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2nd International Conference on the Restructuring of the Global Economy

1st - 2nd February 2012

Le Méridien Pune
Raja Bahadur Mill Road.
Pune,
Maharashtra 411 001
INDIA.

Conference Programme & Proceedings

Method - Integrity - Camaraderi

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2nd International Conference on the Restructuring of the Global Economy (ROGE)
1st – 2nd February 2012

Le Méridien Pune,
Raja Bahadur Mill Road,
Pune, Maharashtra, 411001,
INDIA.

Co-hosted by the
Academy of Business & Retail Management (ABRM)
Journal of Business & Retail management Research (JBRMR)
And London College of Management Studies

Session Chairs
Consumer Behaviour & International Retails
Dr. Srini. R Srinivasan

Emerging Economics & Finance
Marek Dziura

Miscellaneous
Dr P. R. Datta

International Trade & Globalisation
Prof. Gairik Das

Research Assistance
Maruf Hossain, R. C. Bhowal, Andrew Lumbers, Ashru Bairagee, Mythili T and Sanjay Patil

Particular thanks are extended to the following individuals who have been instrumental in the success of 2nd ROGE-Pune, India 2012
Dr. B.R.Chakraborty, Karrine B.E.Luk Ok Choo, Agalaya Muruganandan, Beka Zarnadze, Rushanthi Ramanathan, Arnoud Luk Ok Choo and Sharif Chowdhury

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Pune, Maharashtra, 411001,
INDIA.

Dear Conference Participants,

It is my very great pleasure to welcome you to ROGE – Pune 2012. For some of you this will be your first visit to Pune or even to India and we trust that during your time with us you will gain fresh insights, engage in healthy discussions and forge new friendships in a spirit of academic enquiry. No one here present can be under any illusion that for many these are challenges times and the nature of the global economy is such that it is beholden on academics to seek a broader understanding of common themes and theories.

I believe that we will all benefit from our engagement with the Conference and I trust that all concerned will have stimulating and intellectually enriching stay in Pune.
With every good wish,

With every good wish,

Professor P. R. Banerjee
Head of Research and Development
Academy of Research and Retail Development (ABRM)

2nd International Conference on the Restructuring of the Global Economy (ROGE)
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INDIA.

Dear Conference Participants,

It is a great pleasure to welcome you to Pune and more especially to ROGE – 2012. It is certainly fitting that such a conference should take place in a city that embodies much of the dynamism and innovation that is the face of modern India. All of us here are aware just how complex and interconnected our respective economies have become and so it is all the more important that academics have an opportunity to share and explore key issues, theories and experiences. The trinity of sponsors of this conference; the Academy of Business & Retail Management, the Journal of Business & Retail Management and the London College of Management Studies believe that ROGE- Pune 2012 will provide academics with an important networking opportunity in an environment that sets great store by: *Method - Integrity – Camaraderie.* I hope that all delegates will have a successful and intellectually stimulating conference, and leave here determined to capitalise and build upon the relationships begun during this time.

Wishing you every success with all your future endeavours.

Mark T Jones
Director – ROGE 2012
Academy of Business and Retail Management

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SCHEDULE FOR THE CONFERENCE 2012

Monday 30th January, 2012, thru Tuesday 31st January, 2012

Arrival and Independent traveling days in Pune, India

WEDNESDAY, FEBRUARY 1, 2012

8.00 AM -9.00AM **Registration**

Wednesday 1st February, 2012

9.00AM-9.15AM

OPENING ADDRESS & WELCOME

9.15AM-13.00 PM (Tea and coffee Break: 11.00-11.15)
Track: Consumer Behaviour
Session Chair: Dr. Srini. R Srinivasan

I *Branding Scenario in the Indian Market Place-A study of select Global, National &Retailers FMCG Brands*
Sapna Singh, Central University, Hyderabad, India

II *A study on the factors determining the purchase of mobile handsets by the College studies*
B.Ashok, KCT BS, Coimbatore, Tamil Nadu, India

III *Managing Challenges in Retail innovation across the globe*
Vidhya Pillai & **Yesha Mehta**, Thakur Institute of Management Studies and Research, India

IV *Retailing Innovations in India*
Anand Ramu Patil, Alliance School of Management, Bangalore, India, Bangalore University and Alliance University

V *Consumer Preferences towards Private labels- A study in Delhi*
Sandeep Puri, Institute of Management Technology, Ghaziabad, India & **Kalyan De**, Thapar University, India.

VI *Impact of lifestyle on brand preference of buyer behaviour-A case study of durable products*
Mithilesh Kumar Pandey, BRD college of Management, Roorkee, India

VII *CSR in India-a vision for the future*
A. Jayakumar, G. Anbalagan and L. Kannan, Periyar University, India

VII *Study of impact of proposed "51 % FDI in multi brand retailing" by Government of India on the unorganized retail market.*
Ruby S Chanda, Sinhgad Institute of Business Administration and Research, India & **Kunal Bhattacharya**, Symbiosis Institute of Management Studies, India

VIII *A Study of the CRM implementation process, its antecedents and impact on marketing effectiveness: The case of the Hotel industry in Mauritius.*
Vanisha Oogarah-Hanuman, University of Marutitus

IX *Potential Oportunity Opportunity in the Retail Marketing*
Sanjay Aswale, SCS College, Omerga, Maharashtra, India.

X *Understanding the effectiveness of communication tools during promotional periods in Indian hypermarkets*
Gairik Das (IISWBM), **Rudra Prosad Roy,** Presidency University

XI *Effect of Background Music on Consumer Shopping Behavior*
Srini . R. Srinivasan & P.N.Mukherjee, School of Advanced Management Studies at Mumbai, India

XII *Impact of sales promotion strategies of organised retailers in India*
B.V.Sangvikar & **Hemant Katole**, Department of Management Sciences (PUMBA)**,** University of Pune, India.

XIII Children and Television Advertisement: Understanding the extent of Persuasive Intent
Akhilesh Chandra Pandey & Vishal Soodan, H.N.B. Garhwal University,
(A Central University) Srinagar, Garhwal, Uttarakhand, India.

13.00-14.00
BREAK FOR LUNCH

Wednesday 1st February, 2012

14.00 PM-14.25PM

Key Note Speaker
Mark T Jones

Topic: **Ignorance is not bliss: the case for Gender Economics**

Mark is a fervent internationalist, who is widely travelled. During his career to date, as well as having worked in Jordan for two years, he has initiated and overseen a major humanitarian venture into war-torn Sierra Leone in 2000, and his logistical and regional knowledge of Africa is in great demand. An orator of distinction, he is the author of several books and numerous articles, and in 2009 produced a forward strategy for the sericulture sector in Bangladesh entitled: *Rajshahi – the Silk Sensation.* Mark trains Legislative Leaders as well as being an advisor on trade and investment in frontier markets. He believes that many of the current economic and geopolitical difficulties in the world are the result of a combination of a poverty of leadership, poor regional/market knowledge and a lack of vision. He sits on the Board of the Kitenge Africa Foundation (Uganda) as well as the Advisory Committee of the Expertise Forum (A Think Tank Society focusing on the Sustainable Development of South Asian Countries). In 1994 he was elected a Freeman of the City of London.

14.30 PM – 17.30 (Tea and Coffee Break: 16.00-16.15)

Track: Emerging Economics & Finance
Session Chair: Marek Dziura

I *For a New Globalization Transactions of the global economic system*
Luiz Alberto Dos Santos Alvesc, IMETRO - Institute Polytechnic Metropolitan Angola.

II *Diaspora as a Comparative/Competitive Advantage in a Global Economy: A comparison of the British and Chinese Diaspora.*
Sivakumar Velayutham, Charles Darwin University, Australia

III *Trade Liberalization in a Small Open Economy: An Application of the Overlapping Generations and Multi-sector Computable General Equilibrium Model to Australia*
Ha Viet Nguyen, University of New South Wales, Australia.

IV *Financial Performance of Indian Postal Life Insurance*
A. Vinayagamoorthy & **K. Senthilkumar**, Periyar University, India

V *Value Focused Restructuring – A New Approach Facing the Global Economic Crisis*
Andrzej Jaki, Cracow University of Economics, Poland

VI *Innovation in Sustainable Growth Facing the Economic Crisis*
Marek Dziura, Cracow University of Economics, Poland

VII *Enterprise Restructuring in the condition of the Crisis and the Globalisation Challenges. Based of the Experience of the Polish Economy.*
Ryszard Borowiecki, Cracow University of Economics, Poland

VII *Investors and bankers at the gates: Capital account liberalization in the BRIC economies*
Yeo Jiong Ning Edwin, National University of Singapore, Singapore.

17.35PM CLOSING SPEECH FOR THE CONFERENCE

Thrusday 2nd February, 2012

9.00AM-9.15AM

OPENING ADDRESS FOR DAY 2

9.15AM -13.00 PM (Tea and coffee Break: 11.00-11.15)

Track: Miscellaneous

Session Chair: Dr. P. R. Datta

I *Problems and Prospects of Family Business with Special Reference to Hardware Business in Coimbatore District*

P. Bruntha & S .Sathyabhama, NGM College, Pollachi, Coimbatore Dist, Tamilnadu, India

II *"Innovation and New Product Development"*
Shri. Mallappa.Sidaram. Khodnapur, Government First Grade College, India

III *The Impacts of Global Financial Crisis on Small Scale Industries and Retail Business in Indian Economy*
Hedieh Divsalar, Pune University, India

IV *Case study: Conducting financial analysis on Syngenta*
Grishma Padhye, Foundation of Liberal and Management Education (FLAME), Pune, India

V *Introduce a model to develop of applying the E-Commerce in commercial agencies*
Ali Sorayaei & **Ramzan Mehdizadeh**, Azad Islamic University, Iran and **Masoumeh Seifi Divkolaii**, Young Researchers Club of Qaemshahr, Iran.

VI *Leasing as a Viable Option for Asset Acquisition in Nigerian Manufacturing Companies*
I.D. Nworji, Babcock University, Nigeria & **A.M. Onaderu**, Caleb University, Nigeria & **OLABISI Jayeola**, Redeemer's University, Nigeria

VII *An empirical analysis of the impact of Corporate Social Responsibility accounting on profitability and company`s market share in Nigeria*
Adebayo Olagunju, Redeemer`s University, Nigeria & **Olufemi Omoyele**, Redeemer`s University, Nigeria

VIII *The Profile of the Industries (furniture, garments, gifts, toys, and houseware) in Cebu in Relevance to Industry Structure, Performance and Advantage*
John Symon D. Bailon, Cebu Normal University, Philippines

IX *Enterprise Restructuring in the Context of the Processes of Creating its Value*
Tomasz Rojek, Cracow University of Economics, Poland

X *The Impact of Corporate Social Responsibility Reporting (CSRR) on Financial Performance – Empirical Evidence from Sri Lanka.*
Hettiarachchi D.C. & **Gunawardana K. D.**, University of Sri Jayewardenepura, Sri Lanka

XI *Secure User Authentication Using Biometrics in Mobile Banking*
M.Suganya, S.Sujatha & **M.Edington Alex**, Alpha College of Engineering, TamilNadu

XII *Innovation and business dynamism: An evolutionary perspective*
Palto R Datta, University of Hertfordshire, UK & **Pratik R Banerjee,** ABRM, London, UK

13.00-14.00
BREAK FOR LUNCH

Thursday 2nd February, 2012

14.00 PM-14.25PM

Key Note Speaker
Professor P. R. Banarjee

Topic: Leadership in Changing Times

Prof. P.R.Banerjee obtained his Master in Economics from the University of Calcutta and University of Leeds and MBA from the University of Lancaster, UK. Before Joining Indian Institute of Management (IIM), Lucknow in 1985, he was in the U.K. for about 20 years and started his career there with the British Civil Service. In 1972 he switched over to industry and undertook several big projects for major shipbuilders, shipping fleet owners and operators, ports, trading houses and gained considerable consulting experience. The projects that he was associated with were mostly from the World Bank, organisation for Economic Cooperation and Development (OECD, Paris) and other industry leaders.

A good number of reports prepared by him were published by the companies he worked for and were very favourable received by the business circles on both side of the Atlantic. His contributions to business showing the duality of economies of scale and infrastructure development were some of the earliest as claimed during a business world meet in Florence, Italy in 1976. Interestingly a similar report was published by the UNDP at the same time. Both suggested the crucial issue of high costs of infrastructure creation limiting the possibility of enjoying economies of scale. The costs, therefore, needed to be shared. Critics of the day said that big ports like London, Rotterdam etc, as well as the then third upcoming stansted Airport for London would do well by looking up at these matters seriously. The OECD prescribed his report on costs and benefits of infrastructure development vis-Ã -vis economies of scale as a text on the subject.

At IIM Lucknow he has been pre-occupied with teaching and has been involved in some major projects like the customer satisfaction study in the national banks, World Bank's sodic land reclamation study, functioning of the State Electricity Board of the U.P etc. he has also chaired committees, particularly on occasions whereby the task given was to prepare reports on the career growth and improvements of productivity of IIML employees in various grades.

14.30AM -16.00 PM

Track: International Trade & Globalisation
Session Chair: Prof. Gairik Das

I. *A Cross-Border Trade in Healthcare services: Bangladesh to India*
Anita Medhekar, CQUniversity, Australia & **Muhammad Mahboob Ali**, Presidency University, Bangladesh

II. *Role of the Indian Software Industry in Global Trade and their Corporate Sustainability Reporting Practices as per G3.1 Guidelines of the GRI under the realm of corporate social responsibility*
Tessy Thadathil, Symbiosis College of Arts & Commerce, Pune, India.

III *Regional Export Market Dynamics of Iron-ore Extracting Firms: Panel Data Analysis Using Fixed and Random Effect Estimator*
Manasvi M. Kamat & **Manoj S. Kamat**, VVM's Shree Damodar College of Commerce and Economics, India

IV *An Analysis of International Trade between Korea and Bangladesh focusing Economic Potentials and Cooperation Imperatives*
Chang, Tai-koo & **Saiful Alam**, Daegu University, Rep. of Korea

V *A Study on Key Success Determinants of Foreign Direct Investment*
Cheng, Yu-Jen & **Chung, Lee-Fong**, National University of Kaohsiung, Taiwan

16.05 PM **CLOSING SPEECH FOR THE CONFERENCE**

3rd February 2012

There will be no session or function scheduled for today. Please take this opportunity to explore Pune.

We wish you have a safe trip home

A Cross-Border Trade in Healthcare Services: Bangladesh to India

Anita Medhekar
CQ University, Australia

Muhammad Mahboob Ali
Presidency University, Bangladesh

Key Words
India, Bangladesh, cross-border healthcare, trade, medical tourism.

Abstract
Medical tourism, where patients travel overseas or across border for complex invasive medical treatment, has grown rapidly in the past decade, especially for heart, cancer, liver transplant, hip-replacement, reproductive and cosmetic surgery. The booming global medical tourism market provides an opportunity for India, to seek to attract medical tourists from South Asia, Arab and other Middle Eastern I3399slamic countries due to the cultural advantage and English language along with low cost, no waiting period and availability of medical treatment.

A questionnaire was tested and administered to n=1282 medical patients in Bangladesh who had travelled to India for medical treatment between 1-3 or more times. The results concluded that the main reason for Bangladeshis to travel to India for medical treatment was: good quality and experienced doctors and physicians, quality of nursing care (pre and post surgery), low cost of surgery, non-availability of treatment in Bangladesh and modern/state of the art medical treatment and medical facilities in India, which concurs with the literature.

Next stage of the future research will extend to testing hypothesis, looking at cross–border medical tourism from other neighboring countries with India, and India playing a leadership role to promote peace, trust and understanding through cross-border bilateral trade in healthcare service provision to South Asian countries via medical tourism.

Introduction

Medical tourism is one of the fastest growing global health-care service industries. According to Stanley (2010, p. 22), "History shows that people will always be willing to travel in order to relieve pain, save money and expand their levels of comfort. It should be no surprise then that this industry is poised to capitalise on our contemporary situation by simply providing a service that has been sought throughout antiquity". This argument can also be applied to the medical tourism industry. Cross-border trade in medicals services can be determined by the number of medical tourists travelling overseas for medical treatment and the foreign exchange revenue earned by the destination country. Medical tourism is a niche special interest tourism segment in the globalised health industry (Connell 2006). India was ranked second only to Thailand in the global medical tourism industry in 2009 (IMT 2009). Patients as medical tourists are travelling abroad to cross border countries or destinations such as Thailand, India, Mexico, Venezuela, Austria or Poland for medical treatment. Private hospitals in Asian countries such as Thailand, India, Singapore and Malaysia, with government support, are offering complex state-of-the art invasive surgeries and non-invasive treatments (Huichinson 2005; Connell 2006; Carrera & Bridges 2006; Bookman & Bookman 2007; Horowitz & Rosensweig 2007; Singh 2008; Hopkins, Labonte, Runnels & Packer 2010). It is likely that besides low cost of treatment and surgery, no waiting period, availability of treatment and medical expertise various other factors such as; social, cultural affinity, language, religious sensitivities, political and economic conditions influence the consumer's decision to travel abroad for medical treatment (Medhekar & Haq 2010, Medhekar 2010).

Medical tourism is trade between two sectors of the economy medicine and tourism (Bookman & Bookman 2007). Ghose (2010) argues that "medical tourism industry is a product of the marriage of internationalisation and global digitisation" (p.117). According to Rahman (1999) medical tourism is an example of bilateral trade in healthcare services between India and Bangladesh. The paper addresses a research gap by exploring and identifying the reasons to travel abroad for medical treatment by Bangladeshi citizens. To achieve this objective, structures questionnaire was distributed to 1282 number of participants who travelled across border from Bangladesh to capital cities in India such as: Calcutta, Chennai, Bangalore, Delhi, Hyderabad and Mumbai for medical treatment. Other parts of India are also attractive destinations for medical treatment for middle income group and lower middle income group patients of Bangladesh due to above factors.

This exploratory research draws together the medical tourism literature with the findings of the exploratory study of cross-border medical tourism. In this exploratory study data from interviews is designed to reveal why medical tourists from Bangladesh travel across border to India for medical treatment. The empirical findings support theory development specific to medical tourism as there is little previous empirical work found on medical tourism from Bangladesh to India, except a report by Paul (1999). Medical tourists are making informed personal healthcare decisions to travel abroad for medical treatment, after gathering information from various sources such as friends, family, family doctor, media and the internet (Miller & West 2007; Pan & Fesenmaiser 2006; Medhekar & Newby 2011).

This research study investigating the broad research question was tested and administered to n=1282 participants in Bangladesh. The rest of the paper is structured as follows. First part provides the background to medical tourism literature review, Bangladesh healthcare scenario and the Indian government's role in the growth of medical tourism. Thirdly, research methodology applied in the study is discussed, and how the data was collected and analysed is explained along with findings. Finally, we outline directions for future research; present some possible recommendations for Bangladesh healthcare sector and general conclusions and discussion.

Literature Review

Medical Tourism

India Medical Tourism (2009) defines medical tourism as provision of 'cost effective' private medical care in collaboration with the tourism industry for patients needing surgical and other forms of specialised treatment. This process is being facilitated by the corporate sector involved in medical care as well as the tourism industry - both private and public. Carrera & Bridges (2006) were the first to conceptualise, distinguish and clearly define the two terms health tourism and medical tourism. "Health tourism is defined as the organised travel outside one's local environment for the maintenance, enhancement or restoration of the individual wellbeing in mind and body". A subset of this is medical tourism. Medical Tourism, on the other hand, is defined as "the organised travel outside one's natural healthcare jurisdiction for the enhancement or restoration of the individual's health through medical intervention" (Carrera & Bridges, (2006, p.449). Medical Tourism according to Medhekar (2010) is defined as "a phenomenon where a patient travels with or without a companion outside his or her country of residence, to another country across border for medical treatment which could be risky, invasive and involves complex surgical procedures with the use of highly specialised medical equipment, technology and experienced surgeons, for the improvement of overall physical health and quality of life, combined with a vacation at an exotic destination" (Medhekar 2010, p.6).

Travel abroad for medical treatment is becoming very popular and growing fast in the twenty first century as people are becoming more and more aware of their health needs. With long waiting list and queues, high cost of healthcare and health insurance in developed countries; state of the art medical technology and skills in destination countries, ease of travel, medical tourism intermediaries and internet marketing have all played a key role in patients travelling cross-border from developed or developing countries to the countries which are leading destinations for medical treatment such as Thailand, India, Singapore, Dubai, Poland, South Africa and Mexico amongst others (Huichinson 2005; Carrera & Bridges 2006; Bookman & Bookman 2007; Horowitz & Rosensweig 2007; Hopkins, Labonte, Runnels & Packer

2010; Lunt, Hardey & Mannion 2010; Ghose 2010; Stanley 2010) For example, complex elective surgeries such as orthopaedic, cancer treatment, cardiac, hip-replacement, neuro-surgery, spinal fusion, cosmetic, dental, transplant and reproductive, to long-term care is gaining greater appeal in the global market for medical tourism with fewer barriers to travel (Blyth &Farrand 2005; Yanos 2008).

Medical Tourism has emerged as a new way to reduce health-care costs and waiting period by US companies for their employees, by travelling to Singapore, South America, Thailand or India which cost 70 % to 80 % less than the US surgical rates, depending on the length of the stay and the surgical procedure (Carrera & Bridges 2006; Bookman & Bookman 2007; Douglas 2007; Hopkins, Labonte, Runnels & Packer 2010; Ghose 2010; Stuart 2010; Brian & Bhatt 2010). Literature identifies numerous models of medical tourism for example Bookman & Bookman in (2007) provided an economic argument for the emerging global medical tourism industry in developing countries in their book called 'Medical Tourism in Developing Countries'. They have identified three forms of medical tourism: invasive, diagnostic and lifestyle. Smith & Forgione (2007) have identified the factors influencing the patient's choice of specific destination. Caballero-Danell & Mugomba (2007) have broadly described the market of medical tourism model and the distribution channel model of medical tourism also developed by Caballero-Danell & Mugomba (2007). A model of analytical framework of Hong Kong medical tourist motivations was developed by Ye, Yuen, Qiu & Zhang (2008). Further, Heung, Kucukusta & Song (2010), have proposed an integrated supply and demand model of medical tourism.

Lunt, Hardey & Mannion (2010), in their paper titled "Medical Tourism and Emergence of Web-Based Health Information" have discussed "understanding of the internets role in facilitating access to treatments" (p.3) in a globalised medical tourism industry. They argue that, "A key driver in the medical tourism phenomenon is the platform provided by the internet for gaining access to healthcare information and advertising" (p.1). Further, for example, in case of medical tourism, family and friends as well as internet is taken as the key information source for making a decision to travel abroad for medical treatment (Medhekar & Newby 2011).

Bangladesh health-care scenario

Bangladesh is a small country bordering with India with a large population. Health sector is still dominated by the public sector provision. The public hospitals suffer from full capacity problems, shortage of necessary medical equipments, medicines, doctors and trained nurses. Every year government allocates large sums of money in the budget for health care, but it is insufficient to meet domestic demand. There is also wide documentation of corruption in the health care sector in the print media. Health is a state of complete physical, mental and social well being, and an important indicator of human development Index (HDI). Healthcare system in Bangladesh is in dire straits due to many recent incidents where the Bangladeshi patients have lost confidence in their country's health system, to deliver quality of health and medical care with a human touch. For the last two decades many Bangladeshis are travelling to India or other countries for medical treatment (Paul 1999; Rahman 2000) and "more than 75% travel to India, stay one month on average, and collectively spend about US$100 million every year" (Paul 1999, p.680).

The private health care sector started to flourish in the 1990s. We have seen a boom of private clinics all over the country. This trend was taken over by private hospitals and private medical college hospitals. Since 2004-2005, there has been growth of huge investment in state-of-art private hospitals in capital Dhaka such as Apollo Hospital Dhaka, Square Hospital and United Hospital. This growth is again Dhaka centric, and the periphery is yet to make headway for these state-of-art medical hospitals. The diagnostic industry has also grown along with the private hospitals. However, a major concern for the private sector is high cost and lack of trained health-care professionals. There is also widespread public perception about the low quality of health service delivery, provided by the government or the private sector in Bangladesh. A report titled Bangladesh-India Bilateral Trade: An Investigation into trade in services of health and the education sector by Rahman (2000, p.38) concluded after an empirical study that quality of healthcare has declined in Bangladesh with increasing cost and non-availability of certain treatments. Further, Bangladeshi patients overall have had a good experience in India in terms of quality of health care, less waiting time, less costly, cordial and caring doctors and nursing staff, reliable pathological and diagnostic tests and convenience of travel, cultural and no language problem in India compared to Bangladesh (Rahman 2000).

According to recent Daily Sun (3-September-2011) Bangladesh news paper, three modern hospitals of the country are in the news for corruption and malpractice. Usually, patients from affluent families, politicians and businessmen go for medical treatment, who would otherwise had gone abroad for these services if these state of the art with latest medical diagnostic treatment medical hospitals did not exist. These three elite hospitals "were put on the docks by the apex court of the country for their alleged negligence in discharging their duty and resorting to unethical professional practices by some of their doctors and administrative staff" (Daily Sun 3-9-2011). According to one patient's statement, "unethical or inhumane professional practices are not uncommon in India, but the number of cases is relatively much less compared to Bangladesh. A common complaint against the doctors in this country is that they often send their patients for unnecessary diagnostic tests to labs, thus pocketing 50-60% of the charge. Taking hostage of dead bodies for not clearing the hospitalisation costs by some of the hospitals is becoming quite common" (Daily Sun 3-9-2011).

Other allegations also include such as: swapping of a deceased child with a new born baby, not attending to patients in coma, absence of human touch and care from the hospital staff and lack of ethical considerations in health care service provision. All this has damaged the reputation of the healthcare professionals and image of the hospital. Besides, unethical malpractice and lack of human touch in pre and post surgery, lack of quality of healthcare service, high cost, non availability of treatment and latest medical technology, and lack of specialist medical staff are some of the main reasons why also middleclass as well as low income Bangladeshis travel across the border, to India for medical treatment.

Current logistics of the health sector in Bangladesh is characterised by centralised procurement of the medical supplies with some decentralised provision. Delay in health sector's procurement has always been questioned and identified as one of the prime causes of low absorption of budgetary allocations each year by the Government of Bangladesh. Irregular supply chain and inappropriate supplied items were experienced in procurement. In many cases, supplied goods did not match with the requirement of facilities. In addition, repair and maintenance of medical equipment and facilities remain inadequate and of sub-standard quality. Further, accident and trauma patients as well as those needing emergency attention are least served by the private clinics and hospitals compared to the public hospitals which provide these services.

Complaints about the weak governance in the public sector relate to unavailability of designated health personnel, pilferage of drugs and other essential supplies, mistreatment and negligence of the clients, unauthorized and illegal payments at public health premises, etc. Thus the weak governance in health sector has caused the very poor vulnerable members of the society to suffer the most in terms of high costs and deficient service delivery. Bangladesh has a huge shortage of doctors, nurses and medical technologists by the international standards. Lack of trust, corruption, accountability in use of public money, poor quality of health care service provision, lack of availability of treatment and timely and reliable medical intervention creates dissatisfaction due to which many Bangladeshi are seeking medical treatment in other countries such as India, Thailand, UK, USA, and Singapore.

This study also identifies the shortcomings of the Bangladesh health-care system, due to which an increasing number of Bangladeshi patients are crossing the border for medical treatment every year. The main destinations for Bangladeshis include India, Singapore and Thailand. It will not be a wrong assertion that Singapore and Thailand are destinations preferred by the affluent section of Bangladeshis. India, on the other hand, is a popular choice amongst the middle class and lower income families. A kidney-transplant patient from Sylhet informed that she went to India mainly for three reasons: first, kidney transplant treatment was not available back than in Bangladesh, secondly, it was relatively cheaper than Singapore and Thailand, and finally, she received a lot of positive feedback about the medical services of India from friends and family. Another patient from Chittagong informed us that, he went to India due to dissatisfaction over Bangladeshi doctors and lower costs in India, the disease was correctly diagnosed, the service was excellent and medical doctors, nurses and staff were professional. Both asserted that language is a major issue for them as they can understand Hindi and speak little bit.

Everyone in Bangladesh is aware that medical doctors in public hospitals either own or have a contractual relationship with private clinics. For doctors, public service is a false front-up identity. Their main purpose is making money through their private practice or business. They appoint public hospital staff members as brokers to bring clients to private clinics instead of properly treating them in public hospitals. Even if people are treated in a public hospital, they are forced by the doctor to visit private clinics for diagnosis purposes and in return doctors earn 'commissions'. The greed of doctors in Bangladesh is also reflected in their relationship with other health care professionals. They rarely delegate responsibilities to other medical specialists, such as physiotherapists, psychologists, counsellors, nurses, speech therapists and so on, who are often looked down upon as lower class members of the health care profession in Bangladesh.

In public hospitals, from the time patients arrives for treatment, the staff encourages them and their relatives to move to a private clinic to seek better treatment. Doctors neither seriously listen to the patients nor explain their health problems and discuss possible treatments, including the diagnosis and medication. As a result, patients and their relatives always remain confused about the role of the doctors as well the possibilities for treatment for alleviating their suffering. Furthermore, medical equipment in public hospitals is intentionally kept out of order by the doctors and medical technicians for years, in anticipation of increasing the business of private clinics and earning commissions. A patient cannot expect a simple pathological or radiological examination in a public hospital. Ultimately, patients are forced to go to private clinics and spend money far beyond their financial capacities.

This culture of greed has established a new class of millionaires in Bangladesh as the owners of up-market private clinics. In addition, hundreds of people who can afford (rich and middle-class patients) travel abroad, to avoid the Bangladeshi hellish health care service; while a lack of corporate governance, accountability and lack of government monitoring helps to survive and sustain such a corrupt healthcare systems. Patients with serious illnesses or injuries painfully learn about the country's corrupt and inept health care system through their experiences, often paying the price, with their lives, like Rahima and Sima. While the government authorities have no conscience, and the medical staff never reflect on their irresponsible and unethical practises, at the cost of patient's health and well-being.

The ongoing corruption in the public health care sector, the irresistible greed, ignorance of behavioural science, lack of ethical and professional commitment by doctors, and the preoccupied brokers of such business along with the health care professionals dig graves for the common Bangladeshi people. The results of our study thus confirms that that Bangladeshi patients travel to India for quality health care service and state of the art medical treatment which they don't get in their own country, besides familiarity with culture, food, language and along with having a holiday.

Indian government's role in the growth of medical tourism

A developing country like India is not only a popular tourist destination but it is also emerging as a world class medical tourist destination, emphasised by world class technology-intensive medical equipment, highly qualified and experienced expertise of medical professionals, Joint Commission internationally accredited quality of health care pre-and post surgery, cost-effectiveness of the medical procedures–and above all low cost medical-tourist package for foreigners along with recovery and rest in a five star medical-tourism resort for the patients and accompanying family members. The most demanded treatments are heart by-pass surgery, knee and hip replacement, dental care, orthopaedic, IVF-reproductive-gender selection and cosmetic surgery. Table-1 below provides a cost comparison of selected surgery between countries, with India having a comparative advantage.

