar Pradesh Technical University, Lucknow. The Institute has become one of the most reputed Centres of education in the field of management studies and has been producing gold and silver medalists, as well as top ten merit holders on a regular basis since inception. In 2010, it has been reorganized as School of Business Management and is offering UG, PG and PhD in management and commerce, however, Masters of Business Administration has been a flagship course of the school, since its inception.

The School has been a constant contributor in the field of management through its research and development outputs. Doctoral research facilities are available in the various areas of management studies such as Business Economics, Security Analysis and Portfolio Management, Statistical Techniques, Human Resource Development, Supply Chain Management, Tourism Marketing, Advertising & Publicity Management and other functional area of management.

With a well connected network of alumni and reputed recruiters, the school has proven its role in disseminating relevant knowledge to the students and satisfy long list of recruiters. Parle Biscuits Pvt. Ltd, IDBI Bank, Reliance Money Ltd., DBS Bank, Yes Bank, Kudos Ltd, SMC Ltd,

Designco Pvt. Ltd and Micro Turners are just few to name among satisfied recruiters. The decision of prospective candidates to join the school for their career building thus, will be right and rewarding.

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