Table 1: Cost Comparison for Selected Surgeries

Countries	Heart By pass	Hip Replacement	Knee Replacement	Hysterectomy
Australia	$33,340	$23,800	$20,089	$7,113
USA (US$)	$130,000	$43,000	$40,000	$20,000
India (US$)	$9,300	$7,100	$8,500	$6,000
Thailand (US$)	$11,000	$12,000	$10,000	$4,500
Singapore	$16,500	$9,200	$11,100	$6,000
Korea (US$)	$34,150	$11,400	$24,100	$12,700

Source: American Medical Association (2010) (Google Images for medical tourism in India) American Medical Association and Medi-bank Private (figures from 2006 / 2007 financial year) **Note:** With regard to Australian surgical procedures as listed above, many costs are generally covered by private health insurance when undergone in Australian hospitals. However Australian private health funds will not cover overseas medical costs.

Government in India has also realised the positive economic impact of medical tourism on the economy. Tour operators of Medical Tourism are now connecting patients with hospitals which are internationally accredited providers of medical procedures. The key private hospital players in India's medical tourism market are Apollo, Wockhardt, Fortis Healthcare, All India Institute of Medical Science New Delhi, and Max India (Brotman 2010). Most of the Medical tourists travel to India given the advantage of English language, are from developed countries (USA, UK, Western/northern Europe, Middle east oil rich countries and the affluent expatriate Indian sub-continent Diaspora (Indian, Singaporean, and other nationals from developing countries) community living overseas, and from neighbouring south-Asian economies where not only the costs of medical invasive procedures and surgeries is very high along with long waiting period and non-availability of certain treatment. In this paper we are going to focus on medical tourists who travel from a neighbouring country Bangladesh, across border, to various destinations in India (see Table-1) for complex invasive medical treatments such as orthopaedic, eye, dental, brain, heart, stomach, kidney, liver and spleen (see Figure-3).

Combining tourism with world class medical expertise became a government policy in 2003, when the Finance minister in his budget speech called for India to become a "Global Health Destination". Indian Government in the 10th (2002-2007) and the 11th five year (2007-2012) plans clearly emphasised the importance of the growth and development of medical tourism to India and to support trade in private sector medical tourism, along with promoting India as a world class-high-tech healing destination for low cost medical treatment and procedures (GOI 2008). Study on India's medical tourism sector in 2002, by Confederation of Indian Industry (CII), in collaboration with international management consultants, McKinsey & Company, outlined enormous opportunity and potential growth for this sector. The numbers of foreign patients as medical tourists visiting India are growing at the rate of 30 per cent a year and it is projected by the Federation of Indian Chambers of Commerce and Industry (ICCI) that the health-care market in India will be worth around US$ 2.2 billion year, 5.2% of gross domestic product (GDP) by 2010, to between US$ 50 billion and US$ 69 billion, or 6.2% and 8.5% of GDP by 2020 (Chinai & Goswami 2007; CII & McKinsey 2002; FICCI 2008; Ernst & Young 2006). As an example of public-private partnership approach, the following measures have been taken by the India government not only to support the growth of this industry as a key foreign exchange earner, but also to promote India as a world class global medical tourism hub and destination overseas (Medhekar 2010).

- Introduction of medical visa in 2003 (M-Visa) category which is granted to the medical tourists travelling for health and medical related treatment and surgery. This is valid for one year or for the length of treatment. It is renewable and allows multiple entries for follow-up care with the companion.
- Medical Escort-Visa (MX) was introduced, to family or a friend who are accompanying a patient travelling to India for medical care on a medical visa.

- National Health Policy of the Government of India clearly stated that medical treatment of foreign patients is legally an "export" and deemed "eligible" for all fiscal incentives extended to export earnings (GOI 2003 & 2008).
- 100% foreign direct investment in medical infrastructure, research and development initiatives.
- Government measure to provide over 1000 plus bed facilities in Calcutta.
- Improve transport service across border for patient mobility between Dhaka and Calcutta.
- Apollo Hospitals Enterprise Ltd in Chennai (Madras-JCI accredited), which was started in 1983 and receives patients from developed and developing countries. Branches in places such as Sri Lanka, Bangladesh, Ghana, UAE, Nepal, Ghana, Nigeria UK, Saudi Arabia, Nigeria, Qatar and Kuwait.
- Joint Commission International accreditation of hospitals (17) and medical facilities (JCI 2011).
- Organising Internationals medical tourism trade fairs in developed and developing countries.

Quality of medical treatment is of concern for overseas patients; various hospitals in India are accredited by Joint Commission International (JCI). The above reasons facilitate and promote India as an attractive destination for medical treatment by Bangladeshis along with other factors mentioned in literature review.

Methodology

Self administered questionnaire was distributed Medical tourist as consumers of medical services (N = 1282 participants) who had travelled from Bangladesh to India for medical treatment. Structured Questionnaire was administered in six divisional cities of Bangladesh such as: Dhaka, Chittagong, Sylhet, Rajashahi, Barisal and Khulna were covered by the field visits. The questionnaire was administered to the respondents in Bangladesh during the period from 30-April-2010 to 23-May-2011. The respondents were selected on the basis of the information that they had undergone treatment in India as well as from acquaintances of the patient. A random sampling design technique was adopted since the researcher recognised the difficulties involved with sampling the population (Sudman & Blair 1999). Random sampling method was applied and questionnaire was administered to patients who had already visited India for medical tourism and were mentally and physically sound. Thus there was a bias in the sample favouring those who primarily went to India for medical treatment. Descriptive statistical analysis was applied to the study. After collection of data, the obtained data was checked, verified & edited and entered and analysed using the Statistical Package for Social Science (SPSS) - Version 12. The Questionnaire consisted questions on (a) demographic information about the patients; (b) type of diseases for which treatment was sought, (c) reasons for opting for treatment in India; (d) cost of treatment (e) destination of treatment (f) source of information search and (g) number of weeks stayed overseas for medical treatment.

Data Analysis and Findings

Interview data for this exploratory research was gathered from a set of medical tourists' that had travelled from Bangladesh to India for medical treatment. The following demographic from descriptive statistics was analysed from the data.

1) The *age distribution* of the participants ranged from as young as 15+ to 75 years old. Both males and females were included in the sample. Of these 1282 Bangladeshi participants there were 48.05 percent females and 51.95 percent males. Of these total participants, 149 were 15 years of age, 150 each accounted for age 32 and 38, 149 participants were 55 years old, 95 were 60 years old and 48 each accounted for 71 and 75 years old.

2) *Educational background* of the participants ranged from 48 participants (3.70 %) with no education, and similar percentage with primary education, 146 (11.40%) were with secondary education, 149 (11.605) were with secondary school certificate (SSC), 322 (25.10%) with higher secondary school certificate (HSC), 321 (25%) participants were with an undergraduate degree, and 248(19.30%) with graduate university degree.

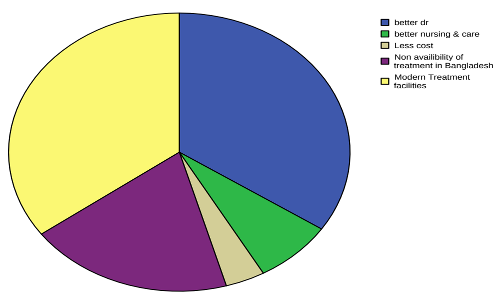
3) Distribution of respondents according to their *marital status* shows that 816 (63.70%) medical tourists as patients were married, 274 participants (21.40%) were single, 96 (7.50%) were divorced and widow respectively.

4) Distribution of respondents according to their *occupation* shows that 521 patients (40.60%) were government service holder, 226 (17.60%) are students, 150 (11.70%) were medical doctors, 145 (11.30%) were self employed, 144 (11.20%) were day labourers, while 96(7.50%) were self employed business man in their profession. Among all the individual participants there was a convergence of 'theory, research, pedagogy and politics' providing 'unique and important formations of collective inquiry' (Kamberelis and Dimitriadis 2005, p.888).

5) The *duration of stay* in India raged from one week to two months. 486 patients stayed for one week (37.90 %), 450 (35.10%) stayed for two weeks, 47 (3.70%) stayed for three weeks, 149 (11.605) stayed for one month, and 150 (11.70%) stayed for two months for medical treatment.

According to the survey the n=1282 participants indicated five (5) main reasons (Figure-1) for travel to India from Bangladesh for medical treatment such as: good quality of medical care, and experienced doctors and physicians, quality of nursing care (pre and post surgery), affordable low cost of surgery, non-availability of treatment in Bangladesh and modern/state of the art medical treatment and medical facilities in India. These key 5 pull factors mentioned are consistent with the literature as to why patients travel overseas for medical treatment from developing poor countries or from developed countries.

Figure 1: Why Travel to India for Medical Treatment



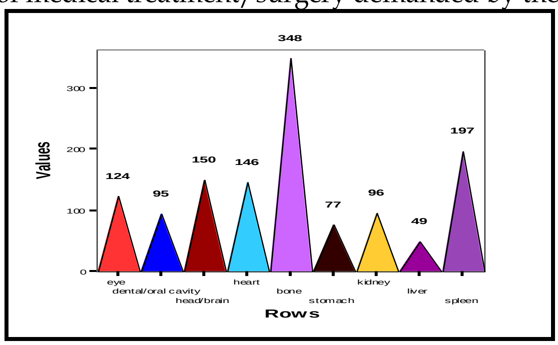
Source: Developed from data collected for this research.

Total family *Income distribution* shows that 55.90% percent of the medical tourists belonged to the group whose total family income was 100,000 Lakhs BDT, while 29.10% of participants earned 50,000 BDT and 15.10% earned 150,000 BDT. Data on distribution of respondents according to occupation also showed that majority of them had financial security and good jobs that is they were government service holder, students, medical doctors, or self employed business men. This finding is also consistent with the literature that higher the family income greater is the propensity to travel for medical treatment across border.

All participants reported using various sources of information (external and internal) to medical tourism which included choice of destination in India, hospital, doctor, accommodation and travel agent. Medical tourists used various sources of information such as relatives or family (53.9%), advertisement (3.7%), middleman or medical travel agent (19.3), website (7.5%) and neighbours (15.5) to make the decision to travel for medical treatment. This is consistent with the information search model for medical tourism (Gursoy & McCleary 2004; Pan & Fesenmaier 2006; Miller & West 2007; Medhekar and Newby 2011). New information that emerged from the data was that the medical tourists did depend on information from family friends and neighbours (WOM) besides websites that is internet. Opinions on credible sources of information on medical tourism varied with many participants regarding information by hospital websites and word of mouth (family and friends), internet in general as "credible and reliable" information on a medical tourism in making up their decision about the choice of destination and hospital overseas for medical treatment.

It was clear that although most participants were sceptical of trusting information from the internet, they had paid conscious attention to detail information as to how they chose information in making their decision to travel overseas for medical treatment. Despite this, it was evident that participants viewed family and friends and previous personal experience as most important source for information on medical treatment abroad. Distribution of the respondents according to frequency of visits to India for medical treatment due to previous experience shows that 23% visited for the first time, 32% for two times, 13.4 % visited three times and 11.6 % visited 4 or more than 4 times for complex medical surgery. Thus study also shows that previous medical travel experience to India for medical treatment was also a key factor to make the decision to return to India for medical treatment.

Figure 2: Type of medical treatment/surgery demanded by the medical tourist

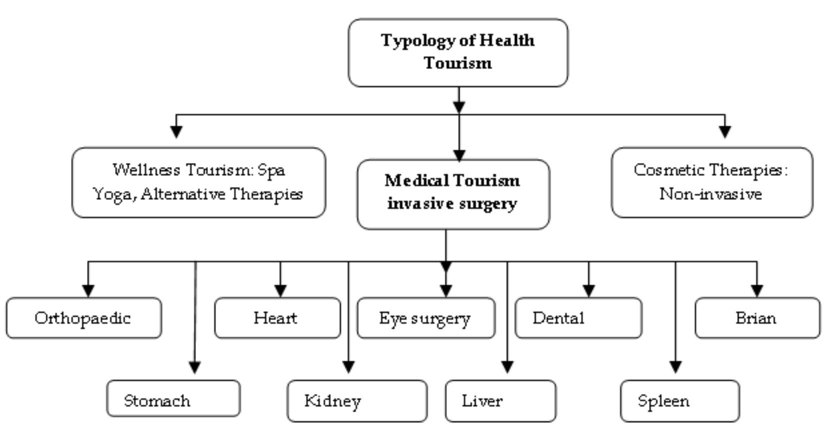


Source: *Developed from data collected for this research.*

Figure-2 illustrates distribution of patients according to their sickness or affected parts of the body in terms of disease. It is clear from Figure-3 that most of the participants who travelled from Bangladesh to India for medical treatment suffered from various complex health issues which required not only diagnostic but invasive surgeries such as: orthopaedic, eye, dental, brain, heart, stomach, kidney, liver and spleen. Distribution of the respondents according to the number of affected diseases or health related problems, shows that out of n=1282 patients; 48 patients (3.70%) had one disease, 749 (58.40%) had two major diseases, 438 patients had 3 diseases and 47 had more than three diseases for which they travelled to India for treatment.

See Figure 3, health tourism typology, a sub-set of which is medical health tourism is developed and illustrated from the data collected for this study. From the total of 1282 medical patients, nearly 348 patients travelled for orthopaedic surgery, 197 for spleen, 150 for brain and head surgery, 146 for heart, 124 for eye surgery, 96 patients for kidney transplant, 95 for dental and oral surgery, 77 for stomach related disease, and 49 for lever treatment.

Figure-3: Typology of Health Tourism



Source: Typology adapted (Medhekar 2010) based on findings from this research

Medical tourists from Bangladesh chose the major cities of India for medical treatment such as Calcutta not only being geographically across the border, but also due to language, food and cultural affinity (Medhekar & Haq 2010). Other destinations within India were Delhi, Mumbai, Hyderabad, Bangalore and Chennai, based on the medical facilities and specialty of treatment (Table-2). Calcutta in the East being the post popular destination choice within India given the shared history, familiarity with the Bengali language, religious, food, social and cultural sensitivities but also being close to the border with India and saving travel time in terms of distance and cost of travel and accommodation.

Table-2: Distribution of the respondents according to medical treatment seeking destination in India

Indian Destination	Frequency	Percentage
Calcutta	390	30.40
Delhi	348	27.10
Mumbai	179	14.00
Hyderabad	172	13.40
Bangalore	97	7.60
Chennai	96	7.50
Total	n=1282	100.00

Source: *Developed from data collected for this research.*

Recommendations for Bangladesh healthcare system

The following strategic recommendations are provided for the Bangladesh healthcare system:

(a) Government of Bangladesh should realise how worst the situation of current health care service provision and medical treatment situation is in Bangladesh. Measuring this, Government has to take necessary action plan immediately before it gets worst in the near future; given the increasing demand for affordable quality of treatment and per head medical treatment facilities are decreasing.

(b) Private sector has to ensure that they have some corporate social responsibilities. They have to invest voluntarily in hospitals for the poor, medical campaign and medical infrastructure, providing quality of health care with a human face.

(c) NGOs also have a role to play in this situation. They have to launch many medical programs for the rural people for raising health literacy awareness.

(d) Hospital environment, infrastructure and equipment should be hygienic and clean to prevent infection and maintained in working order (JCI accredited).

(e) Doctors, Nurses and other healthcare staff and professionals should be well qualified, reliable, helpful, providing quality of care in a timely manner.

(f) Medical research and medical equipment should be upgraded with latest medical technology to provide better treatment (JCI accredited).

(g) Hospitals should enhance their capacity to meet the increasing demand for medical treatment and also open after hours for all types of patients.

(h) Medical staff and technicians should have training abroad regarding latest use of technology for medical treatment along with being accountable and responsible for their corrupt actions.

Discussions and Conclusions

The findings of this research make several contributions to the literature on cross-border medical tourism where neighbouring country medical patients from Bangladesh travel to India for medical treatment. Besides recommendations listed above, managerial implications for our study are very significant. Our study provides a theoretical and empirical basis for medical tourism product and service provision as a specialised treatment, hospital and destination to be positioned and branded as a niche for medical treatment for patients from neighbouring countries of India. Further appropriate medical tourism destinations, hospital and super-specialities promotional strategy should be developed for the neighbouring countries bordering with India to promote peace and understanding given its shared history, language, social, language, food and cultural affinity. This is especially important given that the global medical tourism industry is very competitive and many new destinations are emerging which are providing cost-effective surgical procedures, with no waiting period, along tourism opportunities. The medical tourism service providers, promoters (public and private) and medical tourism operators should understand the health-care and medical needs which attract the medical patients from neighbouring country such as Bangladesh to India for medical treatment.

The new self-sufficient consumer who travels aboard for medical treatment requires more customised and highly developed health care services, greater choice, international quality of care, specialised medical treatment and good value for money. Today's consumers truly have become global; their demands have multiplied because of broad cultural exposure. Thus medical tourism service providers (hospitals and hospitality, travel and tourism industry) should make sure that a comprehensive system is in place to educate, tourism operators, healthcare providers about cultural beliefs, dissimilarities and needs of the patients from different cultural and religious beliefs and customs, to be competitive in this global healthcare service industry. It is also important that medical tourism service providers need to identify what areas need to be improved, future challenges in this industry, accreditations and national cross-border partnerships for India at the public and private sector level to become globally competitive in providing affordable, effective, efficient, equitable and world standard quality health care not only to overseas foreign health and medical tourists from developed and developing countries, but also to local Indian population.

Even though public expenditure in Bangladesh has made some improvement in the quality of medical and healthcare service provision to its citizens, it has a long way to meet the international standards. Result suggests that various reasons such as: poor quality of health-care pre and post surgery in Bangladesh along with high cost, non-availability of treatment and medical professionals, and a loss of human touch as a result of which, now middle income Bangladeshis are pushed towards India for medical treatment. Further, the results also show that besides previous experience, family, friends, doctor and the internet were the main information search strategies employed by Bangladeshi medical patients (Medhekar & Newby 2011). Finally, choice of destinations within India and hospital was based not only on the various sources of information search, but also the five (5) key pull factors such as the good quality and experienced doctors and physicians, quality of nursing care (pre and post surgery), affordable low cost of treatment, availability of treatment and state of the art medical treatment and medical facilities in India was confirmed by the study findings and supported by literature in the filed of medical tourism.

Research limitations and direction for future research

Next stage of the future research will extend to testing hypothesis, looking at cross–border medical tourism from other neighboring countries with India, and India playing a leadership role to promote peace, trust and understanding through cross-border bilateral trade in healthcare service provision to South Asian countries via medical tourism. This research provides insights into as to why patients from Bangladesh travel across border to India for medical treatment. Although this research is based on descriptive statistics the research results from the sample of participants suggest that there is support for drawing some conclusions from the findings of the study, which was based on patients from Bangladesh. It took a year to collect field data from the medical tourists. From the survey it was concluded that India has many advantages for Bangladeshi patients, in terms of modern healthcare and medical facilities, qualified doctors and nurses, quality control by JCI, low cost of medical treatment, no waiting period, quality of care with human touch, besides geographical proximity to Bangladesh, low transport cost, no language barrier, similar food, culture and presence of relatives and friends which makes India an attractive destination for medical treatment not only for patients from Bangladesh but also from other developed countries.

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A study on the Factors Determining the Purchase of Mobile Handsets by the College Students

B.Ashok
KCT BS, Coimbatore, Tamil Nadu, India

Key Words
China, India & Brazil, Cellular technology, 3G technology, Communication, Mobile phones, Students contributes to the major portion of the mobile market.

Abstract

Today, cell phone isn't just a rich men's fashion accessory in India. Across the country even the low income people are adopting the cellular technology to enhance the communication. Though the cell phone sales have exceeded the expectation, its market is strong in emerging economies like China, India and Brazil. Student community contributes to the major portion of the market. Students are always the fashion followers and spokesmen. Mobile phone, with the symbol of fashion, popularity and innovation, fits in with the psychological characteristic of adolescents nowadays. Now colleges have become the main market of mobile phones. As the development of 3G technology and the decrease in price, mobile phones will irresistibly become the temptation for students on campus. Mobile phone, as the symbol of development of digital technology, should play an essential role in education when we try to build up our campus culture. There is no doubt that new media technology has an innovative effect on the campus culture. Hence the necessity arose to study the factors influencing the purchasing decision of mobile phones by the college students.

The study was primarily designed to explore the relationships of the gender, age, behavioral trends and mobile phone usage patterns of undergraduate and post graduate students in the age group of 18 to 25 years. The entire study was confined to the students in the cosmopolitan city of Coimbatore. Data collection was a one to one interview with the help of interview schedule. The demographic variables included the age, gender, course and income and the psychographic variables included the attitude towards usage of mobile phones.

This paper is also an attempt to replicate the current trends in preference of mobile phones by the college students where the mobile telephony seems to have an immense impact. The study also aims at understanding the attitude and examines how the college students relate to the functionality of mobile phones. This study has future scope of being extended to smart phones and also to investigate the awareness of youngsters on mobile technology.

Introduction

Mobile phone is no longer the simple communicational tool for individuals. It has become a comprehensive media with powerful functions for information communication. The sixth media of revolution is the revolution in information technology with deep and wide effects. The students are always the fashion followers and spokesmen and the mobile phone, with the symbol of fashion, popularity and innovation, fits in with the psychological characteristic of adolescents nowadays. Now colleges have become the main market of mobile phones. The development of 3G technology and the reduction in mobile prices has increased the temptation for students on campus. Mobile phone also plays an essential role in education when the students try to build up the innovative campus culture. To improve the education of today's network era, we should make the most use of the sources from the Internet for which mobiles can be used as a mode. Many students use the mobile phones to convey the information, which can't be expressed face to face. This will shorten the distance between the teachers and students. Many colleges have the teaching management and have begin to cooperate with Telecom Corporation and Propagation Service Company to a new platform for transmitting information, so that it can fulfill the digital management of the information of teachers, students and parents. This platform uses Short Messages as main carrier, accompanying with the phonic number for special service and computer for surfing the Internet, and it can provide a well-rounded, instant and high-efficient new mode for the communication between family and Colleges. In India mobile handset market is flooded with local and branded handsets from different companies. Major players are Nokia, Samsung, Sony Ericsson, LG and Motorola.

Mobile Handset Features

Handset Manufacturers are coming up with extra features to attract users like FM radio, speaker phone, mp3 player, high quality camera with flash, GPRS, mms, java, games, WAP, calculator, organizers, Indian ring tones, pen drive, blue tooth etc

Today's generation of phones are offering as much as your average computer does as well as an assortment of other high tech features to enjoy. Smart phones are bigger than ever and allow users to enter into a work of high end features, such as email on the go, contacts at all times, video, music, web pages and so much more. Some of the phones on the market today have so many features crammed into them and are offering above 8 mega-pixels with which quality snaps can be taken.

These snaps can then be directly sent to friends and family either via email, picture text or alternatively Wi-Fi features. Such features allow you to connect to an active hotspot or connection wherever you are; almost all of today's mobile models also come complete with various apps. Handsets nowadays all seem to feature app stores, such as the Android phones on the market. Users are able to browse through an assortment of applications and download the ones that best suit their criteria.

Top five manufacturers by market share in Q2 of 2011

Manufacturer	Market Share
Nokia	24.2%
Samsung	19.2%
LG	6.8%
Apple	5.6%
Others	39.7%

Source: International Data Corporation

Statement of the Problem

Mobile phones have become a part and parcel of everyone's life. India being a highly populated developing country, the future market for mobiles is enormous. Youngsters contribute to the majority of the population and their tastes and preferences influence the mobile market. The college students play a vital role in mobile usage and their buying pattern is an important area to be studied.

The study was designed to explore the relationships of the gender, age, behavioral trends and mobile phone usage patterns of undergraduate and post graduate students in the age group of 18 to 25 years in the cosmopolitan city of Coimbatore.

Objectives:

1. To focus on the demographic variables influencing them to purchase a mobile brand
2. To understand the psychographic factors determining the buying behavior
3. To rank the preferences of the college students in mobile handset.

Methodology:

Primary data was collected through one to one interview by issuing interview schedules to the college students. Sample of 50 was taken through convenient sampling. The demographic variables included the age, gender, course and income and the psychographic variables included the attitude towards usage of mobile phones.

The secondary data was collected through magazines, news papers and related web sites.

Tools used

Simple Percentage, Chi-square Analysis and Weighted Average

Limitations

The study is confined only to the City of Coimbatore. The time constraint has confined the researcher to limit the sample size to 50. The study is conducted only with the college students and other categories are not taken. The study only gives an overall view of the factors influencing the purchase of mobile phones by the college students and not conclusive evidence.

Analysis and Interpretation
Simple Percentage

Table 1		
	Gender	
Gender	**Frequency**	**Percentage**
Male	32	64
Female	18	36
Total	**50**	**100**
Table 2		
	Course	
Course	**Frequency**	**Percentage**
Under Graduation	21	42
Post Graduation	29	58
Total	**50**	**100**
Table 3		
	Number of earning members in the family	
Number	**Frequency**	**Percentage**
One	36	72
two	11	22
more than two	2	4
Total	**50**	**100**
Table 4		
	Monthly income of parents:	
Income	**Frequency**	**Percentage**
Less than 10,000	18	36
10,001 to 30,000	22	44
more than 30,000	10	20
Total	**50**	**100**

Table 5		
	Brand	
Brand name	**Frequency**	**Percentage**
Nokia	28	56
Samsung	8	16
Sony Ericsson	5	10
Black Berry	1	2
Others	8	16
Total	**50**	**100**

Table 6		
	Price of the mobile	
Price	**Frequency**	**Percentage**
Less than 3000	16	32
3001 to 6000	19	38
6001 to 10000	8	16
more than 10000	7	14
Total	**50**	**100**

Table 7		
	Change of the mobile	
Changing duration	**Frequency**	**Percentage**
not yet changed	7	14
once in a year	9	18
more than once in a year	4	8
when new technology emerges	8	16
when there is need	22	44
Total	**50**	**100**

Table 8		
	Updation of knowledge	
Source	**Frequency**	**Percentage**
Television	10	20
Newspapers & Magazines	3	6
Friends	21	42
Internet	14	28
Others	1	2
Total	**50**	**100**

Table 9		
	Decision to Buy the Mobile	
Decision	**Frequency**	**Percentage**
Self	17	34
Parents	12	24
Consultation with friends	14	28
Consultation with parents	7	14
Total	**50**	**100**

Table 10		
	Memory card capacity	
Capacity	**Frequency**	**Percentage**
Don't use memory card	6	12
4 GB	29	58
8 GB	11	22
More than 8 GB	4	8
Total	**50**	**100**
Table 11		
	Satisfaction with the present Brand	
Satisfaction	**Frequency**	**Percentage**
Satisfied	37	74
Not satisfied	13	26
Total	**50**	**100**
Table 12		
	Reason for Dissatisfaction	
Reason	**Frequency**	**Percentage**
Low Visual clarity	2	15
Low Storage Capacity	6	47
Low battery capacity	3	23
Inability to use accessory devices	2	15
Total	**13**	**100**
Table 13		
	Idea to Change the mobile	
Idea	**Frequency**	**Percentage**
Change	37	74
Not to change	13	26
Total	**50**	**100**
Table 14		
	Reason for Change	
Reason	**Frequency**	**Percentage**
Worn-out	3	8
Want of Additional Facilities	19	51
Desire to change	12	32
Others	3	8
Total	**37**	**100**

Table 15		
	Choice of brand while Changing	
Choice	**Frequency**	**Percentage**
Same	18	49
Different brand	19	51
Total	**37**	**100**

Demographic Variables

Out of the 50 respondents, 64% of them were male and 36% were female. Majority of the respondents in the sample were doing their Post Graduation (58%). Only one earning member was found in the family of 72% respondents and the family income was from Rs.10,000 to Rs.30,000 for 44% of the respondents. Nokia was used by 58% of the students and for 38% of the respondents the price range of the mobile was between Rs.3,000 to Rs.6,000.

Psychographic variables

42% of the students change their mobile only when the need arises. Majority of them i.e., 44% of them, update their information through friends. It is also found 34% of the students they take the decision themselves to the buy their desired mobile rather than their parents in 34% or friends.

Out of the total respondents, only 26% are not satisfied with the present brand they are using. The reason in most of them is found to be the low storage capacity (47%).

Though the majority of them are satisfied with their present brand, 74% of them still want to change their mobile handsets. 51% of the students prefer to change mainly because they want additional facilities. 49% of the respondents wanted to switch to same brand not to go for a different brand.

Preferences of the College Students in a Mobile Handset – Weighted Average

Preferences	1	2	3	4	5	6	7	8	9	Number	Total	Rank
Speaker and mike clarity	6	6	8	8	6	8	4	2	2	50	214	II
Visual clarity	2	4	5	9	10	5	9	2	4	50	296	V
Large display screen	2	5	5	4	7	7	8	7	5	50	296	V
Battery capacity	10	15	6	10	2	3	2	1	1	50	228	III
Storage capacity	2	3	5	2	12	11	4	8	3	50	191	I
Look	6	3	11	5	7	8	5	2	3	50	303	VIII
Brand image	10	5	6	7	3	4	2	10	3	50	268	IV
Price	9	9	3	4	2	2	6	10	5	50	322	IX
Ability to use accessory devices	3	4	1	2	1	5	2	8	24	50	298	VII

Interpretation

The students give utmost importance to the storage capacity for their mobile which is ranked first followed by speaker and mike clarity. Next to that, they feel that the capacity of battery is important. Brand image occupy fourth rank and visual clarity, larger display screen share the fifth position. The ability to use the accessory devices are ranked seventh and the look of the mobile doesn't seem to bother them much and hence occupy the eighth rank. Price occupies the last rank.

Chi-Square Analysis

1. Gender and brand of mobile
Null hypothesis: There is no significant relationship between gender and mobile brand
Chi-Square Value 1.807
Degrees of freedom: 4
Table value at 5% level of significance: 9.488

The table value is more than the calculated chi-square value and hence the null hypothesis, there is no significant relationship between gender and mobile brand used is accepted.

2. Family income and price of the mobile
Null hypothesis: There is no significant relationship between Family income and price of the mobile
Chi-Square Value 21.927
Degrees of freedom: 6
Table value at 1% level of significance: 16.812

The calculated chi-square value is more than the table value and hence it is found that there is very significant association between the family income and price of the mobile used. The null hypothesis is rejected.

3. Gender and mobile usage
Null hypothesis: There is no significant relationship between Gender and mobile usage
Chi-Square Value 9.072
Degrees of freedom: 4
Table value at 10% level of significance: 7.779

The calculated chi square value is more than the table value and so the null hypothesis that there is no significant relationship between gender and purpose of use of mobile is rejected. There is significant relationship between gender and the purpose of mobile usage.

4. Brand and satisfaction
Null hypothesis: There is no significant relationship between Brand and satisfaction level
Chi-Square Value 4.522
Degrees of freedom: 4
Table value at 5% level of significance: 9.488

The table value is more than the calculated chi-square value and hence the null hypothesis, there is no significant relationship between brand used and satisfaction is accepted.

5. Satisfaction level and change of mobile
Null hypothesis: There is no significant relationship between satisfaction level and change of mobile
Chi-Square Value 3.060
Degrees of freedom: 1
Table value at 10% level of significance: 2.706

The calculated chi square value is more than the table value and so the null hypothesis that there is no significant relationship between satisfaction level and attitude of changing the mobile is rejected. There is significant relationship between satisfaction level and the attitude to change the mobile.

6. Gender and changing habits
Null hypothesis: There is no significant relationship between gender and changing habits.
Chi-Square Value 8.824
Degrees of freedom: 4
Table value at 10% level of significance: 7.779

The calculated chi square value is more than the table value and so the null hypothesis that there is no significant relationship between gender and changing habits of mobile is rejected. There is significant relationship between gender and changing habits of the mobile.

7. Decision and price
Null hypothesis: There is no significant relationship between decision to buy and price
Chi-Square Value 29.790
Degrees of freedom: 9
Table value at 1% level of significance: 21.666

The calculated chi-square value is more than the table value. The null hypothesis there is no significant relationship between decision to buy the mobile and the price of the mobile is rejected. There is significant relationship between the decision and the price of the mobile.

8. Gender and memory card capacity
Null hypothesis: There is no significant relationship between gender and memory card capacity.
Chi-Square Value 1.579
Degrees of freedom: 1
Table value at 5% level of significance: 3.841

The table value is more than the calculated chi-square value at 5% level of significance and hence the null hypothesis, there is no significant relationship between gender and memory card capacity used is accepted.

Finding and Suggestions

Findings

1. There were only one earning member in the family of 72% of the respondents
2. Nokia is used by 58% of the respondents
3. 38% of the students use the mobile with the price band of Rs.3000 to Rs.6000.
4. Though the respondents update their knowledge about mobile handsets mainly through their friends, 34% of them take their own decision to buy the mobile.
5. Out of 26% of the dissatisfied respondents, it was found that 74% are not happy with the storage capacity of the mobile they are using.
6. 51% of the students prefer to change mainly because they want additional facilities.
7. Through weighted average method it was found that students give importance to storage capacity and the look doesn't seem to bother them much.
8. The chi-square analysis depict that there is significant association between the family income and price of the mobile, gender and mobile usage, decision to buy the mobile and the price of the mobile, gender and changing habits and the satisfaction level and desire to change the mobile.

Suggestions

Since college students occupy a prominent position in the mobile market, their preferences for good storage capacity, audio video clarity and battery capacity. The income level is influencing the price of the mobile they choose and hence the prices should be based on the income of the population. The usage of the mobile, preference and changing habits differs in male and female and the mobiles shall be designed taking the gender into account.

Conclusion

India being a fast growing economy with huge population, there is enormous growth in the usage of mobile phones. The youngsters especially the college students play an important role in the usage of mobile. Introduction of 3G technology and their role in education has widened the usage of mobiles by the college students. ααThe study has focused into the various factors involved in the buying behavior of the college students of the mobile handsets. The study has thrown light on the preferences of the college students and the association of various variables on the purchase pattern. The study also has scope for further analysis in the same area.

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Diaspora as a Comparative/Competitive Advantage in a Global Economy: A comparison of the British and Chinese Diaspora

Sivakumar Velayutham
Charles Darwin University, Australia

Key Words
Diaspora as a Comparative/Competitive Advantage in a Global Economy: A comparison of the British and Chinese Diaspora.

Abstract
In recent times there has been considerable interest in the concept of diasporas, leading to the publication of a journal focussed on the study of diasporas - " Diaspora: A Journal of Transnational Studies" established in 1991. There are also numerous other publications focussed on particular ethnic diasporas such as the Jewish, Chinese and Armenian diasporas. Most of the studies have focussed on identity culture and politics with few references to the implication of diasporas to business and economics. The few studied on its implication for economics have focussed on ethnic economies. The implications of diasporas for comparative/competitive advantage of a nation in the global economy are explored in this paper. It seeks to identify the distinguishing features of a diasporas that could be an advantage for a nation. To illustrate the distinguishing features, two particularly contrasting diasporas the Chinese and British diasporas were used. The study identifies diaspora identity, dispersal and the matching of skill sets of the diaspora and homeland to be important attributes for a diaspora to be an asset to the homeland. The study further points out that the policies of the homeland must also be friendly to its diaspora.

Introduction

Of the three emerging economic powers in the world (Brazil, China and India) two (China and India) have huge diasporas. Whilst the concept of diasporas has garnered considerable interest in the area of politics and sociology there is rare reference to the concept in business journals (Choudhary, 2001). In the economic literature there is some reference to the concept in the contexts of ethnic economies (Light, 1998; Light and Gold, 2000). There is however considerable evidence showing that diasporas have had a major impact on the emergence of China and India as major powers in the global economy Choudhary, 2001; Smart and Hsu, 2004; Mani and Vardarajan, 2005). Whilst the Chinese and Indian Diasporas have been a major contributor to the emergence of India and China as economic powers, some other diasporas, e.g., the African and British diasporas have not had a similar impact (Li and Opoku-Mensah, 2008). The aim of this paper is therefore to explore the characteristics of particular diasporas that might explain their contribution to the development of the home countries. A better understanding of diasporas and their contribution to economic development of the home country will enhance our understanding of the dynamics of international trade and economic growth.

In this paper the concept of comparative and competitive advantage is distinguished, to highlight how the natural characteristics of a diaspora could contribute to the economic development of the home country and also how the home country might use its diaspora for economic advantage. The next section of the paper is therefore focussed on the distinction of comparative advantage and competitive advantage. Following from that the third section clarifies the meaning of diasporas and the characteristics that distinguish it from other concepts like emigration and such wise. Following from that we will examine the characteristics of two contrasting diasporas - the Chinese and British which will lead to an elucidation of the characteristics of a diaspora that might contribute to the economic development of the home country of that diaspora.

Comparative Versus Competitive Advantage

Whilst the concept of comparative advantage has been part of the economics for a long time, competitive advantage has a much more recent history and developed within the management literature. The theory of comparative advantage was formulated by David Ricardo around 1815 (Sodersten, 1980). Adam Smith recognised the advantage of trade in his example of the tailor not making his own shoes, but exchanges a suit for shoes, in which both the tailor and the shoemaker gain. This is frequently referred to as the absolute advantage of trade. This theory was formulated by Adam Smith to support his arguments for free trade as the best policy for trade between nations. This is however only true when one country has an absolute advantage over the other country in one line of production and the other country has an absolute advantage over the first country in a second line of production, both countries can therefore gain by trading (Sodersten, 1980).

The question Ricardo attempted to answer was what if one country is more productive than another country in all lines of production? Ricardo argued that trade would still be beneficial as long as the second country was not equally less productive in all lines of production. Ricardo's theory of comparative advantage was in terms of a one-factor model principally labour which was later modified by Heckscher and Ohlin to include more than one factor (Sodersten, 1980). Heckscher-Ohlin argued that trade is determined by differences in factor endowments principally labour and capital, i.e., countries that are rich in capital will export capital-intensive goods, and countries that have much labour will export labour-intensive goods (Sodersten, 1980).

The standard theory assumes that there are no economies of scale, that technologies everywhere are identical, that products are undifferentiated, and that the pool of national factors is fixed (Porter, 1998). Recent studies however indicate that the above assumptions are unrealistic and many of the factors of production are highly mobile (Helpman and Krugman (1985). Another major criticisms is that the theory can lead countries to specialize in exporting primary goods and raw materials that trap countries in low-wage economies due to terms of trade (Stutz and Warf, 2009).

In the 1990's Michael Porter proposed the theory of competitive advantage to address some of the criticisms of comparative advantage. Competitive advantage theory suggests that states and businesses should pursue policies that create high-quality goods that sell at high prices in the market. Porter argued that the focus of national strategies should be competitive growth and that cheap labour and natural resources are not necessary for a good economy. Porter (1998) through a series of case studies of industries and countries illustrated that competitive advantage is created and sustained through a highly localized process. He showed that differences in national economic structures, values, cultures, institutions and histories contribute profoundly to competitive success.

Porter (1998) identified four broad attributes of a nation that could promote or impede the creation of competitive advantage:

1. *Factor conditions*. The nation's position in factors of production, such as skilled labour or infrastructure, necessary to compete in a given industry.
2. *Demand conditions*. The nature of home demand for an industry's product or service.
3. *Related and supporting industries*. The presence or absence in the nation of supplier industries or related industries that are internationally competitive.
4. *Firm, strategy, structure and rivalry*. The conditions in the nation governing how companies are created, organized and managed, and the nature of domestic rivalry. (p.71).

Diasporas is an interesting phenomenon because they can affect both the comparative advantage and competitive advantage of a nation. First the formation of diasporas through the movement of people out of the their homeland challenges one of the fundamental assumptions of the theory of comparative advantage (skilled labour and capital do not move across nations) and frequently seen as weakening the skilled labour base of the home country. Current economic evidence in the growth of China and India indicate that they can be a competitive advantage to these countries. In the next section the characteristics of diasporas will be explored to identify their relationships to comparative and competitive advantages of global economies.

Defining Diaspora

The word "diaspora" is derived from the Greek verb *speiro* (to sow) and the preposition *dia* (over), which implies the dispersal of a group of people over different countries. Whilst the word has Greek origins, its early definition was crafted by the Jewish experience. Diaspora initially signified a collective trauma, banishment, where one dreamed of home, but lived in exile (Cohen, 1997). The concept has however evolved with new reasons for and experiences of people moving abroad, whilst maintaining a strong collective identity. An early definition of diaspora was "the dispersal of people from its original homeland" (Connor, 1986). Various diaspora theorist have however argued that the definition was too broad to be useful (Safran, 1991; Tololyan, 1994). More recently, Safran's (1991) list of defining characteristics of diasporas has been used as a starting point for a definition (Cohen, 1997; Butler, 2001). Safran (1991) asserted that the concept of a diaspora can be applied when members of an "expatriate minority community" share several of the following features:

- They, or their ancestors, have been dispersed from an original "centre" to two or more foreign regions;
- They retain a collective memory, vision or myth about their original homeland including its location, history and achievements;
- They believe they are not – and perhaps can never be – fully accepted in their host societies and so remain partly separate;
- Their ancestral home is idealized and it is thought that, when conditions are favourable, either they or their descendants should return;
- They believe all members of the diaspora should be committed to the maintenance or restoration of the original homeland and to its safety and properity; and
- They continue in various ways to relate to that homeland and their ethnocommunal consciousness and solidarity are in an important way defined by the existence of such a relationship.

The main criticisms of Safran's list has been that it has been strongly influenced by the Jewish experience and therefore four of the six features are concerned with the relationship of the diasporic group to its homeland. The first three features are generally accepted and a few others have been added. These include:

- The diasporic group must live in a foreign country for at least two generation (Butler, 2001);
- The dispersal could be due to the search for work, trade or colonial ambition (Cohen, 1997);
- The possibility of positive virtues of retaining a diasporic identity such as a creative and enriching life in the host countries (Cohen, 1997).

Butler (2001) argues that the study of diasporas should shift from a study of the group itself to a framework for the study of a specific process of community formation. Towards this end Butler (2001) identifies five dimensions of diasporan research:

1. Reasons for, and conditions of, the dispersal;
2. Relationship with the homeland;
3. Relationship with hostlands;
4. Interrelationships within communities of the diaspora, and
5. Comparative studies of different diasporas

Many of the studies on diasporas have focussed on the first, that is the reasons for, and conditions of, the dispersal (Harris, 1982; Angelo, 1997; Cohen, 1997; Ma Mung, 2004; Mani and Vardarajan, 2005), and the first dimension appears to strongly shape the second and third dimension. The literature identifies a number of reasons for dispersal which also is closely related to the conditions of dispersal.

The most extreme and the oldest form of dispersal were the forced movements of mass groups, which includes the case of Africans, Armenians and Jews. This type of diasporas are also frequently referred to as victim diasporas sometimes leading to the eradication of the state (Butler, 2001). The forced expulsion of Jews from Jerusalem and later from Babylon and Spain is the classic example of this form of dispersal. This also occurred in Africa with the destruction of the trading state Owu (Ajayi, 1973). The more common African diasporas can be related to captivity and enslavement. In this case the receiving societies play an active role in preventing return to the homeland.

A second reason is voluntary movement for different reasons. One form of voluntary movement was for purposes of trade, of which the Chinese and Lebanese diasporas are classic examples (Cohen, 2001). In the case of the Chinese this occurred initially for temporary periods sometimes referred to as sojourning, but later on led to permanent settlement in the host country. The 1911 revolution made sojourning difficult and therefore encouraged permanent settlement. The Lebanese diaspora comprised two initially distinct groups, merchants and labourers, who later converged in the host countries.

A second form of voluntary movement can be attributed to the search for work due to intolerable economic conditions. Examples of this include Indian, Jamaican and also Chinese diasporas. This movement can frequently be attributed to the changes in home work availability and shifting world economic conditions. Imperial powers also played a role in shifting workers among colonies to meet labour shortages (Butler, 2001). A third form of voluntary movement is frequently referred to as imperial diasporas because they originated as a mode of conquest. In this case the homeland sent its nationals to impose its political and economic control over new societies (Butler, 2001). It has been observed that emigration from Britain from the seventeenth century onwards was one of the highest in volume and longest in duration in the world (Cohen, 1997). In the case of the Irish and Scottish emigration has been attributed to famine, grinding poverty and rapacious landlords (Shepperson, 1957).

The relationship of diasporas to their homelands and hostlands is closely related to their reason for dispersal and their integration in the hostlands. Forced migration due to state eradication or wars, frequently creates strong bonds and identity with the homeland because of the traumatic exit and the decision was made by a third party rather than being a personal decision. The British settlers in Austalia and New Zealand are frequently not considered a diaspora because they are a majority in the hostlands and therefore their identity is closer to the hostland than the homeland. A sense of discrimination and alienation with the hostlands frequently creates a strong identity with the homeland. The next section will look more closely look at two diasporas the Chinese and British to identify the distinguishing features of a diasporas that could be an economic advantage to the homeland state.

A Tale of Two Diasporas

This section will examine more closely two diasporas which couldn't be more different in their reasons for, and conditions of, their dispersal; and their economic fortunes in history and today. The objective of the examination is to discover the possible role of the diasporas in the economic fortunes of the two homelands of Britain and China.

The British Diaspora

As highlighted earlier the origins of the British Diaspora can be traced to its imperial history. In his book *Empire: How Britain made the Modern World,* Ferguson (2003) traces the beginnings of the British Empire to 1663 when a Welshman called Henry Morgan sailed five hundred miles across the Caribbean to mount a raid on a Spanish outpost to find and steal Spanish gold. British Imperialism which began with a search for commodity markets led to the settlement of many British in the colonies. It is estimated that between 1600 and the 1950s, more that 20 million people left the British Isles but only a minority returned. This was also a period when Britain was seen as an unrivalled global power. There is also considerable evidence that the state was actively involved in the emigration as illustrated by a paper delivered to James I by Bacon in 1606. He suggested that by emigration England would gain " a double commodity, in the avoidance of people here, and in making use of them there" (cited Williams, 1964, p.10). It was felt that this would relieve poor rates and overpopulation, and that vagrants and criminals would be put to good use.

Whilst most of these migrants went to North America (80%) and other "colonies of settlement" which included New Zealand, Canada, Australia, Rhodesia and South Africa, there was also migration in smaller numbers to other colonies like, India, Singapore, Hong Kong and West Indies. At one point emigration was so great that even supporters of emigration became alarmed:

[emigration] is a medicine that may do a great deal of good , and which, at the same time must be administered with as much caution as any drug which poisons by debilitating. Our people are our life's blood, and yet we appear to be dangerously easy on the subject of losing them...What is the almost universal cry of the sons and daughters of England? Emigration. What is the advice that England gives to her distressed children? Emigrate [Sharpes London Magazine (1852) cited in Shepperson, 1957, p.67].

As mentioned earlier, it was projected that trade flows following from an imperial diaspora would be bi-directional, between motherland and Diaspora, and there was also a presumption of loyalty to Britain (1997). Whilst, Britain was able to spread its culture, government and capital markets (Ferguson, 2003) to its colonies through its Diaspora and the relationship between the British at home and their dominion-diasporas (Canada, Australia and New Zealand) abroad had been cemented by ties of kinship, economic interdependence and preferential trade arrangements, sports and sharing of arms in two world wars, the economic ties became strained and the economic benefits from the diaspora diminished as time went by due to a number of reasons. The "colonial settlements" gained self-government and since the British were the majority they developed their own identity although with considerable similarity in culture, government and capital markets. The trade flows between Britain and the newly independent states also diminished when Britain joined the European Union, which was seen by Australia and New Zealand as a bitter familial rupture (Cohen, 1997). Wool, butter and lamb exports were immediately affected, and the Commonwealth as an economic unit was abandoned. Following from this, countries like Australia and New Zealand adopted a more independent trade policy with neighbouring countries in Asia and Canada with the United States.

The British Diaspora in other non-white majority colonies of India, Pakistan, Singapore and other African States were the privileged lot in these countries during imperial rule and adopted exaggerated mannerisms and demonstrations of patriotism that made the British abroad more British than those at home. Anderson (1992) provides a penetrating insight into the origins of this manifestation of overseas "Britishness": The administration of an empire comprising a quarter of the planet required its own special skills. Imperialism automatically sets a premium on a patrician style...Domestic domination can be realized with a popular an egalitarian appearance, colonial never: there can be no plebeian proconsuls. In an imperial system, the iconography of power is necessarily aristocratic (p.32).

Whilst the patrician style might have been necessary during Imperial rule, the end of colonialism meant the end of special treatment, privileged jobs and social resentment of the British Diaspora from the locals in the non-white majority colonies, which contributed to many members of the Diaspora migrating to join the former dominions of Canada, Australia and India because of better economic opportunities rather than returning to Britain with their wealth from the colonies. The British diaspora can be characterised as a diaspora in a state of withdrawal and consolidation, not to Britain, but the other former dominions of Britain like Canada, Australia and New Zealand. Their new identity is not related to Britain but their new homeland of Canada, Australia and New Zealand, which have become global powers in their own right. The above experience have led many to question whether trade or even the spread of British 'civilization' needed to be enforced by imperial structures (Ferguson, 2003).

The discussion above has mainly focussed on the formation of the British diaspora during the imperial period. A recent study (Sriskandarajah and Drew, 2006) indicates that there is still considerable emigration from Britain. They estimate that over 39 years between 1966 and 2005, the UK experienced a total net loss of some 2.7 million nationals. Whilst many migrated to EU countries and the old colonies of Australia, New Zealand and Canada, there was still a sizeable British diaspora in United Arab Emirates, Pakistan, Singapore and Hong Kong. Most of the British diaspora in these countries is skilled and professional workers employed in the private and public sector. Sriskandarajah and Drew (2006) also observe that many in these countries come up against linguistic and cultural barriers that they are not prepared for, and in response tend to be clustered together away from the host society. Furthermore, they are also frequently concentrated in the major cities and their interaction with the host society is frequently minimal other than at the work place. Sriskandarajah and Drew (2006), also found that whilst most Britons who live abroad maintained strong ties and allegiances with the United Kingdom (UK), the ties did not translate into a sense of collective identity abroad, and that regional identities (particularly Scottish and Welsh) were more prominent. They also frequently do not return to Britain but move on to the old colonies of Australia, Canada or New Zealand.

There is hardly any mention of the British diaspora's contribution to Britain's economic growth in the literature. In fact there is considerably more literature on the contribution of the overseas diaspora in Britain to their homelands (http://www.ugandanconventionuk.org/?tag=uk-diaspora, accessed 30/9/2011; http://library.stanford.edu/depts/ssrg/africa/african-diaspora/african-diaspora-europe.html; accessed 30/9/2011) and the foreign direct investment from the former non-dominion colonies like India (Rudiger, 2008). Most recently there is a growing recognition that the British diaspora could be an asset to the United Kingdom (Finch, Latorre, Pollard and Rutter, 2009; Finch, Andrew and Latore, 2010). Finch, Andrew and Latore (2010) recommends that the UK should move towards seeing British emigrants as capable and successful agents with whom it is possible to forge partnerships to promote shared goals and mobilise the diaspora in pursuit of long-term progressive and sustainable global goals. In an earlier paper Finch, Latorre, Pollard and Rutter (2009), highlight the need to investigate the re-migration trends among Britain's immigrants. In both the above studies there is no explicit recognition of the role of the British diaspora in Britain's economic development and growth.

The Chinese Diaspora

The Chinese diaspora is probably the biggest diaspora in the world and it is spread far and wide in nearly every country. The beginnings of the Chinese diaspora is sometimes traced to the conquest of China by the Mongols in 1276 and the migration of some Chinese as refugees to Japan, Cambodia and Vietnam (Chaliand and Rageau, 1995). The Mongol Yuan dynasty (1277-1367) was also interested in trade and exchange and established ports and sent embassies to Cambodia, India and Java, leading to the emergence of Chinese trading colonies in the above places (Chaliand and Rageau, 1995). The Chinese initially came for temporary periods sometimes referred to as sojourning, but this later on led to permanent settlement in the host country. The Spanish officials in Manila as a response to competition from the Dutch and Portuguese welcomed Chinese as a means of building up the colony (Cohen, 1997).

After defeat in the Opium War (1840-1842), China opened its doors to British trade leading to the migration of an estimated 400,000 Chinese to the United States, Canada, Australia and New Zealand (Chaliand and Rageau, 1995). Whilst the initial movement of Chinese was for trade purposes this was followed by a larger migration of an estimated 1.5 million workers to tin mines and farms in Southeast Asia (Chaliand and Rageau, 1995). Between 1842 and 1900 there was also a sizeable migration to the West Indies and Latin America mainly Peru, Cuba and Chile (Chaliand and Rageau, 1995).

The migration of the Chinese to many of these countries were however not under ideal conditions as it was for the British migration during Imperial rule. They had to move out of Australia during the White Australia policy; faced extortion in Latin America; anti-Chinese massacres in the Philippines; anti-Chinese riots in Denver and various other restrictions (Chaliand and Rageau, 1995). The Chinese diaspora, however, did not have much choice but to persist and stay in the countries they had moved to because the conditions at home was worse with the onset of the 1911 revolution, and there were few Chinese majority countries that could take them in other than Taiwan or Singapore which were already highly populated. The troubles the Chinese diaspora faced was probably due to local resentment of their economic success rather than their political involvement because they were not concerned about whether the British, French, Portugese, Malays Dutch or Indians, were in charge of the political superstructure (Wang, 1991).

Most studies also suggest that the Chinese traders retain a strong connection with "home". A number of explanations have been suggested for this including the practice of sourjourning, and that a preoccupation with identity and genealogy is characteristic of a group that was intrinsically marginal, even in China – nearly all the "overseas Chinese" were not from the Han centre of the country, but from the peripheral regions of Fukien and Kwangtung (Pan, 1991). Pan (1991) continues: " For commitment to one's native place, one's ancestral home, few people could beat the Chinese" (p.21). Pan (1991) argues that this attachment to *hsiang* was closely associated with filial duty. Other reasons for the identity and attachment could be the continuous persecution in many of the hostlands.

The Chinese revolution of 1949, leading to the victory of the communist, was a turning point in the lives of the Chinese diaspora particularly those in Southeast Asia which has the biggest Chinese diaspora. Sourjourning became impossible and they had to make a permanent decision to stay or return. By then the second and third generation had become localised and the ideological rift between the traders and communist was irreconcilable (Cohen, 1997). The Peoples Republic of China's restrictions on the movement of people also substantially reduced the emigration of the Chinese. A unique characteristic of the Chinese diaspora during this period was the establishment of Chinatowns in many Western countries which became an institutional vehicle for the Chinese to be in, but not necessarily to become of, the societies in which they settled (Cohen, 1997). Pan (1991) provides a useful description of the role of Chinatown in the lives of the Chinese Diaspora using the New York Chinatown as an example:

Chinatown has stuck to its own ways the longest, a classic, self-contained ghetto that was haunted by the Exclusion Acts and little freshened by new blood. The residents huddled together for comfort and let the rest of the world go by, a world which merely seemed a place apart in the eyes of some and loomed up to frightening heights in the eyes of others. . . . Those who gravitated towards Chinatown found an enclave clad in the whole paraphernalia of immigrant Chinese communities, from secret societies to clan associations, each group looking after its own, the whole presided over by the Chinese Consolidated Benevolent Association (CCBA), a staunch supporter of the Kuomintang. . . . The last thing [the CCBA leaders] wanted was to engage with the larger world, the world of city politics and administration – for so long as the Chinese community kept to itself, so long as the Chinese looked to the traditional associations for all their needs, these men rule the roost in Chinatown (pp.25-6).

When Deng Xiaoping opened up China again to business from the world, not only did the Chinese Diaspora have a big role to play in its emergence as an economic power but it also started the process of Chinese emigration again. In the 1980's the emigration process was liberalized and the modernisation process in fact encouraged Chinese scholars and students to seek out positions in foreign research institutions and gain foreign education in Western countries. Some of them returned while others remained behind.

Since, Deng Xiaoping opened up the Chinese economy in the 1980's the Chinese diaspora contribution to China's growth has been well documented (Choudhary, 2001; Smart and Hsu, 2004; Li and Opoku-Mensah, 2008). The Chinese diaspora has contributed, in a number of ways to the rapid economic growth achieved by China. First, the foreign direct investment (FDI) of the Chinese Diaspora has been a major source of capital for the private sector and a key driving element behind China's growth. The utilised FDI between 1979 and 1999 amounted to a total of $307.6 billion, of which Hong Kong accounted for $154.8 billion (50%), and Taiwan for $23.86 billion(7.6%). In all, Asia accounted for 76.70% of the accumulated total, compared to only 7% for the combined EU countries and 9% for the United States (Smart and Hsu, 2004). The FDI has been of critical importance to the private sector because banks are forced to provide capital to cash-strapped state-owned enterprises (SOEs) rather than potentially successful town and village enterprises (TVEs) (Huang, 2001). Chen (2002) asserts that "non-state firms would have atrophied under the weight of the lending bias" without the ties to ethnic Chinese capital.

Chen (2002) also points out that the under-development of the rule of law inherent in the gradualist strategy of development would have deterred foreign investment if not for ethnic Chinese firms that possess relationship capital and cultural know-how that help foreign firms navigate China's murky business environment. This brings us to the second contribution of the Chinese diaspora to China's economic growth, that of relationship know-how and cultural know-how which has a mediating contribution. Most studies acknowledge that its significance is declining in the post-WTO era. Third the reverse brain drain phenomenon has been seen as playing an important role in China rising up the technology ladder. In this area China copied the programs developed by Taiwan such as the Monte Jade network program to lure its technical expatriates back home (Smart and Hsu, 2004).

Diaspora as a Comparative/Competitive Advantage

As a methodological approach in social sciences especially in the areas of development research, cross-country comparison, becomes a tradition to apply a country or region as a contrasting model in comparing with other countries or regions that differ profoundly in history, tradition, values, and organization. Similarly, an awareness of its limit is also imperative in order to avoid any misinterpretation and misconceptualisation. It also needs to be stressed from the outset that the aim of this comparison is not a wholesale transference of the Chinese experience to Britain, or vice versa. Rather the objective of the comparison is to understand some of the major determinants of the nature and strength of Diaspora links and contributions to the economic development and growth of the homeland. Whilst the discussion would mainly focus on the British and Chinese diaspora, this section will also draw on other diasporas to identify the factors contributing to diaspora as a comparative/competitive advantage.

Migration which is the precursor for the formation of a diaspora is not always a positive aspect for the homeland. As highlighted in the third section people migrate because they are forced to migrate as in the case of Jews and Armenians and also the Africans, or they voluntarily migrate because the economic opportunities overseas are better than that at home. Migration has many negative impacts on the homeland, which include family breakups, and *brain drain* as observed by the following International Labour Office (ILO) Report (2007): growing emigration of skilled persons from developing nations – the *brain drain* – can have dire consequences for sustainable development in developing countries, especially the LDCs. Many countries, especially in Africa, can no longer maintain adequate public health services because of the exodus of health workers attracted by much better prospects abroad. At the same time there are many barriers to the movement of low and semi-skilled persons in which developing countries have a surplus, despite observed labour market demand in receiving countries (p.3).

Therefore from a comparative perspective emigration and diaspora formation is a disadvantage to the home land. It weakens the comparative advantage of the nation due to the loss of skilled labour for production and *brain drain*. However, as we have observed in the case of China the diaspora can make a major contribution to the economic development and growth of the homeland. It must, however be emphasised that this was not the case before the 1980's and the British diaspora had a major role in British Imperialism and the benefits that the homeland derived from colonialism. The diaspora can be of benefit to the homeland in certain condition, some of which are under the control of the homeland.

One important factor in the possible contribution of the diaspora to the homeland is determined by how the diaspora was formed. As pointed out earlier in the paper, the British diaspora was formed by the encouragement of the state and better economic opportunities in the colonies. Broadly the migration consisted of two groups of people, one with little skills and sometimes involved in crime as highlighted by Williams (1964) that went to the dominions states of United States, Canada, Australia and New Zealand where they were granted big tracts of land for farming. The second group were administrators needed to support the empire in the colonies like India, West Indies and Africa. The skill sets of the diaspora were therefore predominantly farming and administration, and this was the major contribution of the British to many of the colonies in addition to religion (Ferguson, 2003). The manufacturers and traders stayed at home, because the strategy was to source the raw materials from the colonies for processing at home and resale.

The Chinese diaspora in contrast was formed by the migration of traders and workers. The Chinese diaspora in the hostlands were mainly involved in small scale business including retail and wholesaling as well as small scale manufacturing of consumption goods particularly in the case of Southeast Asia. The other group of Chinese diaspora formed the workers in the mining industry. The Chinese traders from their initial base in retailing and wholesaling moved into other business areas like infrastructure and building as well as property development. The skills sets of the Chinese diaspora were therefore in the area of trading, manufacturing and construction. Whilst the skill sets of the British diaspora was critical in supporting the Empire (Ferguson, 2003). Their contribution to the modern British economy is considerably limited.

The second distinguishing feature of the British diaspora from that of the Chinese diaspora is the level of integration into the community of the hostlands. The British diaspora as part of the imperial structure assumed an aristocratic manner, which was counter-productive and resented by the locals on independence. Furthermore, it was the normal policy on independence for many countries to replace colonial administrators with local administrators. The above factors contributed to a huge reduction in the British diaspora in many former colonies and also the loss of many contracts for British companies in the colonies. The Chinese manufacturers and traders who were more integrated in the community were well placed to take these contracts because the locals did not possess the knowledge or skill to undertake the jobs. This does not however imply that the wealth of the Chinese diaspora was not resented in the local community.

The third distinguishing feature is the opportunity for the diaspora to return home. When the economic and social conditions became difficult in the colonies after independence, the British diaspora had lots of opportunities for migration back to the homeland, in addition to the dominions like Australia with its White Australia policy, was laying the welcome mat to the British diaspora, who did not see the need to persevere in difficult conditions. The Chinese diaspora in contrast had little opportunity to move from their host country, particularly when the communist party assumed power in China (Chaliand and Rageau, 1995).

Fourth, the Chinese diaspora in most countries of the world other than Singapore and Hong Kong were a minority. The minority status as well frequent persecution in the host country (Chaliand and Rageau, 1995) contributed to a strong desire to retain their identity and collective memory or vision of the homeland. There is also considerable evidence that the diaspora from the periphery of the state who feel marginalised have a stronger identity. In the case of the UK, the Irish and the Scottish have a stronger identity and the local governments also make more efforts to engage the diaspora (Finch, Andrew and Latore, 2010). Similarly, a large portion of the Chinese diaspora hails from outside the Han centre of the country (Pan, 1991). A considerable amount of FDI to China has also flowed to the home areas of the Chinese diaspora like the coastal cities. The British diaspora in the former dominions like Australia, Canada and New Zealand are in the majority and therefore assume the identity of the host country. There is also very little pressure on the British diaspora to support family back in the homeland because of cultural reasons. Moreover, the welfare state in the United Kingdom generally ensures that the poor are economically independent.

The degree of dispersal of the diaspora can also be a major asset for the development of the homeland as well as the diaspora, if it is well structured (Ma Mung, 2004). Ma Mung (2004) argues that dispersal can be an asset when it is optimised and claimed by its subjects:

This act of claiming can be observed in certain interviews with migrants: the fact that one has family or relations in other countries is presented as a source of satisfaction and pride, proportional to the number of different countries and relations one has. The dispersal can then be used to accomplish things that would otherwise be beyond one's means (P.211).

New development is communication and transportation also provides new means of utilising dispersion as an economic resource. As highlighted earlier the British diaspopra has been withdrawing and consolidating to focus mainly on the former dominions of Australia, Canada and New Zealand, while the Chinese diaspora has been continuously expanding with greater levels of dispersion. For example, a study carried out in a Chinese supermarket in Paris in 1998 revealed that the products it displayed came from thirty-seven different countries where the presence of ethnic Chinese was recorded.

The above review highlights some of the features of the diaspora that indicate potential for contribution to the homeland but not lead to any change. Whilst the diaspora might have the potential and desire to contribute to the economic development, the conditions in the homeland must provide the incentive for the diaspora to contribute. For example the Philippines has a huge diaspora overseas who are skilled and remit considerable amounts of funds back home, it has not contributed to the economic transformation of the Philipines. The diaspora could remit money home to family but not have the capacity or incentive to invest in the homeland economy.

Deng Xiaoping's opening up of the Chinese economy contributed to a near ideal match of the skills, knowledge and resources of the Chinese Diaspora and the resources needed and available in China. It must be emphasised that the Chinese diaspora's foreign direct investment in China is not driven by altruistic reasons but mutually beneficial self-interest. The Chinese diaspora in Asia had the requisite resources, knowledge and skills required as they already were economically dominant in many of the countries they lived:

In south-east Asia, they dominate business despite forming only a small minority of the population. Approximately 6% of the combined population of the five main south-east Asian economies (Indonesia, Malaysia, the Philippines, Singapore and Thailand) is ethnically Chinese, but that 6% controlled around 60% of the region's private corporate wealth ….. The dominance is perhaps at its most extreme in Indonesia. Three quarters of the country's top 300 big business groups are either wholly or partly owned by Indonesian Chinese businesspeople - not a bad result for an ethnic group that comprises just 3% of the population (*World Business*, April 3, 2007).

The main resource China had to offer any investor into China was an enterprising and hardworking labour force. In addition the Chinese government has a very pragmatic approach to trade and investment as in its dealings with Taiwan although it is characterised by inefficient economic and financial institutions (Huang, 2001). The inefficient economic and financial institutions not only required foreign direct investors to possess technical knowledge and skills but also insights of the local knowhow and social relationships sometimes known as *guanxi* capitalism. This gave Chinese diaspora investors considerable advantage over other foreign investors.

The Chinese government also put in place structures and mechanisms to support FDI's from the Chinese Diaspora. Recognizing the fact that the 30 million Chinese Diaspora and their family members are an important force in China's economic development and modernization drive, the Chinese party-state set up multiple official, semi-official and grass-root mechanisms for incorporating the Chinese Diaspora into the modernization and globalisation strategy. The strategy has been designated and implemented under a broad historical bloc around the notion of "Chineseness", i.e. Chinese culture and Chinese nation (Li and Opoku-Mensah 2008). In order to legally guarantee the protection of Chinese Diaspora and their overall interests in China, the National People's Congress on September 7, 1990, promulgated by Order No. 33 of the President of the People's Republic of China on September 7, 1990, passed the Law of the People's Republic of China on the Protection of the Rights and Interests of Returned Overseas Chinese and the Family Members of Overseas Chinese.

As pointed out earlier there is a general mismatch of skills and knowledge needed by the UK economy and that possessed by the British diaspora. Furthermore the British diaspora in the dominions have assumed the local identity. The efficient economic, financial and legal institutions also does not discriminate against non-British foreign investment. This could probably explain the large Indian investment in Britain (Rudiger, 2008). Furthermore, the British government's policy with respect to diaspora is mainly focussed on their protection in their host countries (Finch, Andrew and Latore, 2010) rather than the attraction of foreign direct investment.

The contribution of the diaspora to the homeland can also be in other areas like the stimulation of demand for goods and services from the homeland. The Chinese and the Thai diaspora have been very successful in popularising Chinese and Thai food in many Western countries stimulating the food industry in the two countries. The other major area is, tourism, in which the British diaspora has contributed considerably to the development of British tourism, which also applies to the development of tourism in China and India.

Conclusion

Recent studies indicate that diasporas can be a major asset to a homeland in its economic development and growth goals. A review however indicates that there are few comparative studies that provide insights into what characteristics of a diaspora facilitate this process. The aim of this paper is therefore to explore what characteristics of a particular diaspora might explain their contribution to the development of the home countries. Towards this end this study compares the Chinese and British diaspora to derive some insights.

The study indicates that emigration generally contributes to comparative disadvantage of a country's economic position. It is, however pointed out that this could be converted to a competitive advantage for a homeland's economy when the diaspora is well utilised. The study highlights that the historical formation of a diaspora shapes the characterisitics of the diaspora with respect to skill sets, identity and dispersion. It is shown that the skill sets of the diaspora, identity with the homeland and degree of dispersion are important factors in the potential for a diaspora to make a contribution to the homeland. It is, however, emphasised that for this potential to be realised the homeland must have policies that are economically friendly to attract diaspora investment.

Diaspora has been a long neglected concept in the study of business and economic reform. This paper highlights the possible contribution of diaspora to our understanding of the development of business and economic networks as well as FDI and the impact of these networks on different areas of economic activity.

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Enterprise Restructuring in the Context of the Processes of Creating its Value

Tomasz Rojek
Cracow University of Economics, Poland

Key Words
Restructuring, Value Based Management, goals of enterprise activity, effectiveness.

Abstract
The 21st century is the arena of extremely dynamic and stormy groundbreaking changes we have become not only witnesses to but also participants of. Today, turbulent and fast changing surroundings is a natural environment in which practically all economic entities have to conduct activity. The consequence may be a statement that contemporary enterprises are under a very strong pressure of changes whose source is the growing complexity and changeability of their macro- and micro-environment.

An enterprise's orientation to situations and changes undergoing in its macro- and micro-environment, submitting to its present and future needs is nowadays a prerequisite of the enterprise's existence, its development and the increase in value. Only such conditions will enable the long-term multiplication of the enterprise capital value, and at the same time the realization of the basic goal of its owners, namely the maximization of the enterprise market value. The fulfillment of this kind of expectations is closely conditioned by the realization of the continual processes of enterprise restructuring. The processes enable significant transformations in the sphere of organizational, technical and economic processes and systems determining the possibility of the survival and development of enterprises. They constitute a driving factor of the increase in the enterprise effectiveness, directly determining the speed of creating its value. Therefore, we can claim that restructuring is permanently inscribed in the functioning of a contemporary enterprise.

Thus, the article presents the process of enterprise restructuring as a tool within the framework of the Value Based Management (VBM) concept aiming at stimulating and creating the increase in the enterprise value.

Introduction

The 21st century is the arena of extremely dynamic and stormy groundbreaking changes we have become not only witnesses to but also participants of. They are bringing newer and newer challenges for the functioning of economies and behaviours of enterprises. The processes of progressing globalization in almost all spheres of life - economy, law, education, science, politics, culture, tourism or consumption patterns - have made national economies more codependent than before, which leads to qualitatively new economic links between individual continents, countries and their regional groups, as well as markets and enterprises. The links result from the growing freedom and the speed of concluding and executing international transactions, performing the flows of goods and services (especially financial ones), new technologies, resources and production factors, as well as information (including knowledge) in the supranational scale.

In the conditions of the contemporary market economy mentioned above, competition among enterprises keeps increasing and results in the dynamics of changes which was hard to imagine until recently. Today, turbulent and fast changing surroundings is a natural environment in which practically all economic entities have to conduct activity. The consequence may be a statement that contemporary enterprises are under a very strong pressure of changes whose source is the growing complexity and changeability of their macro- and micro-environment. The response of modern enterprises to changes undergoing in their environment is active change management, focusing in the first place on foreseeing and anticipating their succeeding causes and effects, and not only on passive adaptation to changes which have already taken place. Thus, managing the process of changes in an enterprise requires from contemporary managers to undertake restructuring actions which concern the improvement of management results, the increase in the enterprise competitiveness, its development, and, in consequence, the growth of its market value. In the indicated context, restructuring of an enterprise is treated as an active response to undergoing changes and the resultant need for the fast reorientation of the enterprise activity.

Experiences gained from transformations made so far within the scope of goals, the subject, capital structure and internal organization of enterprises prove that all kinds of changes in the structures constituting an enterprise, evoked by negative situations in their development, rarely occur singly, in a separate and independent way. As rule, such changes are mutually related and constitute a certain group (chain) of changes, whereas their influence on the increase in an enterprise value and the effectiveness of the business activity conducted by it is often multi-directional or runs parallel and with diverse intensity, or even overlaps. Therefore, making restructuring decisions is inherently accompanied by numerous problems, conditionings and barriers which are quite diverse as for their character and localization, as well as by expenses necessary to eliminate or limit the power of influence (Sapijaszka 1996). They hinder conducting technical, production, organizational, adaptational and structural changes at the proper time, or conducting them in the way comprehensive enough, bringing about the worsening of the economic and financial condition of the enterprise and thus creating a threat for its further existence.

In enterprises which, within the framework of permanently lasting process of adaptation to changing conditions of functioning, restructure strategies of their activity, development and increase in value, recognition and determination of the degree of permanence and the scope of the influence of the phenomena which may prevent an efficient realization of restructuring play an important role. It is necessary to establish to what degree barriers occurring in the process of changes may delay, hamper or prevent the commencement of restructurization, its proper progression or the achievement of the assumed effects after its execution.

An enterprise's orientation to situations and changes undergoing in its macro- and micro-environment, submitting to its present and future needs is nowadays a prerequisite of the enterprise's existence, its development and the increase in value. Only such conditions will enable the long-term multiplication of the enterprise capital value, and at the same time the realization of the basic goal of its owners, namely the maximization of the enterprise market value. The fulfillment of this kind of expectations is closely conditioned by the realization of the continual processes of enterprise restructuring. The processes enable significant transformations in the sphere of organizational, technical and economic processes and systems determining the possibility of the survival and development of enterprises. They constitute a driving factor of the increase in the enterprise effectiveness, directly determining the speed of creating its value. Therefore, we can claim that restructuring is permanently inscribed in the functioning of a contemporary enterprise (*Restrukturyzacja…* 2009).

The Goals of Enterprise Functioning in the Market Economy

The problem of setting goals by an enterprise is among the most significant tasks preparing its functioning. It has great importance from the point of view of management since it gives direction to the activity of an enterprise (*Zarządzanie…* 2008). The goals of an enterprise shape in close relation with economic, social interest, and in contemporary times often with political interest, too. Most frequently, the economic interest of an organization is not a coherent value, as it is a product of certain ambitions, namely the employees' interest which results from the strive at maximizing their own income and short-term consumption, and the interest of the owner who seeks to maximize benefits settled by himself. The goals of an organization are both goals of economic character, focused on the optimization of the possessed means, and non-economic character - social ones, being a result of the codependence between tasks of individual participants of the organization. The economic goals of the majority of enterprises have great influence on the reactions of their management boards and constitute the predominant part of clearly defined goals of the enterprise. On the other hand, social goals exert secondary, modifying and at the same time limiting impact on the enterprise functioning and development.

Goals in an enterprise activity play four basic roles (Griffin 2001):

1. They are a guideline and they set a uniform direction to the activity of people who work for the organization. They enable understanding where the organization is heading for and why achieving certain target state is so important;
2. The practice of setting goals influences planning. Efficient goal setting conduces good planning, which, in turn, facilitates setting goals in the future;
3. Goals may be a source of motivation for the organization employees. Concretely formulated goals and the monitoring of their implementation underlie the motivational system of the enterprise;
4. Goals enable efficient mechanism of assessment and control. Future results may be assessed on the basis of the degree of implementing the goals set today.

Changes in social and economic systems and evolution and transformations which followed them, occurred in capital markets and determined a new perspective of perceiving the key goal of enterprise functioning in the market economy. As a result of the strengthening role and increasing significance of shareholders in the enterprise management processes and a necessity to adopt a plane of their verification which would be appropriate for the owners of enterprises, shortcomings of conventional accounting method used so far as the basic tool of the assessment of business units actions are more and more often emphasized. Thereupon, as an antidote, the strive for long-term maximization of enterprise value was assumed the key goal of an enterprise,[i] which, in turn, has shaped a new trend in management defined as value based management (Cwynar/Cwynar 2002).

In so understood context of the function of enterprise goal, the maximization of its value is becoming an important strategic goal, verifying the effectiveness of the decision-making process and actions undertaken within the framework of its activities.[ii] Therefore, contemporary strategies of performance growth almost force entrepreneurs to concentrate its resources and means on actions which constitute a base for value creation. As a rule, the actions fit in a philosophy meaning that (Nogalski/Rybicki 1999):

- Building value is a continuous process, and not a definite goal we aim at; it is rather a management method and not a one-time venture,
- Value based management comprises a regular analysis of future cash flows and the identification of processes destroying (lowering) value,
- Building value must be supported not only by management boards and enterprise managers,
- In the course of the value building process, it is not always possible to find a perfect solution immediately but benefits coming from its implementation are disproportionately big.

In this view, it is not surprising that the value based management, or in other words an instrument supporting enterprises in the maximization of value for the owners, is currently one of significant trends, the object of interest for economic sciences.

We can encounter a similar problem while considering issues related to enterprise performance growth, which in the conditions of the market economy usually brings about the increase in the market share and the rise of competitiveness. Achieving such a situation contributes to the growth of enterprise value, obtained by more effective use of its economic resources. The performance management of an enterprise conducting its activity in a turbulent environment, today more complicated due to the internationalization of economies, is becoming more and more complex. Performing is basic function, which is keeping balance between the enterprise and its environment, and keeping balance inside the enterprise, ensuring harmonious cooperation, and at the same time effective functioning, the process requires constant modernization and improvement of technologies of production, product and enterprise organization techniques.

To sum up, we can claim that an increase in enterprise value and its performance growth are convergent goals, which are complementary towards each other. Both changes in the value influence performance and performance influences enterprise value. However, this influence may occur in various directions and with various intensity.

The Concept of Value Based Management in the Contemporary Enterprise

The recognition of value maximization as a leading goal of an enterprise functioning is first of all a consequence of the logics on the basis of which the market economy functions, and, resulting from it, a natural strive of capital owners to multiply its value. It corresponds with the assumptions of so-called enterprise financial model according to which an enterprise constitutes a form of investment, thus the natural aim of its activity is an increase in its market value (Noga 2009). In this way, the problem of creating enterprise value becomes one of the basic distinguishing features of viewing an enterprise from the financial perspective. It is an assumption fully convergent with the requirements of the owners and the investors lending their capital to enterprises, concentrating mainly on the maximization of profit from the invested capital. In practice, it means that the basic expectations of investors are related to enterprise value creation often understood as a difference between the money invested in the purchase of shares (stock) and the money received from their sales. In this view, the processes of creating and multiplying value are a result of a broadly understood management process in the course of which the processes of production, division, exchange and consumption, adopting organized and purposeful character, take place (Gruszecki 1989; Bea/Dichtl/Schweitzer 1988). In the effect of them, the process of the production change from one set of goods to another of higher value occurs, namely with the mentioned creation of new values within the enterprise (Hicks 1975).

On the basis of this, a concept of enterprise value creation appeared in Europe in 1990s. Its popularization exerted big influence on the theory of enterprise management. The notions known for a long time, such as enterprise goals, success, competition, were revalued. In the view of this concept, the only measure of the effectiveness of enterprise management is the growth of its market value and profits for shareholders (Romanowska 2001). The idea of enterprise value creation as a base for formulating a separate management concept is relatively new. It appeared only in the early 1980s in the United States when the notion of "*Value Based Management (VBM)*", which is common today, was created by N. Kurland (Nita 2007). The main representative of this trend was Alfred Rappaport who was persuading that the use of the VBM theory leads to the decrease in the "value gap", namely the gap between the market value the enterprise could achieve and its current market value (Szymański 2007).The development and the popularization of VBM in the economic practice as a new management concept falls on the next decade (1990s), when the concept reached the Western European countries (Michalski 2001; Olsen 2003). In those countries the first management systems directly oriented at enterprise value multiplication were created. The countries may also pride themselves on the first experiences resulting from the implementation and functioning the VBM systems in the economic practice and conclusions drawn from that for the future.[iii]

A detailed analysis of the substance of value management was made by A. Ameels, W. Bruggeman, G. Scheipers in their paper.[iv] On the basis of that analysis and the definitions mentioned by their authors, we can indicate the following most important definitions by means of which they explain the essence of VBM:

- it is a philosophy of management which uses analytical tools and processes to focus an organization on the implementation of the main aim which is creating shareholder value,
- it is a notion which describes a philosophy of management based on enterprise management with the use of the rule of *Economic Value Creation*,
- it is an approach to management in which the maximization of shareholder value by means of achieving the surplus of the rate of return over the cost of capital is a philosophy of enterprise activity;
- it is a concept which focuses the strategy and the process of managing the finance of the organization on the maximization of its value,

- it is an approach to management in which the basic aim is the maximization of shareholder wealth. The structure of the enterprise, its organizational culture, as well as indicators which serve to measure the functioning effects are subordinate to the realization of that aim,
- it is a structure of measuring and managing a business in order to create higher and higher shareholder value in the long term,
- it is a new management concept focused on creating real value, and not „paper" profits, however, the real value is created when the enterprise achieves the rate of return which fully compensates the costs of the capital invested in a venture to investors, and guarantees obtaining a bonus exceeding the risk connected with the investment.

The quoted definitions explaining the aims and the substance of the enterprise value management enable to claim that this concept assumes conscious influence on the shaping of the enterprise value level. It takes a form of institutionalized and formal moves making use of the knowledge of the substance, the features and the determinants of enterprise value and based on their proper analysis, and serving the maximization of this value to the benefit of the owners and in order to shape the desired rate of growth and an appropriate image of the enterprise. Thus, enterprise value management is a process of influencing all of its important executive subsystems and making changes towards better use of resources, yet this process is focused on the substantial goal of the enterprise which is the maximization of its value (Borowiecki/Jaki/Kaczmarek 1998). It enables to create a new value and thus to maximize the totality of benefits for the enterprise owners, so called "shareholder wealth" (Jaki 2008). These actions run based on the following basic indicators of the process of enterprise value creation:[v]

- subordinating partial goals to the requirement of the enterprise value maximization,
- the integration of the sphere of finance with the sphere of management and the formation of the concept of value based management,
- the formation of value based marketing,[vi]
- the implementation of modern methods of the organization of production processes creating new possibilities for improving effectiveness and creating enterprise value,
- the development of IT technologies creating new possibilities for the growth of effectiveness and value creation,
- the growing importance of goodwill as a non-tangible component of enterprise value, reflecting the impact of the synergy effect,
- the formation of the concept of shareholder value creation as a manifestation of the development of the enterprise's social responsibility.

Value Based Management is such an approach to enterprise management within which any aspirations of the enterprise and the management processes implemented within its framework are subordinate to the maximization of the enterprise value, which in practice often resembles the process of constant restructuring and strategic reorientation. Thus, the concept of Value Based Management is a practical expression of realizing their strategies focused on value maximization.

The substance of Value Based Management is included in (Rojek 2002):

- the choice of long-term maximization of the enterprise value and the multiplication of the wealth of its shareholders as the major aim of its activity,
- the evaluation of the disbursed capital, with reference to the assumed rate of return and the average weighted cost of capital. The shareholder value of an enterprise is created only when the rate of return on the invested capital is higher than its average weighted cost,
- the determination of the influence and sensitivity of the value ratios of: sales growth rate, the margin on operational profit, tax rate, investment in working capital and fixed assets, average weighted cost of capital and the period of competitive advantage on the rate of its growth,
- the use of ratios of creating shareholder value to motivate managers and inform them and the financial community about the enterprise results.

Therefore, the VBM concept means management placing the enterprise value in the centre of attention (Haspeslagh/Nodo/Boulos 2003). In other words, it may be treated as a management system including tools and procedures of undertaking strategic and operational decisions aiming at the growth of enterprise value and the multiplication of its owners' wealth (*Strategia…* 2002). The increase in enterprise value is a key element of management - it is both a goal and the basic criterion for assessing the effectiveness of the strategies created in the process of strategic planning.

Restructuring in the Enterprise Management Process

The problem of restructuring has a complex and multi-aspect character since it includes a number of diverse processes which result in radical changes observed both in the whole economy and in its various sectors or in individual enterprises.

Restructuring is a process which consists in the use of all possible external and internal ways of increasing enterprise value (Copeland/Koller/Murrin 1997). Restructuring is a comprehensive and exhaustive transformation of activity in the material and non-material, operational and strategic sphere. These are necessary adaptational actions, subject to the criterion of effectiveness and the goal of the strategy of activity (Penc 2008).

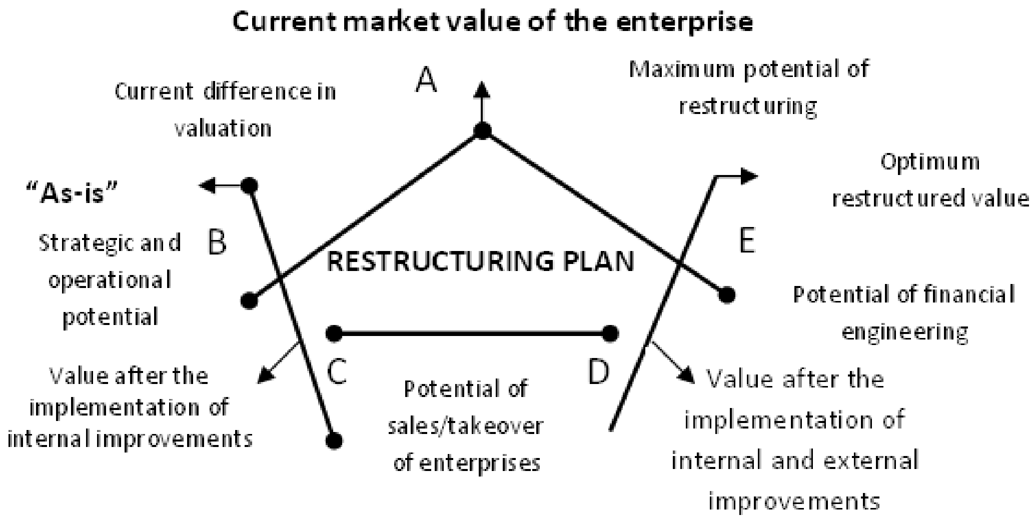
When explaining the essence of restructuring, we must pay attention to one more important element which appears in practically all definitions of this economic category. It is close connection between restructuring and its goal, namely the expected results. The expected results of the undertaken actions may be discussed from different points of view, depending on the character of these effects, the extent of the influence, or the degree of their minuteness. The growth of competitiveness and developmental potential, raising the effectiveness and efficiency of activity, the rise in modernity, adaptability and innovativeness, the improvement of rationality and effectiveness of managing economic resources of the enterprise, the maximization of enterprise value are the most typical expressions used to indicate the goals and the expected results of restructuring. When specifying the mentioned expressions, at the same time we indicate a whole number of measures which enable the quantification of restructuring effects (Borowiecki/Jaki/Rojek 2003).

When considering the restructuring process in the micro-economic representation, namely from the point of view of an enterprise with reference to which the process is realized, it is necessary to notice a close link between "the goals of an enterprise activity" and "the goals of an enterprise restructuring". However, while enumerating both, it is impossible not to notice that there is a lot of similarity, if not sameness, between those two. Both may have more or less detailed character, they may refer to financial, marketing, technical or social aspects of the enterprise functioning, finally they may be formulated in a long- and short-term representation. The consequence of the discussed issues may be a statement that the goal of an enterprise functioning is to make it realize its goals better than so far, and thus meet the expectation of both its owners and other shareholders better. Therefore, since it is recognized that the basic goal of an enterprise is the maximization of its market value, restructuring activities focused on the realization of this goal by an enterprise should lead to its more efficient realization. A tangible result of the realization of the restructuring goal defined in this way should be an increase in its value creation rate. Restructuring activities undertaken with relation to various areas of the enterprise and aspects of its activity serve the realization of this goal. In this way, the object of the restructuring are the technical, organizational, legal, financial and marketing aspect of the enterprise activity, as well as the spheres of its asset, capital and human resources. Therefore, the subjective scope of restructuring may include all areas influencing the enterprise value creation within which so-called driving forces of enterprise value are indicated (Copeland/Koller/Murrin 1997). In this context, we can recognize restructuring as an instrument of shaping an enterprise value.

Efficient realization of restructuring focused on the growth of enterprise value requires an identification of areas of necessary changes in the enterprise within the scope of indication of the required restructuring actions. In this context, it becomes possible to use so-called Restructuring Pentagon constituting an example of a model representation of both the scope and the effects of restructuring

(Copeland/Koller/Murrin 1997). The usefulness of this model results from, among others, the fact that it creates a possibility not only to illustrate the total effects of restructuring but also following the changing potential of enterprise value and the factors influencing it in the next stages. Figure 1 is a graphic presentation of Restructuring Pentagon.

Figure 1. Restructuring Pentagon - a model of assessing the restructuring actions in an enterprise



Source: T. Copeland, T. Koller, J. Murrin, Wycena: Mierzenie i kształtowanie wartości firm, WIG-PRESS, Warszawa 1997, p. 35.

Showing the restructuring process of an enterprise in the form of the presented model enables to take into consideration both partial effects of restructuring and to present diverse restructuring actions thanks to which it is possible to achieve these effects. In this way, individual apexes of the Pentagon illustrate the process of an enterprise value creation in the sequential stages of restructuring, whereas the Pentagon sides illustrate the successively realized restructuring actions enabling the growth of the value in the restructured enterprise. Thus, thanks to the restructuring process in the enterprise, freeing the previously hidden potential of changes occurs, which, properly stimulated and managed, leads to the realization of the strategic goal of restructuring which is an increase in the market value of the enterprise (Kowalik 2003).

Each of the restructuring stages presented in Figure 1 is related to the necessity of using various instruments and restructuring methods which should be each time adopted to the individual situation of the restructuring subject and internal and external conditions which have underlain the undertaken restructuring. Here we should be aware that restructuring may refer both to enterprises experiencing problems and often facing serious threats for their further existence (reparation restructuring) and to enterprises in good economic condition (developmental restructuring). Via restructuring such enterprises look for ways which would enable the growth of their own competitiveness, raising the attractiveness in the market and the maximization of their value. Thus, partial results of using different instruments and restructuring methods materialize in the form of the growing value of the restructured enterprise.

In the presented model, subsequent apexes of the Restructuring Pentagon present the market value of an enterprise, after the consideration of the stage of the restructuring plan realization. On the other hand, the sides of the Pentagon present appropriate actions aiming at the increase in the enterprise value. Stage One (AB) is defined as the comparison of the current market value (estimated by the market) with the value of discounted cash streams which are estimated before any reparation actions are undertaken. If the market value is lower than the value calculated with the DCF method, it means the undervaluation of the firm. Then, it is necessary to undertake actions in order to remove the information gap which is neutralized by improving the information flow for the recipients functioning in the market, namely potential investors, analysts, and other participants of the economic life.

Stage Two (BC) includes internal improvements which are accomplished through strategic and operational decisions. An example of such improvements is: a increase in sales, the growth of efficiency and productivity, the improvement of distribution channels, better governance of current assets, disposal of rarely used fixed assets. In this stage a mechanism of operational leverage is used.

Stage Three (CD) uses external sources of increasing the value. They consist in buyout transactions or takeovers of other enterprises, the realization of investment projects with positive NPV, as well as the sales of ineffective assets to engage into ventures including the potential of growth.

Stage Four (DE) of restructuring focuses on the use of the potential of financial engineering through which it takes advantage of the financial leverage effect and the tax shield effect.

The last stage, Stage Five (EA) integrates all the previous stages of the restructuring process whose dimension should be a rise in the share listing and the increment of the enterprise value in comparison to the initial state. The comparative analysis of the value creation ratios conducted before and after the restructuring process is a measure of the assessment of a restructuring venture (Siudak 2001).

While performing restructuring changes, numerous detailed methods and techniques are used (Nalepka 1999). They include:

- lean management – stands for leaning or slenderizing the enterprise. It concentrates on the major areas of the activity and basic processes, and consists in such redesigning of actions which would enable to raise efficiency and avoid wastefulness.
- outsourcing – stands for separating certain functions from the enterprise and passing them to other business entities for realization. The focus on the basic processes which directly contribute to the generation of added value is suggested here. All kinds of auxiliary and secondary tasks are passed to external partners. It is assumed that they are able to realize them faster, at lower cost, and at the same time offer a higher quality.
- reengineering - consists in radical redesigning of the processes which undergo in the enterprise with the use of modern information technologies. The concept of reengineering consists in focusing on the most important processes - especially on the ones which are related to clients and external suppliers.
- downsizing – decreasing the size of the enterprise in order to ensure bigger flexibility and effectiveness of its activity.
- spin-off – consists in isolating units to grant greater autonomy to them. The unit isolated in this way stays dependent on the enterprise, however, the character of these dependencies may undergo changes with time, together with the total isolation of the unit.
- outplacement – transferring worker's groups outside the enterprise structures, maintaining them in the sphere of the enterprise interests.
- delayering – limiting the number of management layers in order to improve the vertical coordination.

To sum up, we can state that the goal of restructuring is recovering, keeping or increasing the competitive advantage of an enterprise in the market, that is choosing such a market strategy and such a transformation of the organization and the principles of the enterprise functioning which will ensure the growth of competitiveness and an increase in value to it, which means possessing an ability to stay in the market and develop. Therefore, restructuring may be understood as a change in internal relations and external relations of the enterprise with the environment, aiming at the adaptation and the improvement of its activity in the new system and real conditions (Ostrowska 1999).

Conclusions

Contemporary economy and the processes of changes which undergo in it pose newer and newer challenges to enterprises functioning in it. The processes constitute new civilization mega-trends which to a greater and greater extent are shaping social and economic reality.

Globalization processes and big dynamics of changes in enterprise environment have impact on the constant reorientation of the hitherto prevailing imperatives of their functioning, as well as the transformation of the whole system of enterprise management, and within it, individual functional subsystems. Therefore, contemporary practice of conducting business activity requires the possession of the skill of adapting tasks and functions, as well as methods of organization of work and management to constantly changing conditions of the environment. The survival of an enterprise and guaranteeing to it a possibility to fulfill the assumed goals require the introduction of radical changes in the management systems, production technology and service provision, modernization and offering new products. In this aspect, enterprise management is a multi-aspect and complex process characterizing with a variety of forms and trends, as well as mutually correlated and complementary techniques, systems and patterns of behaviour. This fact brings about a high dynamics of the management concept evolution and continual formation and shaping of new views and paradigms.

In the context of understood in this way conditionings of contemporary enterprise functioning, changeability and interactivity of business processes, the development of technique and technology, turbulence of the environment in which enterprises function and instability of the market are the main factors which stimulate managers to search for an appropriate strategy of activity and creation of such adaptation processes which will enable the entities directed by them to link at the same time efficiency and effectiveness of the ongoing activity and to achieve success in the future. A support in this scope is the concept of performance management, accompanied by all its tools, additionally accepted by most of the entities of the economic environment, constituting one of the management philosophies, which, focusing on the enterprise goal realization, strives at its development and fosters the increase in effectiveness, and at the same time also creates benefits for its stakeholders.

The change in the way of enterprises' functioning, related to the reorganization of the activity goals, and the necessity to adopt the structure and the rate of functioning dictated by the necessity to cope with the requirements of the competitive pressure and market forces influencing entities in the contemporary economy are the reason for which enterprises have been forced to search for and create adaptation solutions, using existing and accessible capital (material, financial and human) components, organizational structures and the restructuring abilities of the subject, character and scope of economic activity. Therefore, in the present and future strategy of transformations and development of enterprises a special place in the process of managing them should fall on the comprehensive use of previous experiences and practical observations made during the preparation and realization of the restructuring processes since enterprises will be always expressing demand for changes of restructuring character because they bear chances of restoring balance to them in the evolving environment and create conditions for development and an increase in value in the future.

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Footnote

It is worth mentioning here that the maximization of the market added value of an enterprise means the multiplication of the capital invested in the enterprise (invested by shareholders, for example), whereas the maximization of the market value of equity is also called shareholder value creation or maximizing benefits for the owners from the wealth invested in the enterprise, that is so called shareholder's wealth. For additional information see: Rappaport A. (1986), *Creating Shareholder Value. The New Standard for Business Performance*, The Free Press, A Division of Macmillan, New York and Stewart G.B. (1994), *EVA: Fact or Fantasy*, "Journal of Applied Corporate Finance", vol. 7, No. 2,; quoted after: *Finanse we współczesnych procesach kreowania wartości (2008)*, Collective work under the supervision of: W. Caputa i D. Szwajca, CeDeWu, Warszawa.

[ii] For additional information, see: Jaki A., Rojek T. (2000), *Zorientowanie na wartość jako strategia rozwoju przedsiębiorstwa*, (in:) *Zarządzanie finansami. Współczesne tendencje w teorii i praktyce,* Volume I, Collective work under the supervision of D. Zarzecki, Wydawnictwo Naukowe Uniwersytetu Szczecińskiego, Szczecin and Jaki A., Rojek T. (2001), *Zarządzanie wartością a rozwój przedsiębiorstw globalnych*, (in:) *Zarządzanie wartością przedsiębiorstwa w warunkach globalizacji*, Collective work under the supervision of E. Urbańczyk, Wydawnictwo Naukowe Uniwersytetu Szczecińskiego, Szczecin.

[iii] The problem is tackled by, among others, E. Olsen in the article: *Rethinking Value-Based Management*, Handbook of Business Strategy, 2003, Vol. 4, pp. 286-301.

[iv] See the comprehensive analysis of the discussed problem in the article placed in the Internet resources: A. Ameels, W. Bruggeman, G. Scheipers, *Value-Based Management. Control process to create value through integration. A literature review*, Vlerick Leuven Gent Management School, pp. 6-8 – http://www.valuebasedmanagement.net/articles_ameels_valuebased.html - [8.02.2011]

[v] More on that: *Pomiar i ocena procesów kreowania wartości w badaniu efektywności przedsiębiorstwa (2009)*, Collective work under the supervision of R. Borowiecki, Foundation of the Cracow University of Economics, Cracow.
[vi] Value Based Marketing is a derivative of the overall concept of Value Based Management. It is an area of the search for competitive advantage, alternative to diminishing production costs. For numerous enterprises it is the only accessible area. Thus, marketing is a creative factor, shaping value for buyers and an ability of the enterprise to generate profits, and thus its market value. The following are regarded the basic marketing factors of value creation: marketing knowledge, strong brands, customer loyalty, strategic relations with other entities, selection of markets, discriminatory advantage. More on that: Niestrój R. (2006), *Rola marketingu w tworzeniu wartości firmy*, (in:) *Marketingowe strategie budowania wartości przedsiębiorstwa*, A. Czubała, Cracow University of Economics, Cracow and Doyle P. (2003), *Marketing wartości*, Wydawnictwo Felberg SJA, Warszawa.

Innovation in Sustainable Growth Facing the Economic Crisis

Marek Dziura
Cracow University of Economics, Poland

Key Words
Innovation, Sustainable Growth, Economic Crisis.

Abstract
The economic crisis has prompted an immediate response by governments to avoid a collapse of the financial and banking systems and limit the economic effects of the credit crunch. Such policies aim at stabilising the economy and initiating a rapid recovery. But policies also need to ensure that the recovery is durable, i.e. based on sustainable growth. The crisis should not damage the drivers of long-term growth, but should instead be used as a springboard to accelerate structural shifts towards a stronger, fairer and cleaner economic future. The most developed countries are focusing on measures to restore long-term growth – this is the part of their strategies to the economic crisis.

This paper investigates how current economic stimulus packages include measures directed towards investment in research and development, a modern infrastructure, education, the greening of the economy, support to innovation and to SMEs. This paper also examines how setting priorities and uncovering good practices, including in the area of evaluation and co-ordination of planned measures and increased international co-operation.

Introduction

The current crisis is the first of this severity to hit many countries, since they have shifted to knowledge based service economies where investment in intangible assets is of equal importance as investment in machinery, equipment and buildings. Efforts to stimulate the economy need to both reflect the current drivers of economic growth and take advantage of the process of "creative destruction" to accelerate structural shifts towards a stronger and more sustainable economic future (Canton and Uhlig, 1999). Innovation policies need to be adapted to current conditions both in terms of how such policies are crafted to work, but also as elements of stimulus packages that may often be the foundation for these medium- and long-term initiatives. Some countries are developing a strategic response to the crisis focusing on two priority areas: finance, competition and governance; and restoring long-term growth. As part of this strategic response, governments in many countries have analysed the likely impact of the downturn on the drivers of long term economic growth and the innovation related items in policy responses of major countries.

The economic crisis has prompted an immediate response by governments to avoid a collapse of the financial and banking systems and limit the economic effects of the credit crunch. Such policies aim at stabilising the economy and initiating a rapid recovery. But policies also need to ensure that the recovery is durable, *i.e.* based on sustainable growth. The crisis should not damage the drivers of long-term growth, but should instead be used as a springboard to accelerate structural shifts towards a stronger, fairer and cleaner economic future. Failing to do so might lead only to a temporary recovery as the macroeconomic and structural roots of the current downturn would remain untouched. This implies integrating long term concerns in the short term policy packages currently assembled by governments and implementing specific policies aimed at strengthening the supply side of the economy. While the impact of some of the latter actions may emerge in the medium- to long-term, they warrant consideration now because:

- they add credibility to government's borrowing demands that are imposing long-term debt, thus making a contribution to fiscal sustainability;
- they take advantage of structural changes imposed by the crisis to accelerate a redeployment of resources from ailing activities to those that offer the largest longer term economic and social benefits.

The foundation for these medium- and long-term initiatives consists of:
- fostering innovation through promoting entrepreneurship,
- investing in smart infrastructure,
- encouraging R&D,
- green investment,
- upgrading the skills of workers,
- steering market actors towards innovation related investments, and
- accelerating activities for which barriers may have been too high otherwise.

The crisis has been affecting determinants of long-term growth

The available evidence suggests that the crisis has already begun to affect innovation. Historically, business R&D expenditure and patent filings have moved in parallel with GDP, slowing markedly during the economic downturns of the early 1990s and of the early 2000s. Data on trademark filings, that reflect the creation of new goods or services, with or without technological content, shows that the business cycle is affecting a wide range of innovation.

Evidence for the current crisis confirms these findings. Corporate reports for the fourth quarter of 2008 in many cases already show a decline or slower growth in R&D spending. Forecasts for 2011 confirm the trend. A McKinsey survey of 500 large businesses worldwide indicated that over 30% expect to spend less on a R&D in 2011 while more than 20% forecast an increase. R&D is declining because it is mainly financed from cash flow (retained earnings), which contracts in downturns. At the same time, as banks, markets and investors have become more risk averse; firms face difficulties in tapping into external sources of funding to support their investments in R&D. Business R&D is also being re-oriented towards short-term, low-risk innovations, while longer term, high risk innovation projects are being cut first. The decline in business R&D risks affecting the stock of knowledge as highly trained researchers and innovators lose their jobs. Small, innovative firms are particularly hard hit because in many cases their primary asset is intangible in nature (*e.g.* an idea or a patent) and difficult to value, making it hard to borrow against, or sell, to stay afloat. The crisis can, however, magnify the competitive advantage of research intense firms who seize the opportunity to reinforce market leadership through increased spending on innovation and R&D. Many of today's leading firms such as Microsoft or Nokia were established or transformed in the "creative destruction" of economic downturns. And several of today's leading technology firms such as Samsung Electronics, or Google strongly increased their R&D expenditures during and after the "new economy" bust of 2001.

Fading support by the financial system for firms, and especially new entrants, is a major concern in the current context, underscoring the primary importance of fixing the financial system. Growing aversion to risk combined with other factors (such as difficulties for investors to exit) is already drying up many sources of seed and venture capital. The total amount of venture capital investment in the United States started declining at the beginning of 2008, and the fall accelerated at the end of 2008 and beginning of 2009. Total investment in the 1st quarter of 2009 was down 60% as compared with the 1st quarter of 2008, while 1st sequence investment was down 65%. Venture capitalists are concentrating their efforts on helping firms survive that are already part of their investment portfolio – not on new start-ups. In China, the number of Initial Public Offerings fell substantially at the end of 2008 as did venture capital investment, notably in high technology sectors (Archibugi, Denni and Filippetti, 2009; Archibugi and Filippetti, 2009)

Economic crises are historically times of industrial renewal. Less efficient firms fail while more dynamic ones emerge and expand. Creative destruction is an essential engine of long term efficiency in market economies, and it intensifies in downturns. Available data for many countries point to a sharp increase in bankruptcies and business failures in recent months. New business models and new technologies, particularly those allowing a reduction in cost, often arise in downturns, as was the case with low-cost airlines which grew out of the recession of the early 1990s. As dominant players weaken, they open space for new players and innovators.

However, economic downturns can have a detrimental effect on the creation of new, innovative businesses when access to financing dries up. Economic growth suffers doubly in the long term since innovative new firms exert competitive pressure on established firms pushing them to innovate. Barriers to entry are higher during downturns: studies for the United States, for example, show that fewer manufacturing firms enter during recessions, and that these firms are (on average) larger and more efficient than firms created during expansion phases.

Small and medium-sized enterprises (SMEs) in most countries are now confronted with a clear downturn in demand for goods and services if not a demand slump, crimping cash flow. And many SMEs are faced with two additional problems:

a) increased payment delays on receivables which add - together with an increase in inventories – to an endemic shortage of working capital and a decrease in liquidity and *b*) an increase in reported defaults, insolvencies and bankruptcies.

The sharp decline in trade, foreign direct investment and access to international financing, poses a risk to the global supply chains that underpin innovation. These supply chains are critical sources of new knowledge and learning. They provide companies with technical expertise, knowledge of foreign markets, critical business contacts and international partners. The current decline of trade and investment flows could have severe consequences for these knowledge transfers and for innovation at the global level. Trade is not at the origin of the crisis, but since it binds economies closely together, it helps to spread developments from one country to another – the negative developments as well as the positive.

The risks to global value chains emerge not only from the decline in international trade, but also from key suppliers facing bankruptcy, and from firms re-considering their investment strategies and retrenching to core markets. Protectionist policies could exacerbate these risks. It would increase the input costs for domestic industries and would penalise exporters twice, through higher costs and through retaliation from other countries.

Firms now rely on a global business model, and retrenchment risks disrupting international links, affecting growth and future innovation in most economies. Co-ordination of government actions can help address these risks, can produce a more effective, longer-lasting solution and can also result in positive spill-over effects.

Crisis-driven layoffs are on the rise in many countries and experience from previous recessions shows that many skilled workers will become unemployed. High-tech industries (like IT, aeronautics or pharmaceuticals) and knowledge intensive services (like financial services) are announcing layoffs almost daily. This human capital will quickly depreciate if the downturn is protracted. However, such talent could make an important contribution to the many innovative businesses that have experienced a shortage of skilled workers in the recent past, or could contribute to a new wave of innovative entrepreneurship.

Education and training are particularly important in the current crisis. In times of recession, budget constraints (in government, households and businesses) tend to reduce expenditure on education and training. On the other hand, due to rising unemployment, demand for training increases. Support for education and training during the current crisis can help displaced workers find new job opportunities and can thus support the restructuring process.

Efforts to promote a greener economy can also be compromised by the current crisis. Lower oil prices have already reduced incentives to switch to alternative energy sources – and the declining prices of raw materials are reducing pressures to use these resources more efficiently. Environmental innovation is also affected as consumers buy less expensive goods. Firms are therefore reluctant to introduce innovations because it is more difficult to reap a price premium. Moreover, as banks have reduced credit, process innovations that could reduce costs (*e.g.* energy saving equipment) are more difficult to implement, as they imply capital investments. New entrants are also limited by lack of venture capital and declining market prospects.

On the other hand, the prospect of industrial restructuring creates opportunities for new and greener businesses, whereas the depreciation of currently installed equipment (due to business downsizing or closure) offers opportunities for the promotion of environmentally friendly investments.

Innovation will be one of the keys to emerging from the downturn and putting countries back on a path to sustainable – and smarter – growth. Many governments have incorporated measures to strengthen innovation in their stimulus packages, and can also take action to improve their long-term potential for innovation (Castellacci, 2004).

The negative impact of the crisis on innovation is important as the crisis has magnified widely acknowledged market failures in innovation financing. Investment in innovation is now considered even more risky and some of the longer term investments in new technologies are particularly affected. Moreover, stimulus measures offer an opportunity to put available resources for innovation (notably skilled labour) to good use. In supporting private investment in innovation, care should be taken to ensure that government spending provides good value for money; the less promising innovation projects are among those abandoned first by the private sector and there is no reason to revive these with public money. Policies that can be considered in this context include:

- Focusing public support on promising research and innovation affected by the crisis, *e.g.* long-term and risky research, research conducted by start ups, and research addressing societal challenges (environment, ageing, etc.). Using existing instruments and vehicles for support can help maximise the short term impact.
- Well-designed public-private partnerships can help enhance the resilience of investments in R&D over the business cycle. One way of achieving this could be through adjusting the balance of public and private funding over the business cycle. Such partnerships can also be used at the local or regional level, *e.g.* in innovative clusters, to ensuring that government funds reach new and small players, thus reducing the risk of capture by "strong players".
- As with other investments in infrastructure, investments in research infrastructure can contribute both to stimulating demand in the short term and supply in the longer term.
- Open and competitive public procurement can also be used to support R&D, especially where it contributes to solving social challenges, *e.g.* mobility, energy or health.

Governments also need to focus on medium to long-term actions to strengthen innovation. Abroad range of policy reforms will be needed in most economies to respond to the changing nature of the innovation process and strengthen innovation performance to foster sustainable growth and address key global challenges. This involves, amongst others, fostering innovation in all its forms and broadening the focus of innovation policies beyond support for R&D.

Governments can prepare for the next phase of innovation-led productivity growth, for example, by encouraging the entry and expansion of new businesses or the exit or re-orientation of existing businesses facing difficulties. Several policy avenues can be considered in this regard:

-Encourage firm entry and growth, *e.g.* by reducing the administrative cost of creating a new company; reducing the barriers to growth of small companies; more favourable conditions for the survival and restructuring of ailing businesses (instead of quasi-automatic bankruptcy) should be considered; or developing microcredit for "necessity-driven" entrepreneurs, *e.g.* through loan guarantees to banks.

-Ease the liquidity constraint faced by small firms. The measures that have been put in place by countries can be classified in three different groups:

a) measures supporting sales and preventing depletion of SMEs' working capital such as export credit and insurance, factoring for receivables, tax reductions and deferrals, and better payment discipline by governments,

b) measures to enhance SME's access to finance, mainly to credit through bank recapitalisation and expansion of existing loan and credit guarantee schemes;

c) measures aimed at helping SMEs to maintain their investment level and more generally their capacity to respond in the near future to a possible surge in demand through investment grants and credits, accelerated depreciation, and R&D financing.

Several countries have introduced policies that are intended to support industries particularly affected by the economic crisis, such as the car industry. Introducing or increasing government subsidies to producers may undermine the long-term production capacity of the economy. Even if subsidies boost short term demand, they can backfire by postponing needed restructuring and wasting taxpayer funds. Furthermore, these subsidies can be protectionist measures, and may provoke retaliation from other countries and a global reduction in growth potential. Such measures therefore need to remain selective, and avoid bailing out firms which are not competitive.

The current crisis could also have negative effects on the communication sector which has been investing in high speed broadband networks and next generation switching technology. Telecommunication incumbents have historically had strong cash flow positions but face increasing difficulties raising sufficient capital. Smaller new entrants, with fewer assets and lower cash flow, may be disproportionately affected by capital shortages. There is also concern that incumbents will use the financial crisis as a means to obtain regulatory concessions from governments in exchange for promises to invest. Such concessions would have negative effects on the development of long term competition in the sector, innovation and lower prices.

Investment in high speed broadband communication networks that are part of economic stimulus packages must be accompanied by regulatory frameworks which support open access to networks and competition in the market. Such investment should also aim at stimulating the use of information and communication technologies (ICTs) to secure economic and social benefits. Linking ICT investment with other large physical infrastructure investment, such as buildings, roads, transportation systems, health and electricity grids, allows them to be "smart" and save energy, assist the aging, improve safety and adapt to new ideas. These infrastructures can also lower the barriers to entrepreneurial activities and provide means for the efficient and "green" delivery of energy, mobility and important social services – training, job search and networking.

The crisis also presents an opportunity to raise investment in human capital. Support for education and training can accelerate the healthy transition to new jobs and emerging opportunities. It is also essential for innovation, which requires a broad set of skills. Building such skills starts in primary school and continues through firm based training and lifelong education.

The crisis offers an opportunity and an incentive to improve efficiency in the use of energy and materials, to move towards more sustainable manufacturing, and to develop new green businesses and industries. Dealing effectively with many environmental challenges will require investment in innovative energy efficient buildings and transport systems, alternative energy supplies and "smart" electricity grids, pollution control, as well as investments in environmental infrastructures, such as sea walls to protect coastlines. Investing in the environment is thus an important element of many of the stimulus packages being put in place by governments of high developed and emerging economies. As with other elements of the stimulus packages, "green" investments should not be used as a cover for protectionist measures. Support programs, for example, should not be tied to the purchase of nationally-produced construction materials.

The crisis can also be a spur to much needed structural reform, where there is an opportunity for both economic and environmental gains. It provides an opportunity to reform or remove policies that may be expensive, inefficient and environmentally harmful.

Policy reforms will also improve the incentives for innovation, as they remove distortions in the market. At the same time, investors need a clear and credible price signal now to invest in a greener future. It is not a choice between better pricing *or* stimulation of technological innovation: both are vital. Analyses clearly show that better pricing will likely be one of the best triggers for the development and diffusion of greener technologies. New technologies, such as carbon capture and storage (CCS), will not be aggressively deployed in the coming decades without a clear carbon price. Even with such a price, however, the development and implementation cost of some technologies may be very high initially, and government investments in demonstration facilities may be needed.

Governments will also have to share the risk of new technologies with the private sector. A number of co-financing measures are already being employed by countries, including: R&D tax credits and public procurement policies to help stimulate private investment; public-private collaboration on R&D projects, including research clusters together with academic institutions; and selective targeted measures to support innovation in small and medium-sized enterprises (SMEs). Public R&D policies are particularly important now, when the private sector may have more difficulty making such investments. In the energy sector, public R&D has been falling since the early 1980s and greater public spending could potentially have a high return.

Today's world is one in which most economies increasingly rely on knowledge and services to drive their performance, where investment in intangible assets is of equal importance as investment in machinery, equipment and buildings. Efforts to stimulate the economy must therefore reflect the current drivers of economic growth, and take advantage of industrial renewal to accelerate the important structural shifts underway.

Governments will need to assess the longer-term impact of the crisis on innovation especially since many look to innovation-induced growth as a spark for re-igniting growth. In all likelihood, the crisis will accelerate changes already underway: the increasing internationalisation of investments in innovation; the growing role of countries such as Brazil, Russia India and China (BRIC) in the global geography of innovation; the increasing reliance on "open" innovation strategies that rely on partnerships and collaboration to share costs and spread risk; and the broadening of the range of actors who are innovating, including users and consumers making use of the Internet as a collaborative platform. But the crisis could also have a detrimental impact as aversion to risk takes root, as reinforced nationalism puts limits on trade and migration and as tight economic conditions lead to an increase in cybercrime that could erode trust in the Internet.

Innovation policies should be adapted to current conditions, in terms of policy design for both short-term stimulus packages, as well as medium- and long-term initiatives (Krammer, 2009). Policy instruments will have to be adapted to the more international and open character of innovation and to the central importance of non technological innovation. Equally important, innovation policies must form part of a coherent and well designed government strategy that takes account of the interactions and complementarities between different policies and increases the overall efficiency of resource allocation. In the current context, it will be particularly important that policies in response to the crisis will continue to provide sufficient incentives for risk taking, a key driver of innovation.

Innovation and long-term growth influence on the economic crisis

Governments in many countries are currently launching economic stimulus packages to address the economic downturn. Most governments have expressed the concern that their economic stimulus package should not only be limited to raise aggregate demand in the short run but also help raise aggregate supply and restore favourable conditions for innovation and growth. As a result, the recovery packages include measures directed towards areas such as investment in modern infrastructure, research and development (R&D), support to innovation and to small and medium-sized enterprises (SMEs), education, and the greening of the economy. The goal is to secure competitiveness and a new foundation for growth while using the downturn as a chance to begin work on several long-term goals, such as improving energy efficiency (Grossman and Helpman, 1991).

In many countries governments have developed a strategic response to the crisis focusing on two priority areas: finance, competition and governance; and restoring long-term growth (OECD, 2009). The economic crisis also increases the importance and the urgency of the innovation strategies. It is crucial to identify the strategies adopted by member countries to foster innovation and long-term growth in above elements of their policy responses. The first section of this part of the paper sets out the broad characteristics of the economic stimulus packages (*i.e.* their size and main features). The second section discusses measures relating to innovation and long-term growth. The third section discusses project selection, co-ordination, oversight and evaluation of these measures related to innovation and long-term growth.

Almost all countries have introduced discretionary measures in response to the crisis, though the crisis driven stimulus packages represent only one among other effects on government revenue and spending (e.g. the operation of automatic stabilisers).

Based on a consistent approach to the definition of packages, the size of fiscal packages, introduced as a direct response to the crisis and measured by their cumulated impacts on fiscal balances over the period 2008-10, amounts to about 3,5% of area wide 2008 GDP (OECD, 2009). The crisis related fiscal injection was typically expected to be strongest in 2009, although again with some variations between countries.

However, there is considerable variation in the size of packages across countries, partly reflecting the severity of the economic crisis, the fiscal position before the onset of the crisis and the size of automatic stabilisers. As a share of GDP, the size of the economic stimulus packages ranges between 0.1% of GDP to over 5% of 2008 GDP. An unweighted average of countries introducing positive stimulus packages implies a typical stimulus package amounting to more than 2,5% of GDP over the period 2008-10. But five countries (Australia, Canada, Korea, New Zealand and the United States) have introduced fiscal packages amounting to 4% of 2008 GDP or more, the US package - at about 5,5% of 2008 GDP - being the largest. Countries with the largest absolute spending are the United States, Germany, Japan, Canada, Spain, Australia and Korea (in decreasing order) – see Table 1.

Most countries have adopted broad ranging stimulus programmes, adjusting various taxes and spending programmes simultaneously. A majority of countries have given priority to tax cuts over boosting spending (although Japan, France, Australia, Denmark and Mexico are clear exceptions). On the spending side, all countries have launched and/or brought forward public investment programmes. Australia, Poland, Canada and Mexico are projected to be the most pro-active in this domain, with an increase in public investment as a response to the crisis close to 1% of 2008 GDP or more. Denmark, France and Japan also have a clear focus on public investment. Transfers to households have often been made more generous in particular for those on low incomes. A few countries (including the Czech Republic, Japan, Korea, Portugal, Mexico and the Slovak Republic) have also announced larger subsidies to the business sector.

A few countries are also carrying out significant economic stimulus packages, *e.g.* China (USD 585 billion, 19% of GDP), Brazil (USD 152 billion, 15% of GDP), Russia (USD 101 billion, 8% of GDP), Chile (USD 4 billion, 2.8% of GDP) although definite figures and exact spending details are hard to break out for most of these countries.

A comparison of the absolute or relative size of these stimulus packages and their components is challenging for various reasons.

First, most plans await political ratification and implementation and thus their details are still changing. Moreover initial plans are often followed up with additional measures (*e.g.* the case of Australia, Chile, Germany, the Netherlands, Slovenia, Switzerland, Japan or India who developed several packages).

Second, the exact financial details and how the priorities are weighted in budgetary terms are usually still uncertain. In some cases the plans propose new budgetary allocations (*i.e.* amounts which are supplementary to initial 2008, 2009 and 2010 budgets), whereas in many other cases they also propose to carry planned government spending forward (*i.e.* relabeling of planned expenditures). Also often the figures quantifying the size of the recovery packages are not for identical time periods (some covering 2009-2010 whereas others cover shorter or longer time horizons).

Third, the size of these plans usually does not take into account automatic stabilisers which work as a tool to dampen fluctuations in real GDP without any explicit policy action by the government. Analyses show that there is an inverse correlation between the size of discretionary fiscal packages announced/implemented among countries and the strength of so called automatic stabilisers.

Fourth, these figures do not take into account legislative or regulatory changes which might have important impacts (*e.g.* changing rules and procedures to facilitate the acceleration of planned investments and public procurement, introduction of new innovative R&D tax credit mechanisms).
Nonetheless, this is an attempt to provide a comparative, quantitative and qualitative description and analysis of certain aspects of crisis related stimulus packages of some countries.

Most economic stimulus packages aim to stimulate demand in the short term (injecting cash into the economy and protecting existing jobs). However, most governments also plan to foster medium- to long-term growth through investments which have repercussions on the supply side.
The nature of plans can be distinguished between:

- measures aimed at saving banks and the financial system – excluded from the scope of this document, where possible,
- measures aimed at supporting businesses (tax cuts – including cuts in value added tax rates, short-term credit guarantees, reduction of non-wage labour costs, stimuli for retaining or hiring staff),
- measures aimed at particular industrial sectors (notably the automobile and the construction sectors),
- measures to support household consumption and reduce their exposure to the crisis (including tax cuts, cash payouts to households, unemployment benefits, support to low earners such as pensioners, cuts in healthcare costs, home owners' grants), and finally,
- measures relating to innovation and long-term growth, which are the focus of this paper. Certain measures also take the form of regulatory adjustments (*e.g.* non-financial measures to stimulate green technologies).

Most economies focus on the following themes in existing economic stimulus packages:
- improving the infrastructure (*e.g.* roads, mass transit, information and communication technologies [ICT]).
- support for science, research and development (R&D) and innovation.
investment in human capital, education/training (including schools, teachers).
- promoting the investment in and uptake of green technologies and innovations to foster energy-efficiency and sustainable economic growth.
- support for innovation and entrepreneurship (including support for innovation and investment in small and medium-sized enterprises [SMEs], venture capital, etc.).

Most countries announce that they are implementing the above measures in order to emerge stronger from the crisis through sustainable investments in infrastructure, research and other means to secure competitiveness and a new foundation for growth in the future.

The planned measures relating to innovation and long-term growth

In terms of financial weight, infrastructure investments, education and sometimes green technologies are the first and second most important of these spending items in stimulus packages. Yet, in many cases the above components of economic stimulus packages are related: *e.g.* additional financial measures in favour of infrastructure overlap with spending on R&D (new laboratories) and spending on the education category (new schools). Similarly, investments in green technology contain some spending for more energy-efficient housing (*i.e.* infrastructure) or R&D (fostering research in renewable energy). Some more medium-term impacts also exist, *e.g.* scientific research results fostered by increased R&D budget might later prove useful for the development of "smarter" infrastructures (*e.g.* intelligent transport systems) or greener technologies.

The policies are only part of the government responses to the economic crisis and only a broader analysis can yield an understanding of all public measures and their impacts.

Most economic stimulus packages contain a focus on improving the national infrastructure – mostly through public works. The targeted infrastructure investments are mostly concerned with roads, railroads (including freight networks), public transport, airports, childcare facilities, schools and universities, hospitals, energy networks and security, and a modern ICT infrastructure.

Non-regulatory measures in the field of infrastructure are also heavily concerned with the streamlining of the approval process of (large) infrastructure projects.

Investments in R&D and innovation are a priority in economic stimulus packages. In principle, through these measures governments formulate and adhere to R&D spending targets (including increases in R&D funding, or measures for specific research areas, and investments in R&D infrastructure), stimulate private R&D investments (including through R&D tax credits, public procurement), implement measures for SMEs, and policies with a particular concern for R&D employment and skills and innovation (*e.g.* avoiding unemployment of young researchers and loss of skills) (Barrett, Musso and Padhi 2009).

In a few cases, the plans also include non-regulatory measures to spur certain innovations, *e.g* regulations spurring or directing research in life sciences (*e.g.* on issues such as stem cell research) or directing green technology research areas (*e.g.* standards on renewable energy, etc.). Institutional issues such as public-private collaboration and knowledge transfer, and international co-ordination are part of very few stimulus plans but still appear only marginally, *e.g.* in the area of life sciences or green technologies. An example is the launch in 2009 of the EU's public-private partnerships for a total of EUR 3.2 billion of research on European green cars, energy efficient buildings and factories of the future, all of which will address green technologies.

Looking at the R&D and innovation components in greater detail, the EU has urged its member states to increase planned investments in education and R&D (consistent with national R&D targets) and consider ways to increase private sector R&D investments, for example, by providing fiscal incentives, grants and/or subsidies. Priorities of the Lisbon Agenda are again of increased relevance (large research infrastructures, knowledge transfer schemes, joint R&D programmes, mobility of researchers and international co-operation).

The EU also urged to reduce by up to 75% the fees for patent applications and maintenance. Finland has announced that it will keep to its target of extending R&D expenditures to up to 4% of GDP; Norway has allocated more than NOK 1.8 billion in direct grants for R&D and innovation, and Sweden has allocated additional funding of SEK 5 billion for university R&D and SEK 3 billion for public R&D institutions. Norway, Germany has pledged EUR 900 million for R&D in small and medium-sized enterprises in 2010 and 2011 and EUR 500 million are intended to foster the development of hybrid and other clean car technologies. Besides measures relating to its R&D tax credits, France is planning to foster nanotechnology research with EUR 70 million and to support ICT research networks for higher education.

Some measures in Europe were focused on R&D employment.

Support for education and training that enables the transition to new jobs and emerging opportunities is also recognised as important in existing stimulus plans. Some countries even choose to put this at the heart of their recovery plans (*e.g.* the United Kingdom, Germany). Next to investments in childcare facilities, schools, and university infrastructures, countries are mostly focusing on encouraging firms to retain their staff, to recruit new employees and to foster skills. Such measures frequently focus on helping SMEs or fostering entrepreneurship.

Policy makers are using the crisis as an opportunity to undertake "green" infrastructure investments. The stimulus packages aim to make an impact on improving energy efficiency and speeding the move to a low-carbon economy, in particular also through support for related research, science and pilot projects. The promotion of energy saving and new energy technologies (*e.g.* next generation solar power) as well as tax measures that encourage green investment or the purchase of green products rank high in these plans.

The EU stimulus plan includes calls on member states to improve the energy efficiency of the housing stock and public buildings and promote the rapid take up of 'green' products. A fund for energy, climate change and infrastructure projects is planned. Innovative financing models will be elaborated. Performance requirements and measures to promote green products are a priority.

Many countries are devising schemes to help firms (and in particular small and medium-sized enterprises, SMEs) and entrepreneurship. Measures include tax breaks for companies, initiatives intended to bridge liquidity gaps (*e.g.* ensure banks keep lending to business, government backed loan guarantees or loans for small firms, export credit guarantees), the simplification and speeding up of administrative procedures, the promotion of start-ups and entrepreneurship, employment plans that allow SMEs to avoid lay-offs, and directing government procurement to young or smaller firms while also ensuring the rapid payment of invoices to SMEs.

Next to non-financial measures mentioned as part of the five themes identified above (notably the measures to green the economy), most countries propose a simplification and speeding up of administrative procedures, mostly with regard to starting up a company, public procurement, tendering rules and initiating construction work (including building permits, especially for large infrastructures).

Details on how the stimulus packages will be governed and executed, how individual projects will be selected, how these will be co-ordinated across different government entities and levels and evaluated are only starting to emerge. In most cases the precise mechanisms of how to allocate, disburse or oversee the sums proposed through the economic stimulus packages have not been decided upon.

More work is needed on identifying which specific projects can be implemented in a relatively short time span to boost demand but which also meet the objective of having a supply side effect in boosting innovation and the fundamentals for long-term growth.

Conclusion

The most developed countries are focusing on measures to restore long-term growth – this is the part of their strategies to the economic crisis. This paper shows how current economic stimulus packages include measures directed towards investment in research and development, a modern infrastructure, education, the greening of the economy, support to innovation and to SMEs.

This paper should also help setting priorities and uncovering good practices, including in the area of evaluation and co-ordination of planned measures and increased international co-operation. It can also help debates on how to reconcile necessary short-term stimulus measures and plans to foster long-term economic and sustainable growth.

To conclude, more analyses will be needed to monitor the implementation and assess the impact of these economic recovery measures.

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Problems and Prospects of Family Business with Special Reference to Hardware Business in Coimbatore District

P. Bruntha
NGM College, Pollachi, Coimbatore Dist, Tamil Nadu, India
S .Sathyabhama
NGM College, Pollachi, Coimbatore Dist, Tamil Nadu, India

Key Words
Family Business, Entrepreneurship, Sustainability, Spychographic Profile, Demographic Profile, Entrepreneurial Intensity.

Abstract
Family owned businesses play a vital role in the economy of a country, therefore their sustainability and succession is a topic that requires adequate research and analysis. Family managed business employs half the world's workforce and generate well over half the world's GDP. In the U.S. 24 million family businesses employ 62 percent of the workforce and account for 64 percent of the GDP. In India it is estimated that 95% of the registered firms are family businesses .This is required to determine future development of the family owned business and their contribution to the economy. In this back ground an attempt has been made in this study to trace out the problems and prospects of family business in the field of hard ware business in Coimbatore. Research has been conducted analyzing the family businesses, their success in carrying it to the next generation and the constraints involved. Coimbatore the ***"Manchester of South India"*** *is the second largest city of Tamil Nadu and is one of the fastest growing cities in India. It is famous for the export of goods such as textiles, electric motors, pumps, automobile spares, iron steel and aluminium castings. The study area is an industrialized region, manufacturing processed food, cotton and transport equipments. There are more than 25,000 small, medium, large and tiny industries and textile mills. Hence the importance of hardware business could be felt in the district. This research will analyze Indian owned family businesses that are at a minimum level of second generation doing the hardware business within the Coimbatore district .The purpose is to investigate whether there is any specific attributes which have contributed to their success, to investigate into the problems faced by them despite their success and the future prospects.*

It draws demographic & psychographics profiles of entrepreneurs in family business, identifies & addresses operational problems faced by them in family business, draws their inclination for future plans for growth and expansion. The variables that have been investigated in are demographic variables like age, marital status, education, spouse detail, number of children, psychographic variable, the degree of commitment of entrepreneurs towards their business (entrepreneurial intensity), entrepreneurial challenges in running the business and finally the future plans of entrepreneurs for expansion. The findings of the present study will suggest several avenues for future research on various untouched areas of family business in India.

Introduction
Family business can be defined as an enterprise which in practice is controlled by members of a single family. The family members are involved in management or ownership and the business will carry on for more than one generation. According to the definition by Cullen (2007) a family owned business is one which has been started by an entrepreneur/founder and eventually progresses to being owner managed and then results in more than one member working in the business, which leads to a family partnership. The business is expected to be passed on to succeeding generations of the family, some times through marriage, which leads to sibling partnerships and eventually family syndicates where the descendants of the original founder own or control or participate in and/or benefit from the business. The most conservative definition classifies family businesses as businesses owned by families with voting control of the business, and multiple generations that are involved in the everyday business procedures. Regardless of how broadly or narrowly family businesses are defined, it is critical to recognize that they

make significant contributions to the gross domestic product and total wages earned in the United States (Glueck & Meson, 1980;Ibrahim & Ellis, 1994; Shanker & Astrachan, 1996; Ward, 1987.

Family owned businesses play a vital role in the economy of a country, therefore their sustainability and succession is a topic that requires adequate research and analysis. This is required to determine future development of the family owned business and their contribution to the economy. Family managed business employs half the world's workforce and generate well over half the world's GDP. In the U.S. 24 million family businesses employ 62 percent of the workforce and account for 64 percent of the GDP. In India it is estimated that 95% of the registered firms are family businesses. Not all businesses are started with the only motive or profit maximization. There are many businesses which are established for the preferences of the owners and their families and give paramount importance to the satisfaction derived from running a business as a family. That is the essence of family business. Within the Coimbatore district, which is called the Manchester of South India, the various businesses especially industry oriented business has profound importance. Hence there is a need for the study about hardware business. The research has been conducted analyzing the family businesses, their success in carrying it to the next generation and the constraints involved.

This research will analyze Indian owned family businesses that are at a minimum level of second generation doing the hardware business within the Coimbatore district. The purpose is to investigate whether there is any specific attributes which have contributed to their success, to investigate into the problems faced by them despite their success and the future prospects. The study draws demographic & psychographics profiles of entrepreneurs in family business, identifies & address operational problems faced by them in family business, draws their inclination for future plans for growth and expansion

Statement of the Problem

Based on the number of published articles and the number of peer-reviewed scholarly journals, it is found that the amount of research conducted on family-owned businesses is significantly increasing.

Although family business research has increased, many researchers consider it understudied field (Winter et al., 1998). It seems as though the research that has been conducted has been narrowly focused on certain aspects of family-owned businesses, such as succession issues. Thus, there are many aspects of family-owned businesses that have yet to be given more attention, such as family business success and profitability issues.

In order to help family business owners and managers better understand business issues related to success and profitability and to help them succeed in their businesses, more research should be conducted to determine what factors are associated with business success and business profitability.

This research is intended to conduct a study on the multi-dimensional issues and challenges in family business especially in hardware business in Coimbatore District. Being an industrial area, hardwares is one of the many important businesses of Coimbatore District. Moreover, the business is done as family business for many years in and around Coimbatore. The variables that have been investigated are demographic variables like age, marital status, education, spouse detail, number of children, psychographic variable, the degree of commitment of entrepreneurs towards their business (entrepreneurial intensity), entrepreneurial challenges in running the business and finally the future plans of entrepreneurs for expansion.

Objectives of the Study

1. To study the Socio Economic profiles of family business with respect to hard ware business.
2. To study the Business Profile of hardware trading firms in Coimbatore District
3. To identify the prominent problems of the family business in hardware firms.
4. To identify the variables associated with level of satisfaction of entrepreneurs in family business

Methodology

Since Family Business play an important in our country, it is required to analyze the future development of the family owned business and their contribution to the economy. Attempt has been made in this study to trace out the problems and prospects of family business in the field of hard ware business in Coimbatore. Research has been conducted analyzing the family businesses, their success in carrying it to the next generation and the challenges involved.

Sampling Design

Out of the hardware business in Coimbatore district, 50 were taken as sample according to convenient sampling method for the study. The required primary data was collected by distributing Questionnaire. The secondary data were collected from various magazines, news papers and related websites.

Tools Applied

Simple Percentage, Weighted Average method, and chi square analysis with 5% level of significance.

Hypothesis

The following hypothesis was framed for the study.

Null hypothesis

There is no significant relationship between satisfaction level of the entrepreneurs and the following:

1. Age
2.Family type
3. Age of business
4. Nature of business
5. Members detail
6. Spouse detail
7. Type of business
8. Reason for coming to business
9. Margin of profit
10. Decision making
11. Capital employed
12. Generation of business
13. Future expansion
14. Area of business
15. Employees
16. Entry into business
17. Change of business after succession
18. Family vision
19.Basis of work
20.Succession planning

Limitation of the Study

The main limitation is that the study has narrow geographical coverage. The study covers only the Coimbatore. The other limitation is the sample size. Due to time constraint, only 50 samples were taken for the study. The study is limited only to the hardware business and other business was not taken.

Analysis and Interpretation: Simple Percentage			
Variables		**Frequency**	**Percentage**
1. Age of the Respondents	Below 25	3	6
	26 to 40	21	42
	41 to 60	22	44
	Above 60	4	8
	Total	**50**	**100**
2. Educational Qualification	No formal Education	1	2
	Upto 10^{th}	14	28
	Higher secondary	12	24
	Graduation	17	34
	Post Graduation	6	12
	Total	**50**	**100**
3. Family Type	Nuclear Family	15	30
	Joint Family	35	70
	Total	**50**	**100**
4. Age of Business	Less than 10 yrs	11	22
	10 to 20 yrs	26	52
	More than 20 years	13	26
	Total	**50**	**100**
5. Present Generation	I	12	24
	II	31	62
	III	5	10
	Iv and above	2	4
	Total	**50**	**100**
6. Type of business	Wholesale	24	48
	Retail	18	36
	Dealership	8	16
	Total	**50**	**100**
7. Nature of Business	New	12	24
	Inherited	38	76
	Total	**50**	**100**
8. Spouse Detail	Home maker	5	10
	Government Employee	4	8
	Private Employee	1	2
	Same Business	27	54
	Other	13	26
	Total	**50**	**100**
9. Members in Business	Only family members	29	58
	Only Relatives	2	4
	Friends and Family members	4	8
	All	15	30
	Total	**50**	**100**
10. Type of Business	Sole proprietorship	33	66
	Partnership	11	22
	HUF	6	12
	Total	**50**	**100**

11. Idea of future expansion	Yes	31	62
	No	19	38
	Total	50	100
12. Was the business started in Coimbatore?	Yes	36	72
	No	14	28
	Total	**50**	**100**
13. Reason for doing family business	Motivation for Entrepreneurship	6	12
	Opportunity	8	16
	Both I and II	21	42
	Necessity	15	30
	Total	**50**	**100**
14. Capital Employed	Less than 5 lakhs	7	14
	5 to 10 lakhs	23	46
	10 to 25 lakhs	13	26
	25 to 50 lakhs	4	8
	50lakhs to 1 crore	1	2
	More than 1 crore	2	4
	Total	**50**	**100**
15. Margin of Profit	10 to 30%	13	26
	30 to 50%	29	58
	More than 50%	8	16
	Total	**50**	**100**
16. No. of employees	No employees	7	14
	Less than 3	19	38
	3 to 10	17	34
	More than 10	7	14
	Total	**50**	**100**
17. Role of women in business	Yes	18	36
	No	22	44
	Minimum contribution	10	20
	Total	**50**	**100**
18. Decision making	Self	23	46
	Joint	23	46
	Elders	4	8
	Total	**50**	**100**
19. The age of children when brought into business	Below 20	4	8
	20 to 30	3	6
	Above 30	39	78
		4	8
	Total	**50**	**100**
20. Female child's participation	No female child	5	10
	Yes	23	46
	No	22	44
	Total	**50**	**100**

21. Change of business after succession	No change	30	60
	Partially changed	18	36
	Complete change	2	4
	Total	**50**	**100**
22. Family's vision for Business	No updation	23	46
	Update regularly	27	54
	Total	**50**	**100**
23. Basis for work	Age	6	12
	Skill	16	32
	Interest	28	56
	Total	**50**	**100**
24. Succession Planning	Yes	17	34
	No	9	18
	Can't say	23	46
	Looking for outsiders	1	2
	Total	**50**	**100**
25. Satisfaction level	Fully satisfied	33	66
	Partially satisfied	17	34
	Not satisfied	0	0
	Can't say	0	0
	Total	**50**	**100**

Socio Economic Profile

On applying the Simple percentage for the sample data collected, it is evident that 44% of the respondents doing family business are with the age group of 40 to 60 and 34% have completed their graduation. 70% of the respondents follow joint family system and are 52% of them are in the business for 10 to 20 years. About 62% of the respondents are of II generation and only 24% have started the business newly. The rest of the respondents have inherited the business from their elders.

Economic Profile of Business

It is to be noted that in more than half of the family business ie., in 54% of the business, the spouse is involved in the same business, which is a boon to the business. About 58% of the family business is supported by the members of the same family, rather than the relatives or friends. 62% of the respondents say that they have come into the business because of their intention to become an entrepreneur and they see it as an opportunity. 46% of the family business is run with the capital of 5 to 10 lakhs and 58% have a profit margin of 30% to 40%. 38% of the firms employ less than 3 employees.

As far as the role of women is concerned, 44% of the women fully support the business and 10% of them have some contribution in the business. The decision making is done jointly by 48% of the firms and the children are brought into the business at the age from 20 to 30 years in 76% of the firms. 60% of the respondents say that they have not changed the business after succession and in 38% of the firms they enter the business out of interest rather than age or skill. 46% of the firms are not interested to disclose the succession planning and out of the 50 respondents, 66% of them are satisfied with the business they do.

Chi-Square Analysis

Variables	**Chi Square Value**	**Result**
1. Age	2.842	No Association
2.Familytype	.344	No Association
3. Age of business	3.941	No Association

4. Nature of business	3.841	No Association
5. Members detail	3.531	No Association
6. Spouse detail	5.863	No Association
7. Type of business	1.453	No Association
8. Reason for entering family business	7.140	Association
9. Margin of profit	.549	No Association
10. Decision making	2.918	No Association
11. Capital employed	6.757	No Association
12. Generation of business	.698	No Association
13. Future expansion	.897	No Association
14. Area of business	.680	No Association
15. Employees	2.662	No Association
16. Entry into business	1.822	No Association
17. Change of business after	1.822	No Association
18. Family vision	1.705	No Association
19.Basis of work	.132	No Association
20.Succession planning	10.016	Association

Weighted Average

The following problems were taken for the study and the foremost problem faced by the family business was ranked based on weighted average method.

Weighted Average

Problems	**1**	**2**	**3**	**4**	**5**	**Total**	**Rank**
Family business stops growth	5	18	10	16	1	140	VIII
Decision making becomes a problem	23	20	0	6	1	92	II
Difficult to obtain credit	1	9	7	21	12	184	X
Succession problem	28	21	0	1	0	74	I
Higher education is affected	5	31	5	7	2	120	IV
Self development scope is limited	2	28	4	14	2	136	VII
Technological updation is difficult	21	16	2	6	5	108	III
Independence is affected	18	18	5	7	7	132	V
No encouragement from elders	10	15	8	16	1	133	VI
Family values get affected	4	18	8	15	5	149	IX

On applying the weighted average method, it was found that the problem of succession was the major problem is most of the firms. The next foremost problem was that there is problem in decision making. Difficult in updation of technology and the higher education being affected were the problems ranked third and fourth while the problems like Independence is affected no encouragement from elders, family business stops growth, limited scope for self development occupy the fifth, sixth and seventh place. Not many say that the family business stops their growth and the business gets affected by family values. Almost most of the respondents have not found any difficulty in obtaining credit since because it is a family business.

Findings

1. 62% of the respondents are in the II generation and 76% of the respondents have inherited the business from their elders.
2. 62% of the respondents say that they have come into the business because of their intention to become an entrepreneur and they see it as an opportunity.
3. 46% of the family business is run with the capital of 5 to 10 lakhs and 58% have a profit margin of 30% to 40%. 38% of the firms employ less than 3 employees.

4. As far as the role of women is concerned, 54% of the women have contribution in the business.
5. The decision making is done jointly by 48% of the firms and the children are brought into the business at the age from 20 to 30 years in 76% of the firms.
6. It is found through chi-square analysis that the reason for the entry into business and the succession planning had association with the satisfaction level.
7. Succession problem was found to be the most important problem followed by the problem in decision making for many of the firms while they don't agree with the opinion that is difficult to get credit or the family values affect business.

Suggestions

Family businesses are carried on by the members of the same family and are taken to the next generation by the successors. The problem is found to arise in choosing the successor. If proper planning is done before hand and if appropriate techniques like performance appraisal or voting technique are used to identify the right successor, this problem can be overcome.

The decision making is certainly a problem when more members of the family are involved in business. By making the decision making process more transparent and getting the suggestions of all the members, the difficulty in decision making can be curbed to a great extent.

Conclusion

It is easy to give family-owned firms suggestions on how they can overcome their challenges but it may not be very smooth in practice. Family ties and traditions are very deep rooted in family firm. Though the family firms face few challenges like succession and decision making problems, they are strong enough in carrying it to the next generation. It is well understood by the satisfaction level exhibited by the respondents. All important and critical decisions were made from the family heads who shared a blood relationship and it is strong bond found in the family business which has lead to its success of running it to generations. It could therefore be inferred that Family-owned-businesses were able to meet increasing targets due to the bestowment of authority and decisions from and within the family. Every successful family business management depends on proper balance between their family and business. With this optimism, we hope that the prospect of family business will succeed further in the future.

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Restructuring challenges of the Polish economy in the face of economic crisis

Ryszard Borowiecki
Cracow University of Economics, Poland

Key Words
Economic crisis, economic growth, polish economy, globalization, co-dependentstructural change.

Abstract
21st century is the arena of extremely dynamic and turbulent changes we are not only witnessing, but also participating in. They generate new challenges for the functioning of economies of particular countries and behaviours of companies – basic elements of the subjective triad of each economy. Therefore, in contemporary economic circumstances, survival and development of companies requires understanding of not only principles of global business but, first of all, of the change in methods and strategy of their management.

The paper attempts to present - in general – the background, reasons and consequences of changes in behaviour of contemporary companies, as well as justifies the need of system reconstruction and modernization of their structures in current management conditions, and draws attention to the need for searching and continuous improvement of mechanisms, processes and managerial management instruments.

One of the most characteristic features of our times is the progressing globalization of nearly all spheres of life – economy, law, education, science, politics, culture, tourism or consumption patterns. It makes national economies more co-dependent than they used to be in the past, which leads to new economic links, in terms of quality, among particular countries and their regional groups, as well as markets and companies. These links result from the increasing freedom, as well as the pace of entering into and implementing international transactions, flow of goods and services, resources, production factors and information on international scale, in this way becoming the leading determinant of dynamic changes and development of contemporary companies.

The paper concentrates on the important topics which are the following:

- *globalization of economy – challenges for competitive behaviours and structural changes in companies, and especially challenges of the 21st century economy versus management and pragmatics of introducing changes in a company,*
- *economic analysis as a tool of evaluating effects of changes and development of companies in global economy*

The processes of globalization, as well as progressing impact of new economy on the surrounding reality resulted in the breakdown of the previous paradigms of companies' operations. Trends indicating directions for economy development in the 21st century to an increasing extent cause the need for changes in the way of thinking of managers and in the indicators of strategy of companies' management as the basic elements of the subjective triad of each economy. Therefore, in the times of breakthrough, it is expected from companies to adjust the missions, functions and tasks as well as methods and management system to radically changing conditions of their operations, which are implied by the processes of globalization and economic integration as well as technological and information challenges. This means that companies of the 21st century have entered a completely new stage of their operation – a stage of permanent changes. In terms of effectiveness and creativity they are an instrument of fundamental, basic transformations in companies, creating conditions for success in contemporary economic circumstances.

The Impact of Corporate Social Responsibility Reporting (CSRR) on Financial Performance – Empirical Evidence from Sri Lanka.

Hettiarachchi D.C.
University of Sri Jayewardenepura, Sri Lanka

Gunawardana K. D.
University of Sri Jayewardenepura, Sri Lanka

Key Words
Sri Lanka, Colombo Stock Exchange, Corporate Social Responsibility Reporting, Panel data, Return on Assets, Tobin's Q.

Abstract
CSRR is at a nascent stage in Sri Lanka. The relationship between Corporate Social Responsibility Reporting (CSRR) and financial performance is an ongoing debate and it is a vexing problem faced by all business organizations.

This study, using panel data, attempts to address the question of whether CSRR is linked to financial performance of companies listed on the Colombo Stock Exchange in Sri Lanka. The sample includes only the companies which issue a separate sustainability report in addition to annual report or the companies which devote a separate chapter to record Corporate Social Responsibility (CSR) activities in the annual reports. Voluntary adoption of CSRR has been measured by using three dimensions, namely; Employee, Environment and Community. Return on Assets (ROA) and Tobin's Q ratios were used to measure corporate financial performance (CFP). Two multiple regression models were analyzed by using E-views Statistical Software Package.

Findings of the study revealed that, CSRR is at a low level and only few companies are engaging in extensive reporting in Sri Lanka. It was found that, even though dimensions of CSRR are not individually significant with ROA and Tobin's Q, they are positively and jointly significant to financial performance measured in terms of ROA and Tobin's Q.

Introduction

Background of the Study

The concept of CSR has received an increasing amount of attention and it has been of growing concern in both the academic and business fraternities in recent years. Today, most of the companies are engaging in CSR as a part of core business operations of a company. Margolis and Walsh (2003) stated that much of the current confusion in the corporate social responsibility literature is due to a lack of clarity about definitions and assumptions. According to International Alert (2005), even though, the concept of CSR has a long history, CSR study is still in its infancy period and appears to be at an emerging stage in Sri Lanka.

The emerging view is that CSRR can contribute to the financial performance of the company. The results of these studies are mixed such as; positive, negative and neutral impact on financial performance. The study focuses on whether CSRR is linked to financial performance of listed companies in Sri Lanka.

The paper is structured as follows: this is an introductory section, which provides the synopsis of the research. In this section research problem has been derived and finally the research problem has been divided into number of research questions. The second section exhibits the relevant literature, which favor in nurturing the research problem that how CSRR effect to the overall financial performance of the companies listed in the Colombo Stock Exchange (CSE) in Sri Lanka. The section covers the methodology of the study concerned. Fourth section is reserved for the presentation of data analysis and its findings. At the end of study, in the fifth section, there is a discussion on the findings which are precisely presented in the fourth section. Further, it ends with the conclusions of the study. The references are prevented at the end of the research paper.

Problem Statement

According to the study of William, S.M.,Ho.,W.P.C. (1999), the awareness level of managers towards CSR is high, but it is not followed by reporting, few firms seriously engaged in CSRR in order to reduce the pressure from various stakeholders. So, attention has also been paid to analyze *what* and *how* companies report on CSR and the quality of that reporting.

A great deal of effort has been put into examining *why* companies report and *what* they do. Based on the literature, various studies have been conducted in order to find out the relationship between CSRR and financial performance. There is no specific sign for the relationship between CSRR and CFP. The sign may imply negative, positive or neutral linkages. Therefore, this is an ongoing debate and to date there is no clear empirical relationship. Therefore, many researches excavate into this matter in order to find any empirical relationship between CSRR and CFP. It is understood that the relationship between CSRR and CFP is still controversial and open area for further researches. Therefore problem statement of the current study is "*what is the existing level of disclosure of CSR in annual reports and what is the impact of disclosure of Corporate Social Responsibility on Corporate Financial Performance?*"

Research Questions

The following research questions are examined in the study based on the above research problem.

- What is the existing level of disclosure of CSR in annual reports of the companies listed on the CSE in Sri Lanka?
- What is the relationship between the existing level of disclosures CSR in annual reports and financial performance of the companies listed in the (CSE)?

Objectives of the Study

There are two research objectives in the current study as shown below;

- To examine the existing level of disclosure of CSR in annual reports of the companies listed on the Colombo Stock Exchange in Sri Lanka.
- To examine the relationship between the level of disclosure of CSR in annual reports and financial performance of the companies listed on the CSE.

Significance of the Study

As explained by Wijesinghe K.N. and Senaratne S. (2010), the relationship between CSR and CFP is a vexing problem faced by all business organizations. Though there are numerous researches on the relationship between CSRR and CFP, still findings are debatable and it is still open for potential researches. Therefore, it is important to study the relationship between CSRR and CFP in the Sri Lankan context.

CSR disclosure is not a mandatory and some companies voluntary provide some information with regard to social and environmental matter in Sri Lanka. Accordingly, decisions over whether to disclose, how much to disclose and what type of disclosure to make are taken by the company itself. Therefore, it is important to assess how Sri Lankan companies voluntarily engage in CSRR practices. This research investigates how the business community in Sri Lanka views its role in wider society; how it is currently engaging in CSRR.

CSR awareness in Sri Lanka is a relatively new issue, compared to other nations. According to International Alert (2005), CSR study is still in its infancy period and appears to be at an emerging stage in Sri Lanka. Especially in Sri Lankan context, there is a lack of research evidence in this regard. This research would fill the so identical research hole. In conclusion, findings of the study would support companies to sense in depth about CSR and step up in to new reporting areas of sustainability.

Scope of the Study

The corporate annual report is the main form of corporate communication and, particularly in the case of quoted companies, is made widely available as defined by Adams and Harte (1998). As explained by Deegan and Rankin (1997), annual reports play a complex role in communicating information to the corporation's target audience and those are regarded as important document in disclosing CSR information due to the high degree of reliability information reported to stakeholders as the sole source of certain information such as environmental information. Woodward (1998) stated that, annual reports are usually considered the mode which has more accessible to researchers than other corporate reports.

The study is conducted to analyze the effect of CSRR on CFP. Data from the Annual reports was collected from a sample of companies listed on the CSE. Gray, R.H., Kouhy, R. and Lavers, S. (1995b) have also suggested that the annual report is the major medium for a company to promote itself and the inclusion of other information (such as environmental) with the financial may indicate its relative importance. The sample was selected after conducting a preliminary study, which was conducted to identify the companies who issue a separate sustainability report in addition to the annual report or the companies which have devoted a separate chapter to record CSR activities. According to the results, there were 78 listed companies which record CSR activities. In the current study, researchers identified the impact of disclosure of CSR on CFP of those 78 companies who issue a separate sustainability report in addition to the annual report or who have devoted a separate chapter to record CSR activities in the annual reports which are taken out of the 232 companies listed on the CSE in the year 2009.

The purpose is to address the effect of CSR disclosures on financial performance through an examination of corporate social disclosures by listed companies in different industries over a period of three years from 2007/2008 to 2009/2010. Two widely used financial indicators, namely the accounting profit ratio such as Return on Assets (ROA) and Tobin's Q (TBq) as a market based ratio were used to analyze the impact of socially responsible behavior on financial performance. Employee, Environmental and Community dimensions were used to measure CSRR of a company based on the literature. In order to test hypotheses regression analysis was used.

Limitations of the Study

There were certain limitations observed in the course of this research. Data was collected from the annual reports and sustainability reports. It will be more useful to collect information related to disclosure of CSR from the sources such as, brochures, press releases and semi-annual reports, any publication based on the internet/websites and all the other published documents in relation to corporate social reporting in addition to annual reports.

The other issue is the element of subjectivity involved in disclosure analysis. This subjectivity arises due to qualitative nature of the study. According to Wijesinghe K.N. and Senaratne S. (2010), measurements of CSR were based on annual reports which were self-reported disclosures by the firms. The CSR activities reported by companies might be overstated understated. Over-reporting or under-reporting may produced biased results. This limitation is also included in this study.

Literature Review

CSR and CSRR

The concept of CSR is not easily defined and different organizations have defined it in a different ways. According to Sethi (1975), there is no universally accepted definition for the concept of CSR. There is a wide variety of definitions for CSR. As explained by Fiori,G., di Donato, F. and Izzo , M.F. (2007), CSR is becoming an increasingly important issue for economic agents due to a new attention to all the aspects of firms' activities and their relationship with stakeholders. Chowdhury and Chowdhury, (1996) indicated that, in some countries CSRR is a mandatory activity, but most of the developing countries it is a voluntary activity. Paul, K., Cobas, E., Ceron, R., Frithiof, M., Maass, A., Navarro, I., Palmer, L., Serrano and Deaton, L., (2006) states that, social reporting is an important means by which companies develop standards of CSR and communicate this understanding internally and externally. Marlin, A., Marlin, J.T (2003) have identified three stages in the development of what they call "CSR reporting". The first phase dated from the early 1970s was seen to be composed of advertisements and annual reports which focused upon environmental issues but which were not linked to corporate performance. The second phase in the late 1980s was characterized by the introduction of a social audit, which examined the performance of companies in the areas of social responsibility with respect to communities, employees, customers, suppliers and investors. The third phase dated from the late 1990s saw the strengthening of social auditing through the introduction of externally set and certified standards.

Measurement of CSRR

Saleh, M., Zulkifli, N., Muhamad, R., (2006), used four key drivers; namely Employee Relation, Environment Relation, Community Relations and Product Responsibility as CSR indicators to measure CSR disclosure in annual reports. G. Fiori, *etal., (*2007) used three parameters namely; employee, environment and community relations to measure CSRR. Brammer, Brooks and Pavelin (2006) have also used the above three parameters to measure CSR.

Knox and Maklan, (2004) used the level of investment in CSR to measure CSR in their study. Even though this is an ideal method, it is difficult to apply this to Sri Lankan companies because the investment data about CSR are not easily available for Sri Lankan listed companies. The recent study carried out by Wijesinghe K.N. and Senaratne S. (2010), GRI index has been used to measure CSRR in Sri Lanka.

The relationship between CSRR and CFP

So many researchers have been carried out in order to find out the relationship between CSRR and CFP. Based on the literature the results can be basically summarized as follows.

- The existence of a positive correlation between CSRR and CFP
- The lack of correlation between CSRR and CFP
- The existence of a negative correlation between CSRR and CFP
- The existence of a mixed correlation between CSRR and CFP.

Lot of recent researches found positive relationship between CSRR and CFP; Waddock and Graves, 1997; Roman, Hayibor, and Agle, 1999; Ruf, Muralidhar, Brown, Janney, Paul, 2001; Simpson and Kohers, 2002; Tsoutsoura, 2004 found a positive relationship between CSRR and CFP; and McWilliams and Siegel (2000) found no relationship between CSRR and financial performance. Wright and Ferris (1997) found a negative relationship. According to the findings some studies have been inconclusive because they found both positive and negative relationships. However, most of the investigations found a positive link.

According to Dam (2006), some of the studies show the positive relationship between CSRR and financial performance and some show the negative or mixed relations between these variables. Table 01 shows the results of some of the researches.

Table 01: An overview of Empirical Findings

CFP indicator	Number of studies	Positive Relations	Negative Relations	Mixed Relations	No Relations
Tobin's Q	05	5 (100%)	0 (0%)	0 (0%)	0 (0%)
Return on Assets	36	27 (75%)	0 (0%)	0 (0%)	9 (25%)
Stock Market Return	27	7 (26%)	9 (33%)	3 (11%)	8 (30%)
Total	**68**	**39 (57%)**	**9 (13%)**	**3 (5%)**	**17 (25%)**

Source*: Dam (2006a), Chapter 2, "Corporate Social responsibility and Financial Performance"*

CSR in Sri Lanka

There is lack of researches about CSR in Sri Lanka. In 2004, a comprehensive survey was undertaken by an international NGO, International Alert, on the CSR perceptions and attitudes of the Sri Lankan public and business organizations. An island wide household survey was carried out to study the perceptions of the public on CSR. When asked from the Sri Lankan public whether they had heard of the concept of CSR, 76.2% of respondents was aware of the concept, but 23.8% had never heard of it (International Alert, 2005). The study shows that 54.7% of the respondents interviewed agreed that large scale/prominent businesses' sole responsibility was to generate profits. The results further explained that, a significant proportion (28.8%) disagreed, 9.6% were undecided and 6.5% said they did not know. The study indicates that most Sri Lankans do not have a clear understanding of the role they wish businesses to play in society (International Alert, 2005).

In order to find out the perceptions of business community, a total of 147 individuals from the business community were interviewed. According to the results, they have identified the importance of addressing social needs of people because there is a long history charitable giving in Sri Lanka. Only 73.2% of companies surveyed had a CSR policy. When those with a CSR policy were asked whether it was formal or informal, only 17% had formal, written policies. The majority (84.1%) of the companies are engaged in CSR because they genuinely want to contribute to the betterment of society, while 39% wanted to help build employee pride and commitment. 26.8% said CSR is part of their company mission; 13.4% say they adopt it for publicity reasons; 12.2% say it is because of the expectations of other businesses and civil society; and 2.4% said it is because of regulations and laws (International Alert, 2005).

Methodology

Measurement of CSRR

According to Brammer, Brooks & Pavelin (2006) and Fiori, G., Donato, F. and Izzo M., (2007), three parameters were used to measure CSRR of companies listed in the CSE, namely; Employment; Environment and Community dimensions. According to the study of Fiori,G., Donato, F and Izzo, M. (2007), the parameter of employee responsibility is based on five measures that are health and safety systems, systems for employee training and development, equal opportunities policies, systems for good employee relations, and systems for job creation and security. The environment parameter considers three measures, which are the quality of environmental policies, the environmental management systems, and environmental reporting. Finally, the indicator of community responsiveness was measured as a single variable. Then they ranked employee variable and community variable with a scale scores from o to 3 and Environment variable with a scale scores from 0 to 4 in order to transfer each of the text ratings into quantitative variables. The same methodology was followed in order to measure CSR subject to modification of ranking all the parameters from 1 to 4 in order to have homogeneity in the study.

Fiori,G., Donato, F .and Izzo, M. (2007) categorized employee parameter with five sub variables as follow; the health and safety systems; the systems for employee training and development; the equal opportunity policies; the systems for good employee relations; the systems for job creation and security. In their study, the environment parameter has been categorized into the following three variables: the quality of environmental policies; the environmental management systems; the environmental reporting. Finally, they measured the community parameter as a single variable.

The researchers followed the same categorization in the study. In order to translate text ratings into quantitative figures they ranked each variable with a scale scores from 0 to 3 (0, 1, 2, 3) or from 0 to 4 (0,1,2,3,4). In order to have homogeneity in the study, the researchers used a scale from 1to 4 (1, 2, 3, 4) for all three variables. As following the same procedure, score of 1 has attributed instead of 0, if the company does not take into account the specific variable at all and 4, if it states to take it into consideration with a satisfying description. In order to attribute 4 for a specific variable the description should be comprehensive with relevant tables, incurred cost and the variable should be described in the CSR report with a separate heading. Instead, the variable was ranked with 3 if their description is poor. Poor description means the variable should be described with or without a separate heading with clear description but it is not described at a satisfying level. Then score 2 was attributed for a specific variable, if the company only names the variable without any or with an unclear description or the description is very poor. If a company provides satisfactory disclosures relevant to employee variable, total maximum score of it should be 20 since there are 5 sub dimensions in the Employee variable. However, total score of Environmental dimension will be 12 in a perfect favorable situation since it comprises of 3 sub variables Community variable is a single variable so, its maximum score will be 4. In order to have homogeneity in the data set, average values were taken.

Measurement of CFP

- **Return on Assets (ROA):**

ROA is measured as follows.

ROA= Net Profit before Tax/Total Assets

- **Tobin's Q (TBq):**

TBq is measured as follows.

TBq= Market Value per Share/Net Assets Value per Share

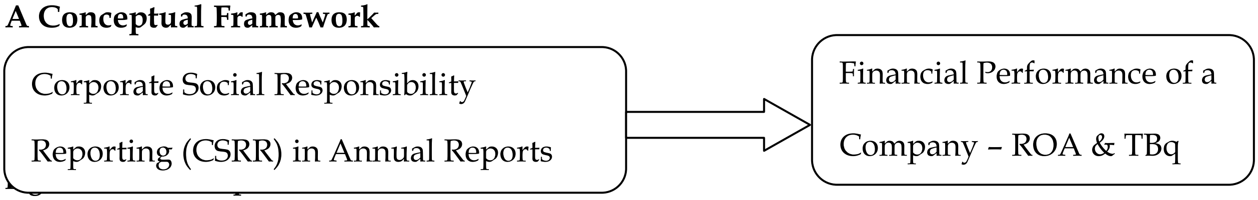
Controlling Variables

McWilliams, A., and D. Siegel (2000) used risk, size and industry as controlling variables in their study. Saleha, M., *etal* (2006) used Earnings per Share (EPS), firm's size (SIZE), firm's sales (SALES) as controlling variables in their study. According to Ullmann (1985), size plays an important role in finding the relation between firm financial performance and CSRR. "Size is an important variable because there is an evidence that smaller firms are less committed in engaging in CSR activities" (Burke et al. 1986, Fiori,G., Donato, F .and Izzo, M. (2007). As explained by Fiori, G., Donato, F .and Izzo, M. (2007), risk is also an important controlling variable in measuring the financial performance. Considering existing literature on CSRR and firm's performance, three widely used control variables are used. They are; Firm's Size, expressed by the Total Assets (TA); Firm's Sales Levels (SALES) and Earnings per Share (EPS).

Population and Sample

The sample has been selected after conducting a preliminary study and which was done based on the year 2009. The study has been conducted to identify the companies which issue CSR/ Sustainability Reports or the companies which devote a separate chapter for recording of CSR activities in the annual report. According to the preliminary study, there are 78 companies which devote a separate chapter or issue a separate CSR report and other 154 companies do not issue any report or devote any chapter to disclose CSR activities. In order to identify the relationship between Corporate Social Responsibility Reporting (CSRR) and financial performance of Sri Lankan listed companies, all the companies that draw up CSR reports/ sustainability report or devote a separate chapter to record CSR activities were used. Thus, the sample in this study consists of 78 companies, which are taken out of 232 companies listed in the Colombo Stock Exchange (CSE) in the year 2009.

A Conceptual Framework



Hypotheses Development

Based on the above conceptual framework, following hypotheses were developed;

Hypothesis Test 01:

H_0 = The CSR practices related to Employees have no significant impact on Corporate Financial Performance (CFP) measured in terms of ROA and TBq.

H_1 = The CSR practices related to Employees have a significant impact on Corporate Financial Performance (CFP) measured in terms of ROA and TBq.

Hypothesis Test 02:

H_0 = The CSR practices related to Environment have no significant impact on Corporate financial performance (CFP) measured in terms of ROA and TBq.

H_1 = The CSR practices related to Environment have a significant impact on Corporate financial performance (CFP) measured in terms of ROA and TBq.

Hypothesis Test 03:

H_0 = The CSR practices related to the Community have no significant impact on Corporate Financial Performance (CFP) measured in terms of ROA and TBq.

H_1 = The CSR practices related to the Community have a significant impact on Corporate Financial Performance (CFP) measured in terms of ROA and TBq.

Econometric Model

A Panel data set which consists of cross sectional and time series data was used to develop the regression equations. The following liner regression models were used based on the hypotheses as follows;

Model 01:

ROAit= αi+ β1 EMPLit + β2 ENVit +β3 COMMit+ β4 TAit + β5 TSit + β6 EPSit +Uit

Model 02:

TBqit= αi+ β1 EMPLit + β2 ENVit +β3 COMMit+ β4 TAit + β5TSit + β6 EPSit +Uit

Where;

ROA and TBq are the dependent variables (DV); i = entity and t = time.

EMPL, ENV and COMM represent independent variables (IV), where EMPL = Employee dimension, ENV = Environmental dimension, COMM= Community dimension of CSRR.

TA, TS and EPS are controlling variables; where TA= is the Total Assets which measure the size of the company, TS= Total Sales and EPS= Earnings per share. Log values of Total Assets and Total Sales were used.

uit is the error term

Data Analysis and Presentation

Findings of the Preliminary Study

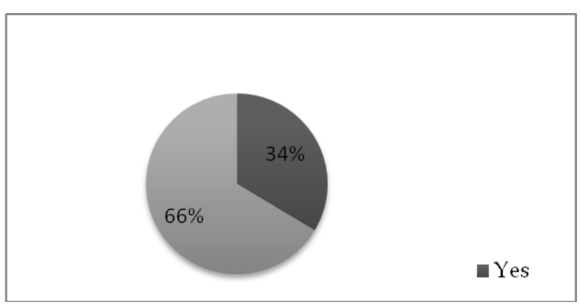


Figure 02: CSR reporting of companies in the CSE

According to the results, only 78 companies from 232 companies listed in the CSE, which issue CSR/ Sustainability Reports or devote a separate chapter for recording of CSR activities in the annual reports. Which is 34% of the population.

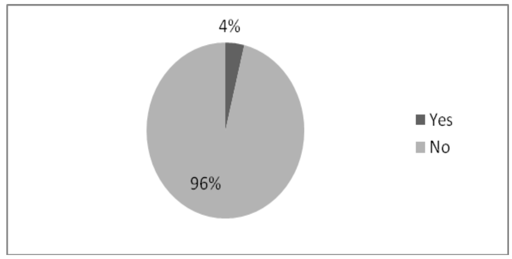
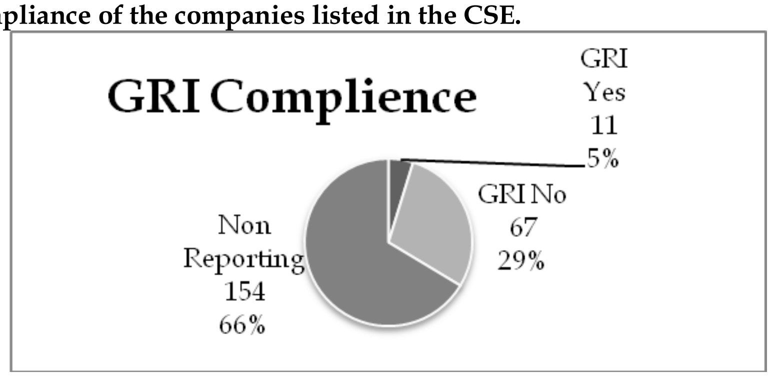


Figure 03: Companies which issue separate Sustainability Report.

According to the analysis, out of 78 companies, only three companies issue a separate sustainability report in addition to the annual report and 75 companies devote a separate chapter in the annual report to record CSR activities. Figure 03, shows the detail analysis. According to the figure only 4% of the sample of companies issue separate sustainability report in addition to their annual report to record CSR activities.

If we further analyze the sample, only 11 companies were complied with the GRI guidelines when disclosing CSR activities in their annual reports. That is 5% of the total population (232 companies listed in 2009) and 14% of the sample (78 companies which provide disclosure of CSR). On the other hand, 67 companies were not complying with the GRI guidelines. That is of around 29% of the total population and around 86% of the sample. This situation is further summarized in following figure.

Figure 04: GRI Compliance of the companies listed in the CSE.



The Relationship between CSRR and CFP

Descriptive Statistics

Table 02: Mean, Standard deviation and median Values

Central Tendency Measures	2007/2008			2008/2009			2009/2010		
	EMPL	ENV	COMM	EMPL	ENV	COMM	EMPL	ENV	COMM
Mean Values	10.6	5.44	3.218	11.41	6.09	3.397	12.14	6.82	3.487
Standard deviation	3.601	2.25	0.847	3.726	2.61	0.709	4.124	2.72	0.716
Median	10	5	3	11	6	3.5	12	7	4

The mean values, median values grow over time and it means the firms are getting more committed in social responsibility towards all the stakeholders, so that they pay more attention in preparing good CSR reports or devoting separate chapter to record CSR activities. Above table shows the summary of the descriptive data. When considering the level of disclosures, overall average level of disclosure was at a low level.

Inference Statistics

The panel data set was analyzed by using E-views statistical software. The summary of the results of model 01 (ROA) and Model 02 (TBq) are given in table 03 and 04 as below.

Table 03: Results of Model 01 (ROA)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.012729	0.120849	0.105334	0.9162
EMPL	0.006086	0.010355	0.587710	0.5573
ENV	0.004056	0.007112	0.570335	0.5690
COMM	0.012178	0.009739	1.250360	0.2125
LOG_TA	0.066635	0.018195	3.662182	0.0003
LOG_TS	0.070433	0.016542	4.257850	0.0000
EPS	0.003564	0.000538	6.618533	0.0000

R-squared	0.329681	Mean dependent var	0.065804
Adjusted R-squared	0.308826	S.D. dependent var	0.107022
S.E. of regression	0.088975	Akaike info criterion	-1.967197
Sum squared resid	1.781214	Schwarz criterion	-1.848706
Log likelihood	237.1784	Hannan-Quinn criter.	1.919416
F-statistic	15.80870	Durbin-Watson stat	2.160329
Prob(F-statistic)	0.000000		

Table 04: Results of Model 02 (TBq)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.174174	0.907470	0.191933	0.8480
EMPL	0.018871	0.087251	0.216281	0.8290
ENV	0.183320	0.059744	3.068413	0.0024
COMM	0.119818	0.081947	1.462136	0.1451
LOG_TA	0.166514	0.139398	1.194524	0.2335
LOG_TS	0.052279	0.125110	0.417866	0.6764
EPS	0.007843	0.004600	1.705003	0.0896

R-squared	0.102287	Mean dependent var	1.264808
Adjusted R-squared	0.074358	S.D. dependent var	0.776774
S.E. of regression	0.747337	Akaike info criterion	2.289130
Sum squared resid	125.6653	Schwarz criterion	2.407620
Log likelihood	-258.6836	Hannan-Quinn criter.	2.336910
F-statistic	3.662406	Durbin-Watson stat	2.001898
Prob(F-statistic)	0.000913		

According to the results,

- ROA and TBq appear to be;
  - positively correlated with the CSR practices related to Employees
  - positively correlated with the CSR practices related to Environment
  - positively correlated with the CSR practices related to Community
- CSR practices related Employee, Environment and Community are not individually significant to financial performance measured in terms of ROA and TBq.

- It has proofed very low level of explaining the change in performance by disclosure of CSR in terms of Employee, Environment and Community dimensions in both models (Model 01 - R-squared=0.329681 and Model 02-R-squared=0.102287).

In order to test whether independent variables (employee, environment and community dimensions) are jointly significant to dependent variables (ROA & TBq) **Wald Test** was carried out. The result of Wald Test is given below

Table: 05 Model 01- ROA- Wald Test

Test Statistic	Value	df	Probability
F-statistic	0.679835	(3, 225)	0.5652
Chi-square	2.039506	3	0.5642

Null Hypothesis Summary:

Normalized Restriction (= 0)	Value	Std. Err.
C(2)	-0.006086	0.010355
C(3)	0.004056	0.007112
C(4)	0.012178	0.009739

Table: 06 Model 02- TBq- Wald Test

Test Statistic	Value	df	Probability
F-statistic	3.757875	(3, 225)	0.0116
Chi-square	11.27363	3	0.0103

Null Hypothesis Summary:

Normalized Restriction (= 0)	Value	Std. Err.
C(2) EMPL	0.018871	0.087251
C(3) ENV	-0.183320	0.059744
C(4) COMM	0.119818	0.081947

According to the results of the Wald Test, the CSR practices related to Employee (EMPL), Environment (ENV) and Community (COMM) dimensions are jointly significant to financial performance measured in terms of ROA and TBq.

Conclusions

Findings of the study revealed that, CSRR is at a low level and only few companies are engaging in extensive reporting in Sri Lanka. It is revealed that CSRR is becoming a very important issue of an organization. Further, it is seemed that there is a slight growth in CSR disclosures in annual reports in the year 2009/2010, which shows that the firms are getting more committed in social responsibility towards all the stakeholders, so that they pay more attention in preparing good CSR reports.

It is seemed that disclosure level relating to Community aspect is at a higher level when comparing with other dimensions. All the companies in the sample disclosed the information relating to such area in their annual reports. There is a huge gap between expected and actual level of disclosure in Environmental dimension.

Most of the businesses in Sri Lanka practice some form of social responsibility activity, normally by charitable donations to religious or other institutions. This is an optimistic groundwork for future work and demonstrates the businesses' readiness to engage in social activities. Moreover, most organizations are involving with CSR activities without an overall policy.

It was found that, even though dimensions of CSRR are not individually significant with ROA and Tobin's Q, they are positively and jointly significant to financial performance measured in terms of ROA and Tobin's Q.

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Value Focused Restructuring – A New Approach Facing the Global Economic Crisis

Andrzej Jaki
Cracow University of Economics, Poland

Key Words
Restructuring, value based management, value controlling, global economic crisis.

Abstract
The concept of Value Based Management developed in the 80s and 90s of the 20th century has become a key determinant for the creation of new business models and a premise for strategic reorientation of enterprises. At the same time, linking the concept of Value Based Management with the sphere of enterprise strategy has caused the value chain concept to become a significant contribution to conducting an analysis of the enterprise value creation process along with indicating its determinants. The global economic crisis initiated in 2008 has become a fundamental strategic challenge to contemporary enterprises. In these conditions, the realization of value based strategy appears to be an extremely difficult task, often requiring radical reorientation of an enterprise. It created a need to search for new applications of management instruments, such as restructuring and controlling, the effect of which was the emergence of Value Focused Restructuring and Value Controlling. At the same time, the experiences of the global economic crisis revealed a number of defects of the mentioned governance solutions and bore a need for a significant redefinition of the Value Based Management concept itself and Value Focused Restructuring based on it. They also showed a necessity for linking Value Based Management with Enterprise Risk Management in order to guarantee stable value growth to the enterprise, especially on the occurrence of crisis situations.

Introduction

The end of the 20th century was a period of significant changes within enterprise management system. The concept of value focused management developed in the 80s and 90s has become a key determinant for the creation of new business models and a premise for strategic reorientation of enterprises. It was accompanied by rising expectations of various groups of their internal and external stakeholders. At the same time, thereby created value based strategy has been recognized the base of financial success of an enterprise, both as an effective investment of its owners, and a generator of benefits for other stakeholders. The pioneer contribution in the origin, conceptualization, development and popularization of value based management was made mainly by works and researches, based on American and European experiences, realized by A. Rappaport (1986), T. Copeland, T. Koller and J. Murrin (1990)[i], J.M. McTaggart, P.W. Kontes and M.C. Mankis (1994), as well as by A.P. Black, P. Wright and J.E. Bachman (1998). At the same time, linking the concept of Value Based Management with the sphere of enterprise strategy has caused the value chain concept by M.E. Porter (1985), who referred to a widespread organizational concept of value analysis in it, to become a significant contribution to conducting an analysis of the enterprise value creation process along with indicating its determinants.

Simultaneously, the global economic crisis initiated in 2008 has become a fundamental strategic challenge to contemporary enterprises, as it reminded managers that crises are an unavoidable element of the functioning of economy and they are a factor forcing a need for the search of new management solutions which would guarantee an enterprise achieving its aims. In these conditions, the realization of value based strategy appears to be an extremely difficult task, often requiring radical reorientation of an enterprise. Hence, the essential goal of this paper is to show the scope and possibilities to use management instruments, such as restructuring and controlling, to do that. These instruments become especially useful in case of the occurrence of crisis situations disturbing the course of economic processes and constituting a threat both to the enterprise effectiveness and even its further existence.

The idea and the tools of the Value Focused Restructuring

Creating and implementing the enterprise value based strategy requires undertaking permanent actions focused on changes undergoing in its environment. It implies the need to make transformations in the sphere of organizational, technical and economic processes and systems determining the growth of enterprise effectiveness – including the speed of its value creation. Radical changes in the enterprise assets, its capital structure or the organizational structure are defined as restructuring[ii]. Hence, restructuring is also considered to be a significant tool of adapting enterprise management system to the requirements implied by the value creation strategy. The implementation of this kind of strategy in the conditions of the economic crisis enhances the usefulness of restructuring both for the aims of shaping the enterprise development (developmental restructuring), and in order to adapt the enterprise to radically changed conditions of functioning (adaptation restructuring).

Among the most commonly quoted aims and anticipated effects of restructuring there are: enhancing competitiveness, efficiency and effectiveness of actions, raising modernity, adaptation and innovation, improving rationality and efficiency of economic resources management. And when specifying the above phrases the whole variety of measures, allowing the quantification of restructuring effects, are taken into account.

Probing into restructuring process from micro-economic perspective, i.e. from the enterprise's, being restructured, point of view, a close interrelation between "aims of enterprise functioning" and "aims of enterprise restructuring" should be emphasized. While presenting them, one cannot overlook their vivid similarity, if not sameness, for both of them may have, more or less, specific character, both may pertain to financial, marketing, technological or social aspects of enterprise functioning, and lastly, they both may be formulated on the short- or long-term basis. The points raised above may lead to the statement that the aim of enterprise restructuring is to make the enterprise more, than up till now, capable of fulfilling their aims, and therefore, better at meeting expectations of their owners, as well as of other stakeholders. And since maximization of enterprise market value is regarded as the primary objective of the enterprise, all restructuring actions, geared to realizing it, should make it successfully accomplished. The tangible effect of restructuring viewed this way should be seen in the increased speed of creating enterprise value. This objective is more possible to reach through taking restructuring actions, as referred to various areas of the enterprise and spheres of enterprise functioning. In this context, enterprise restructuring becomes an integral approach focused on the operational and strategic processes optimization from the value creation perspective (Blatz, Kraus & Haghani (Ed.) 2006). Restructuring may thus involve all realms of actions, which have an influence upon creating enterprise value, including, so called, driving forces of enterprise value. In such a context, restructuring may be acknowledged as a tool used for creating enterprise value and defined as Value Focused Restructuring (VFR).

Value Focused Restructuring needs clearly distinguished areas of indispensable changes so as to institute them suitably within the enterprise's sphere of actions. Such a context allows using, so called, restructuring pentagon, being an example of a textbook view of, both, the scope and effects of restructuring (Copeland, Koller & Murrin 1990). The usefulness of this model can be seen in its ability to not only depict overall effects of restructuring, but also to trace successive steps of enterprise value potential while changing, and factors influencing it.

On the basis of this model, the Value Focused Restructuring process comprises four consecutive restructuring stages, namely:

- restructuring the communication with the environment,
- operating restructuring and strategic reorientation,
- restructuring links with the environment,
- financial restructuring.

Each of the restructuring stage necessitates the employment of varied instruments and methods of restructuring, which should be individually adjusted to a_particular situation of the restructured entity, and to internal and external conditionings, being the basis for restructuring process. It should be brought into attention that restructuring may apply to the enterprise afflicted with problems and threatened with decline (restoration restructuring), as well as to the enterprises being in good economic condition (developmental restructuring) and seeking new ways to increase their competitiveness and attractiveness on the market. Partial effects of employing diverse instruments and methods of restructuring materialize in the form of enterprise growing value. Accordingly, Table 1 presents both, instruments and methods used in particular stages of VFR, and the effects of their application.

Table 1. The process of the Value Focused Restructuring

Restructuring stages	**Restructuring scope**	**Applied instruments and methods of restructuring**	**Description of restructuring effects**	**Enterprise value**
		Enterprise before restructuring		**value before restructuring**
Stage 1	restructuring the communication with the environment	improving the communication between an enterprise and the market so as to eliminate the asymmetry between the market and the enterprise and its board of directors, buy-out of enterprise's own shares	enhancement of enterprise attractiveness as form of investment removal of the information gap, better positioning of the enterprise on the market .	value according to the present state
Stage 2	operating restructuring and strategic reorientation	Reengineering, Total Quality Management (TQM), Lean Management, Benchmarking, Just In Time, Kaizen, Downsizing, Delayering, change of management structure, change of remuneration system, strategic alliances.	improvement of efficiency of enterprise assets, increase of work efficiency, quality improvement, enhancement of sales dynamics, increase in operating profit margin, activating unused reserves.	value internal external improvements
Stage 3	restructuring links with the environment	Mergers, Acquisitions, Outsourcing / Insourcing, Outplacement, Spin-off, Investments / Divestments	changes in the structure of enterprise assets, diversification / specialization of enterprise functioning, taking advantage of synergy effects.	value after internal and external improvements
Stage 4	financial restructuring	privatization, Leverage Buy-Out (LBO), Management Buy-Out (MBO), Employee Buy-Out (EBO), buy-out of enterprise's own shares.	optimization of capital structure, taking advantage of the effect of financial leverage, taking advantage of the effect of tax cover, changes in ownership structure.	value after internal/external improvements and financial restructuring
		Enterprise after restructuring		**value after restructuring**

Source: own study based on Copeland, Koller & Murrin (1990) and Blatz, Kraus & Haghani (Ed.) (2006).

The difference between *"value after restructuring"* and *"value before restructuring"* represents the total value effect of VFR process, that is, the increase of enterprise value. It is the final result of all stages being integrated, including various methods and instruments which helped to produce individual, partial effects. It should also be reminded, that particular effects of restructuring, as represented by changes in value and structure of enterprise capital and assets, as well as by growth of enterprise profitability and its competitiveness on the market, all, collectively, determine enterprise market value.

The use of restructuring as a tool supporting the creation and improvement of value based strategy must be perceived as a logical consequence of development and popularization of the value management concept. The pro-value paradigm of enterprise management implies the need for creating and implementing tools which would enable the effective realization of the basic goal of the enterprise which in this case is the maximization of its market value. Building the enterprise strategy directly focused on the realization of such a goal becomes in this situation a condition of its efficient and effective realization.

Value controlling in the VFR

Efficient implementation of Value Focused Restructuring requires at the same time the identification of the areas of indispensable changes, and in their limits, the indication of the scope of desired activities initiating and stimulating processes of value creation. A tool which is useful for this, a tool enabling not only the identification of necessary improvements, but also the coordination of undertaken activities and monitoring their effectiveness, is controlling, as a system of steering the entirety of an enterprise's activity and the element supporting the process of its management. The use of controlling concept to monitor and assess the processes of value creation requires in the first place the identification of the key determinants of these processes, and showing the way these determinants influence the change in enterprise market value.

Indicating controlling as a useful concept of enterprise management, we should bear in mind that the concept has developed as one of the results of improving the enterprise management process. Hence, the roots of controlling lie basically in economic practice. Tight relationship with the economic practice is the reason for which a lot of its definitions focus on the one hand around the realization of the enterprise goals as the key determinant of the management process (controlling as a tool of steering the enterprise activity towards the realization of the set goal, while on the other hand they stress coordination as a leading task of controlling in the enterprise (Schultze & Hirsch 2005). In this context, controlling is seen as a system supporting the enterprise management process in taking decisions serving effecting realization of its goals.

Discussing it from the perspective of the value creation postulate, controlling can be perceived as an enterprise infrastructure element supporting the functioning of the value chain and involving necessary economic resources to do that. As the resources are directly related to the functions played by individual organizational units of the enterprise, it has become necessary to adapt controlling to the specific character of various functions, the effect of which has become the creation and development of functional controlling, also including the basic kinds of controlling, such as, among others: financial controlling, investment controlling, marketing controlling, personnel controlling and logistics controlling.

The appearance of functional controlling should be perceived as a consequence of the development of controlling concept towards its adaptation to the specific character of individual areas and using controlling methods and instruments appropriate for their specific character with reference to them. The development of controlling and improvement of tools used within the kinds mentioned is at the same time a consequence of the search for ways leading to the increase in the enterprise effectiveness and its more and more effective adaptation to changing conditions and requirements of the environment in which it is to conduct its activity. At the same time, taking into consideration the fact that controlling is in its essence a coordinating process, which subordinates various areas of the enterprise to the realization of the assumed goals, the formation of the objectively specialized controlling areas should be treated as a logical consequence of pro-value orientation of individual fields of enterprise management.

The development and the popularization of pro-value orientation in enterprise management in connection with treating controlling as a system of achieving an enterprise's goals is at the same time a reason for which it becomes necessary to direct instruments and methods used in controlling directly at the support for the implementation of the basic goal which is the maximization of its market value. The result is the formation of so-called value controlling as the reflection of the formal direction of controlling concept at the enterprise value creation and thus the multiplication of the capital invested by its owners (Schierenbeck & Lister 2002).

The value controlling concept makes the information, planning and control subsystems creating controlling system are directed at the support for the process of enterprise value creation, whereas the coordination function of controlling focuses on guaranteeing efficient and effective management leading to the growth of enterprise value. Achieving the goal set in this way requires *ex ante* the conduction of the analysis of various decision alternatives leading to the increase in enterprise value, whereas *ex post* it implies the need for the control of effects achieved in the mentioned scope. Therefore, it becomes possible to plan and control the potential of the value growth, which, in connection with the remaining functions of the pro-value focused management, creates conditions for the effective functioning of the whole system of enterprise value management (Schultze & Hirsch 2005). In this context, we should make the need of the tight connection of value controlling with the Value Focused Restructuring presented before. The VFR, based in its essence on a specific philosophy of management focused at the value multiplication, has to be supported by a practical solution which will let the achievement of concrete benefits in an enterprise, materializing themselves in the form of effective multiplication of its value. Value controlling seems to be exactly the solution which meets this kind of expectations in an enterprise.

Thus, in the context of individual components of the VBM system, we can indicate the following value controlling functions, which are the key functions from the point of view of this system's functioning, as an element supporting and coordinating the process of value creation in an enterprise, as well as enabling monitoring its partial effects (Schierenbeck & Lister 2002):

- determining current (initial) value of an enterprise (value before restructuring),
- planning and controlling potential possibilities of an enterprise's value growth,
- supporting activities directed at the use of the existing potential of enterprise value growth in order to increase the effectiveness of its value creation process.

In this situation, a fundamental element of functioning of controlling becomes the identification of *value drivers*, that is factors which have a decisive impact on its shaping. In this scope, it will be justified to use a classic A. Rappaport concept which, on the one hand, identifies these drivers, and on the other hand shows their connection with value creation as a basic goal of an enterprise, which is presented in Table 2.

Table 2. Maximization of enterprise market value and its determinants by A. Rappaport

Goal		
Maximization of enterprise market value		
The measurement of the goal implementation		
Creating shareholder value		
Determinants of the goal implementation – value drivers		
Operational	Investment	Financial
period of sales growth rate of sales growth operational profit margin income tax rate	net investment in the scope of fixed assets demand for net working capital and its changes	capital structure cost of capital level of risk

Source: own study based on Rappaport (1986).

Enterprise value creation is a process which is implemented through a sequence of activities which form an enterprise value chain. The basic model of such a chain was developed by M.E. Porter who distinguished two groups of value activities within its framework (Porter 1985):

1. Primary activities related to physical manufacturing of a product, marketing, delivering to the buyer, as well as service and after-sales service.
2. Support activities, which support operational activity of an enterprise, including supply, human resources management (employment policy), research and development activity, as well as elements of enterprise management system infrastructure, such as management board and organizational departments which deal with planning, finance, accountancy, legal services and external contacts.

The mentioned activities form a basis for conducting operational activity by an enterprise and the generation of revenues through it. At the same time, they require incurring operational costs, whereas the relation between revenues and costs shows the level of operational margin achieved by an enterprise. Conducting a specific scale of activity by an enterprise and its possible growth at the same time generate a necessity for incurring investment expenditure in the scope of fixed assets and the expenditure securing the fulfillment of needs in the scope of net working capital.

In this way, the M.E. Porter's value chain concept is connected with the account reflecting the process of enterprise value creation and its determinants based on the concept of value drivers shown by A. Rappaport, which is presented in Fig. 1. On this basis, it is possible to conduct a comprehensive analysis of a potential of enterprise value growth, and relying on it showing the scope of necessary activities directed at the activation of this potential in order to multiply the value of an enterprise.

Fig 1. The integration of enterprise value chain with value creation account and value drivers

<table>
<tr><th colspan="4">Value chain</th><th>Value creation account</th><th>Value drivers</th></tr>
<tr><td colspan="2" rowspan="4">Support activities</td><td colspan="2">Management system infrastructure</td><td rowspan="5"></td><td rowspan="9">o rate of sales growth
o period of sales growth
o operating profit margin</td></tr>
<tr><td colspan="2">Research and development activity</td></tr>
<tr><td colspan="2">Employment policy</td></tr>
<tr><td colspan="2">Procurement</td></tr>
<tr><td colspan="4">Primary activities</td></tr>
<tr><td>Inbound logistics</td><td>Operating activity</td><td>Outbound logistics</td><td>Marketing & Sales</td><td>Sales</td></tr>
<tr><td></td><td></td><td></td><td></td><td rowspan="2">– Operating cost</td></tr>
<tr><td>- purchase
- transport
- storage
- administrative service</td><td>- production
- assembly
- testing
- packing</td><td>- transport
- storage
- administrative service</td><td>- advertising
- promotion
- service
- administrative service</td></tr>
<tr><td rowspan="3"></td><td rowspan="3"></td><td rowspan="3"></td><td rowspan="3"></td><td>= EBIT</td></tr>
<tr><td>– Income tax</td><td>o income tax rate</td></tr>
<tr><td>= NOPAT
+ Amortization & Depreciation</td><td></td></tr>
<tr><td>- inventory of raw materials and materials
- liabilities</td><td>- inventory of unfinished production in progress and intermediate products</td><td>- inventory of finished goods</td><td>- receivables</td><td>– Demand for net working capital</td><td>o net investment in current assets</td></tr>
<tr><td>- warehouses
- means of transport
- technical equipment</td><td>- productive tangible assets</td><td>- warehouses
- means of transport
- technical equipment</td><td>- means of transport
- technical equipment</td><td>– Investment expenditure in fixed assets</td><td>o net investment in fixed assets</td></tr>
<tr><td colspan="4"></td><td>= Free Cash Flow</td><td></td></tr>
</table>

Source: own study based on Porter (1985), Rappaport (1986) and Schierenbeck & Lister (2002).

The formation and development of value controlling should be perceived as a logical element of the development of controlling concept in the conditions of domination of value focused management. Thus, planning, budgeting and reporting value, possible owing to the application of proper measurement indicators and the assessment of value creation effectiveness, enable planning and implementing the Value Focused Restructuring in an enterprise. In this way, the obvious pragmatics of conducting business becomes a determinant of not only the scope and the directions of an enterprise's evolving, but also the whole restructuring process, based on the owners' expectations referring to the multiplication of the value of the capital invested by them. Such a method of using value controlling as a tool for monitoring the effectiveness of the restructuring process may be treated as a starting point for the formation of a concept of separate controlling of the enterprise restructuring.

VFR facing the global economic crisis

The global economic crisis, whose symbol has become the collapse of the Lehman Brothers Bank, has brought about the necessity to verify a number of hitherto prevailing paradigms of modern management – including the pro-value paradigm and Value Focused Restructuring based on it. This situation has become a splendid opportunity to improve management tools used so far, and to look for new solutions in the mentioned area.

The crisis initiated in 2008 should be treated as the first crisis of the globalization era, the era of the growing permeability of all kinds of borders. In this context, the processes of the progressing globalization causing, among others, the rising codependence of national economies also contribute to the stronger than so far impact of crisis situations occurring in local markets on the functioning of the whole regional or global economic system. In such case, globalization is becoming a factor which fosters the spread and the deepening of crisis situations in economy.

At the same time, experiences of the global economic crisis indicate a need to introduce significant changes within VFR. A postulate of this kind is first of all related to:

- creating an untrue image of the enterprise and its financial condition as a result of manipulating data and taking advantage of loopholes in the accounting rules, which is connected with the occurrence of a negative phenomenon in the form of creative accounting.
- more and more commonly noticeable handicap of tools for the measurement and assessment of enterprise value creation processes used so far,
- growing finacialisation of economy, bearing (often blind) faith of investors in unlimited abilities to obtain higher and higher rates of return on the invested capital, which contributed to tearing off the category of enterprise value from its fundamental bases and the occurrence of excessive behaviorism in the assessment of its value,
- irrational increase in the risk taken by numerous managers who, in anticipation of bigger and bigger profits, undertook more and more risky decisions and engaged capital in more and more risky ventures. It proves the handicap of the applied systems of pro-value motivations, implying the occurrence of the phenomenon of asymmetry of managers' risk and enterprise owners' risk.

In the view of the raised issues it would be justified to ask a number of further questions referring to the essence of value management itself and Value Focused Restructuring based on it. What made managers take such high risk? Is it possible that the Value Based Management concept and the governance and analytical tools, including the instruments of motivating managerial staff, perhaps treated too often as *perpetum mobile*, was not the only source of the crisis?

Risk as a determinant of taking governance decisions creates, alongside profitability and growth, so called triad of pro-value management which postulates, among others, the need to maintain balance between risk and enterprise value growth[iii]. In the indicated context, risk must be treated as cost of obtaining value, whose raising is necessary just like of any other cost, but does not guarantee achieving the expected effect. Thus, proper linking of the Enterprise Risk Management concept with the concept of value management and Value Focused Restructuring based on it into a coherent concept of sustainable risk and value management creates conditions for stability of value in crisis conditions. That creates appropriate base for securing and protecting the enterprise value, and for the durability of the effects of Value Focused Restructuring realization (Krysiak 2011).

The risk accompanying all decisions referring to the category of enterprise value is also related to the increasing role of intangible resources as creators of enterprise value. The character of these resources is the reason for which even the problem of their identification occurs, and in the situation of their valuation, numerous ambiguities appear which may in consequence lead to significant revaluations of their value. Categories of value, related to intangible resources, such as goodwill, brand value, or the intellectual capital value, not once constituting the key component of enterprise value and determining the effectiveness of Value Focused Restructuring cannot be closed in the stiff frames of valuation patterns. Standardizing solutions suggested in the literature and used in practice are of various character and do not give explicit solutions in this scope. Thus, it creates broad space for "creative", but not totally compliant with the fundamental reality, presentation of value multiplication effects, which, in the era of the New Economy, is to serve as the justification of the fascination with the role of intangible resources as the key determinants of enterprise value.

Conclusions

In the context of the discussed negative consequences related to the emergence and development of Value Based Management and Value Focused Restructuring, it should be observed that problems or potential threats connected with it were stressed before on the basis of the analysis of practical experiences resulting from the implementation of the mentioned concepts. The experiences indicated that beside unquestionable benefits for the enterprises and its owners the concept also carries limitations and threats[iv]. When writing about special cases and circumstances of enterprise valuation, A. Damodaran used an expression *"dark side of valuation"* (Damodaran 2009, Damodaran 2000). In connection with the conclusions presented before, they show a different, "dark side" of Value Based Management.

The era of the global investor capitalism and the experiences of the economic crisis of the beginning of 21st century created a need for a significant redefinition of pro-value paradigm of management and the Value Based Management concept fixed on it. M.E. Porter and M.R. Kramer suggest a concept of Creating Shared Value (CSV) which inscribes in the need for creating a concept of sustainable value based management, more broadly than before reconciling the realization of economic goals and social goals (Porter & Kramer 2011). Such coincidental formation of the Value Based Management concept seems to be a pragmatic solution focused on at least partial lightening of the "dark side of Value Based Management".

A world-famous Polish philosopher, R. Ingarden, entitled his dissertation constituting a synthesis of his axiological research findings *"Czego nie wiemy o wartościach"* ("What We Don't Know About Values") (Ingarden 1970). In the view of the deliberations presented in this paper, we should ask the following question: on the threshold of the second decade of 21st century, will there be anyone who, keeping a healthy distance from economic disputes, will enrich our knowledge and help us answer the question: *What don't we know about Value Based Management,* and: *What don't we know about Value Focusing Restructuring?*

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Footnote

i See also: Koller (1994) and Copeland (1994).
ii In countries with many years' traditions of market economy, restructuring is also identified with the strategy of growth of economies, sectors and enterprises, as well as with the process of strategic reorientation. Ref. Hoskisson & Turk (1990), Hurry (1993) and Singh (1993). In the Polish economy (like in the case of economies of other countries of Central and Eastern Europe), broad interest in the problems of restructuring was first of all connected with the process of system transformation realized since the beginning of 1990s. Ref. Borowiecki (Ed.) (2003), Kaczmarek, Krzemiński, Litwa & Szymla (2005), Sapijaszka (1996) and Suszyński (2003).
iii The problem is more broadly described by M. Schierenbeck and M. Lister. Ref. Schierenbeck & Lister (2002).
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Investors and bankers at the gates: Capital account liberalization in the BRIC economies

Yeo Jiong Ning Edwin
National University of Singapore, Singapore

Key Words
BRICs, Emerging Market Economies, Development, Dosmestic Financial, Portfolio Investments.

Abstract
Because Portfolio Investments (PI) can be highly destabilizing to a country's economy, the prevailing belief contends that Emerging Market Economies (EMEs) such as the BRICs are less likely to adopt a liberal regime towards PI. In particular, the ***economic-dominant perspective*** *argues that it is the lack of advanced economic status that leads to an incompatibility between EMEs and a liberal regime towards PI.*

However I argue that such an approach is flawed since (i) its expectations deviated greatly from reality and (ii) the basis of the economic approach is inadequate. I demonstrate this by using a modified Quinn's approach which highlights (a) significant variations in the extent of liberalization of PI within the BRICs and (b) the presence of more 'liberal' PI regimes that have been neglected by the economic-dominant approach. In addition, the economic-dominant approach fails to acknowledge the important role of politics such as the crucial role played by states.

Recognizing these inadequacies, I propose an alternative analytical framework. Adopting a political economy perspective, I argue that one can set more consistent and precise expectations of BRIC state's tendency towards liberalizing PI through a framework that considers the ***nature of the developmental state*** *within each of the BRIC's national financial system. I measure this by evaluating (i) the extent of state control over domestic financial industry and (ii) the extent of state autonomy in relation to global capital markets.*

Setting more precise expectations is important within the domain of finance and PI since any unexpected shifts in policy direction can accentuate the speculative nature of PI that can have destabilizing effects upon an economy. Appreciation of a field as technical as financial regulation requires not just a solid grasp of how markets works, but also the workings of the state. The examination of the balance of power between states and the market is therefore an important focal point.

Branding Scenario in the Indian Market Place-A study of select Global, National &Retailers FMCG Brands

Sapna Singh
Central University, Hyderabad, India

Key Words
Branding, Global Brands, Retailer Brands & CBBE model.

Abstract
India the emerging market is undergoing a sea change. Branding today has come a long way and has become the mainstream of Indian marketing; considerable amount of revenue is spent annually on brand building ritual and also on brand valuations i.e. to put the value of their brands on the balance sheet. Products are no longer simple need fulfilling objects marketers have added intangible value proposition in the mind set of the consumer by branding products and services. The Indian market place has a judicious mix of both Global, National i.e home grown, home bred, local desi Brands and also private labels i.e retailers brands that are actively at logger head with Global Brands. The paper delves on the various issues of branding The paper attempts to apply the Kellers CBBE model parameters like brand performance and brand imagery, brand positioning& core brand values to certain select FMCG brands across the Global ,National and Private Brands.

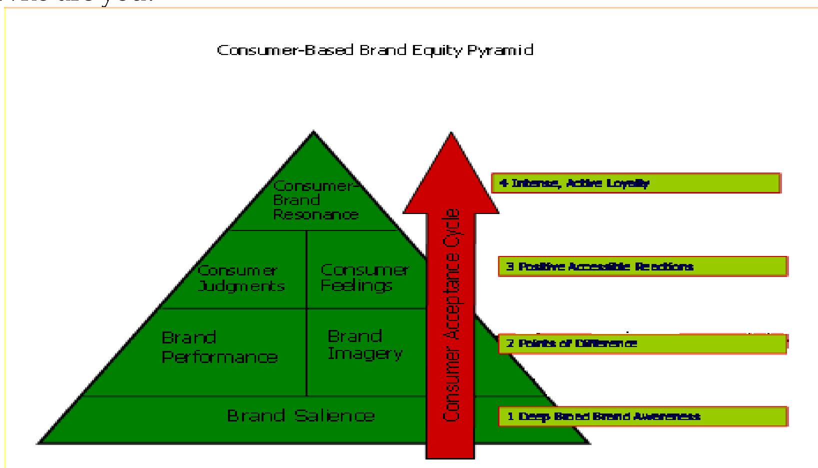
Certain Global Brands such as Colgate, , Nestle and select National Brands like Anchor toothpaste ,ITCs-Sunfeast Yippie noodles and Private brands in the FMCG space have been selected to highlight the issues in Branding and Brand co-existence in the Indian market.

Introduction
In the post liberalized Global Indian, the market scenario and the dynamics of Marketing have undergone a sea change. The brand is omnipresent in our lives. The modern day consumer cannot do without it. Every waking moment is occupied by the use of some brand or the other. From the first thing we do in the morning to the last thing in the night, brands are a part of our lives Branding today has come along way and has become the mainstream of Indian marketing; considerable amount of revenue is spent annually on brand building ritual and also on brand valuations i.e. to put the value of their brands on the balance sheet. Products are no longer simple need fulfilling objects marketers have added intangible value proposition in the mind set of the consumer by branding products and services.

The paper is an attempt to apply the Kellers CBBE model parameters like brand performance and brand imagery, brand positioning& core brand values to certain select FMCG brands across the Global ,National and Retailers Brand and asses difference if any or whether they remain identical on the very many parameters of the model. (Conceptual fit in actual to Retailers Private labels, National & foreign brands)

Keller's Customer-Based Brand Equity (CBBE), model is built on the premise that the power of a brand is based on what customers have experienced, heard and learnt about a brand over time. 'The power of a brand lies in what resides in the minds of customers." CBBE is about the effect that knowledge about a specific brand has on a person's decision to use that brand. Positive CBBE occurs when consumers react more favorably to a product or service when the brand is identified than when it is not. Knowledge about a brand is therefore key to creating brand equity; brand understanding can be better appreciated by looking at these two terms: brand awareness and brand image. Brand awareness is the ability to recognize a brand or recall it from memory whilst brand image links strong, favorable and unique associations to the brand

The customer-based brand equity pyramid comprises of four sequential steps, each answering a fundamental question that consumers invariably ask, consciously or not, about a brand. The first being how consumers are able to identify the brand within a specific product class or need, thereby answering the question "Who are you?"



Secondly it is about establishing understanding in the consumer's mind about what the brand does. "What are you?" The third step involves eliciting the proper consumer response to brand identification and brand meaning. "What do I feel about you? The final step is to convert the consumer's response into a loyal and active relationship answering the question "What kind of relationship do I want to have with you?"

These four steps provide the ascending tiers of the pyramid as shown in the figure above within these tiers; Keller has identified six building blocks to provide a logical structure in creating the right brand identity, meaning, response and relationship The first level of the pyramid deals with establishing the identity of the brand. Keller suggests a single building block for this phase and terms it brand salience. The second layer of the pyramid deals with giving meaning to the brand and here Keller presents two building blocks: brand performance and brand imagery. Brand performance is the way the product or service attempts to meet the consumer's functional needs. Brand performance also has a major influence on how consumers experience a brand as well as what the brand owner and others say about the brand.

Brand imagery deals with the way in which the brand attempts to meet customers' psychological and social needs. Brand imagery is the intangible aspects of a brand that consumers pick up because it fits their demographic profile (such as age or income) or has psychological appeal in that it matches their outlook on life (conservative, traditional, liberal, creative, etc). Brand imagery is also formed by associations of usage (at work or home) or via personality traits (honest, lively, competent, rugged, etc). It is in this building block that advertising plays a major role in shaping the image of the brand, although word-of-mouth recommendations and a consumer's own experience are equally important. However brand imagery is built, it is important that brand managers and strategists craft strong, favourable and unique associations for a brand.

The third tier of the pyramid to develop a consumer response to the brand. Keller proposes two building blocks for this tier, namely brand judgments and brand feelings. Judgments about a brand emerge from a consumer pulling together different performance and imagery associations. These judgments combine into a consumer's opinion of a brand and whilst there are multiple judgments that an individual can make, Keller believes there are four that companies must pay attention to in their brand-building efforts. They are the perceived quality of the brand; brand credibility (the extent to which the brand is perceived as having expertise, being trustworthy and likable); brand consideration (the brand must be relevant to the consumer so that they are likely to purchase or use it); and brand superiority (the extent to which consumers view the brand as being unique and better than other brands).

Maintaining brand judgments is particularly important when a company embarks on brand extension as what counted as quality, credibility, consideration and superiority in one market can evaporate as the brand extends its product line. Brand judgments can be fairly logical, brand feelings are consumers' emotional responses to the brand. Keller identifies six brand-building feelings that he regards as important emotions that a consumer can have towards a brand, namely warmth, fun, excitement, security, social approval and self-respect. The first three are experiential and increase the level of intensity, while the latter three are private and enduring. These responses are likely to come together in different combinations for individual consumers and the distinct brands they are relating to. The final tier of the pyramid deals with the consumer's relationship with the brand and here Keller introduces the sixth building block, which he calls brand resonance. Resonance is characterized by the intensity of the psychological bond that customers have with the brand and their level of engagement with the brand.

The conceptual fit of the model is attempted i.e to apply these building blocks to select FMCG products like toothpaste, by selecting Colgate, Anchor & Sach toothpaste. So also among instant noodles Nestlé's Maggi, ITC Sunfeast Yippe & Tasty Treat noodles are identified and content analysis of secondary data is done to identify the brand building blocks in global, national& Retailers labels to see the relevance of the model is attempted below

Colgate

Colgate-Palmolive (India) Limited is a leading consumer products company known for its products focused on Oral Care in over 200 countries and territories around the world under such internationally recognized brand names as Colgate. Today, Colgate brand is a household name in India. Consistently superior quality, innovation and value for money products, has enabled Colgate to be voted 'The Most Trusted Brand' in India across all brands and categories for four consecutive years in the Brand Equity AC Nielson ORG-MARG survey. Colgate has been the only brand to be ranked in the top three for all the six surveys and to hold the premier position for four consecutive years. This is a reflection of the trust and confidence that generations of consumers have placed in Colgate for their oral care needs. Colgate Dental Cream positions itself as all-around cavity protection, even where a toothbrush cannot reach. It highlights mint taste freshens of breath, it U.S.P against root caries, it cleans & makes teeth white & bright smile

Anchor Health and Beauty Care Pvt. Ltd

Is a subsidiary of Anchor Group – a FMCG company, provides oral and personal care products. Its products include white toothpaste, gels, toothbrushes, tooth powders, and soaps. Anchor Toothpaste which is marketed as "vegetarian'', is the first Indian tooth paste to offer all round protection, It is the first tooth paste to be recognized by the vegetarian society of London. It is first Indian toothpaste which is positioned as made from vegetarian ingredients.

Future Group-' Sach', toothpaste (Retailer Brand)

Future Group, one of the country's largest retailers has roped in India's biggest sporting icon Sachin Tendulkar to co-create 'Sach'- a tooth paste that is available at its outlets, viz. Big Bazaar, Food Bazaar amongst others. **The concept of co-creating a private brand has been given a new meaning** This private label branding is different unlike private labels always adopt the same name across product categories (Morton, F.S. and Zettelmeyer, F. (2000), The toothpaste brand's baseline is 'Ab Din Ki Shuruvaat Sach Se'. is the brand's core message that is drawn from the basic Indian values of inculcating good habits, and functionality of 'brushing teeth every morning', the toothpaste keeps "Indian ness" in mind through consumer insights & builds an emotional connect with consumers, inspire the youth and will create a history like Sachin always does", and inspired from Sachin as an individual who stands for humility, honesty and Integrity and also the product truth and functionality of brushing teeth every morning. The brand stands for performance and integrity like the cricketer. It is a first private brand were celebrity co creation & branding has taken place leading to a combination of value with great quality.

ITC

ITC is one of India's foremost private sector companies. As one of India's most valuable and respected corporations, ITC is widely perceived to be dedicatedly nation-oriented. The Sunfeast Yippee pack is bright yellow and red. Yippie comes in round stacks, as opposed to the usual rectangular ones to ensure longer noodles strands. Also it resists clumping when served. The product has two intrinsic components - the noodle block and the masala mix. Wheat is a key ingredient of the noodle block. The sourcing and blending expertise that has made Aashirvaad India's No 1 branded Atta has been leveraged to make a truly delightful noodle block. Sunfeast Yippee noodles do not lump even 30 minutes after cooking. Children prefer to slurp noodles while eating and therefore prefer a longer noodle than what was available in the market

Tasty treat (retailers brand)

Tasty treat Instant noodle is private label from hypermarket retail chain Future Group- With its 'Is se sasta aur accha kahin nahin', promising 'more for less'. Tasty Treat's brand promise is discretionary pleasure foods. Its food that you can have anytime, anywhere and all you want. It has a certain indulgence aspect about it and it is definitely a taste enhancer. It comes with an ethnic or regional twist as well. Its chief discriminator is its vast range of great tasting processed food manufactured to stringent quality standards. Its root promise is Great Value, Assured Quality and Affordable Price. The range of Tasty Treat products includes noodles, and breakfast cereals

Brand building blocks

	Brand	Brand Category	Brand Performance	Brand Imagery	Brand Positioning	Brand Core Values	Brand Mantra
1	Colgate	Toothpaste	Oral Hygiene	Fights Germs	Credibility affordable	cleans & makes teeth whiter	offers all-around cavity protection,
2	Anchor	Toothpaste	Pure Quality	Honest Indigenous	free from animal origin, ingredients Harmless For modern lifestyle	Indian Values& Vegetarian	Indian FMCG & Natural
3	Sach	Toothpaste	humility,	Sachin, co-creation honesty and Integrity	Credibility Brand superiority	Ab Din Ki Shuruvaat Sach se'	Honest protection natural way

Source: Compiled by the author from published sources

Nestlé India

MAGGI 2-MINUTE Noodles is one of the largest snack food brands in the country and defines the Instant Noodles category in the country is an innovative product and the first of its kind in India. It positions itself as *Chaska Taste ka, Health Rice ka* MAGGI RICE NOODLE MANIA comes as another unique **TASTE BHI HEALTH BHI** offering from the house of MAGGI

Summary : Keller (2001) proposes customer-based brand equity (CBBE) model) which argues that building strong brand equity is a gradual process and happens stepwise which can be likened to a branding ladder. In this ladder, final outcome depends on achieving the previous stage successfully which comprises of brand identity to brand meaning, responses and finally brand relationships. Six brand building blocks – salience, performance, imagery, judgment, feelings and resonance underlies these steps. CBBE model and its components are being used by the international and National& Retailers brands. Indian brands represent the distinction that they are of Indian origin and are high on resonance, performance imagery, and relatively very high on consumer feelings. Indian brands are predominately about the spirit of trust, Indianisation of the various products be it an FMCG brand like Anchor toothpaste or Sunfeast noodles the connectivity in customer imagery is very high so also brand resonance about the very own desi pride local pride and understanding of the local market requirements by feeling the pulse of the consumer.

Brand building blocks

	Brand	Brand Category	Brand Performance	Brand Imagery	Brand Positioning	Brand Core values	Consumer Brand Resonance
1	Maggi Nestle	Instant noodles	Easy to make	**Taste Bhi Health Bhi**	Wholesome	Healthy	2-minute
2	Sunfeast Yippee! ITC	Instant noodles	Desi & Tasty	Made For India(Branded ingredient)	Long Wholesome non sticky ,noodle	Healthy	localize for India
3	Tasty Treat Future Group	Instant noodles	Tasty Snack	Made for India, Ethnic taste	Credibility respect	Value for money or more for less	'Is se sasta aur accha kahin nahin', Indian

Source: Compiled by the author from published sources

Retailers Private brands represent the distinction that they are of store origin They improve their product attractiveness among local customers with higher social status (Batra et al., 2000 and are high on performance, imagery and positioned as brands with core Indian values &value for money both in the case of Sach & tasty treat Brand building using all the components off CBBE model can be traced in retailers brands.

Where as Global brands are all using the components off CBBE model but are weak in consumer feelings. Global brands have the temptation to extend the well nurtured International brand in the local market but the consumer feelings become weak in the process. Those of them who have bought in adaptation in terms of glocalising are reaping the benefits of the same as in the case of Nestle Maggi noodles & Colgate.

The essential building blocks of branding are being used by all category of brands but the emotional connect differs in foreign brands, companies that work out what consumers want, need and find a way to deliver it or relate it rationally or emotionally in an Indian way to their brand/product are always the strongest. Consequently, distinctions between the National and international brands are gradually blurring as new challenges are emerging from abroad. A strong brand maintains relevance, yet is distinct and differentiated from the competition and this is generally independent of whether or not the brand is owned by a Retailer, National firm or a international firm, but the conceptual fundamentals of brand building remain the same. It is not about Retailer vs National brand Indian or Indian vs Foreign but efficient vs. inefficient, competitive vs. uncompetitive players.

Research limitations and direction for further research

The study is confined only to toothpaste& instant noodles which are selected as convenience sample among the FMCG product category .It can be extended to durable good and services. Consumers perceptions of the same can also be looked into.

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CSR in India-a vision for the future

A. Jayakumar, G. Anbalagan & L. Kannan
Periyar University, India

Key Words
Corporate Sustainability, Social Responsibility, Corporate Citizenship, Corporate Philanthropy

Abstract
Firms can no longer continue to exploit environmental resources and escape from their responsibility by acting as separate entities regardless of the interest of the society. Organizations, now, are realizing the need to shift their focus on the interest of society. The sense of being socially responsible has to come from within. CSR involves various voluntary efforts in which companies engage themselves in order to give something back to the society. It involves providing innovative solutions to societal and environmental challenges. Organizations generally believe that acting in a socially responsible manner will create value for them. The fact that an organization is committed to social causes, also gives employees a sense that the company would also be committed to the welfare of its employees as well. This paper attempts to examine the concept of CSR in India.

Introduction
Traditionally, CSR is seen as a voluntary action. But now the business environment is being characterized by various developments including the shift of power from capital to knowledge, increased levels of literacy and the shrinking of geographical boundaries due to faster means of travel and communication, which has led to a rise in the expectations of society from business. And the Business societies also have been forced to adopt CSR practices into their businesses because of various constraints like increasing literacy levels of the general public, rise of the middle class and a general increase in awareness among citizens about social and environmental issues have that covers not only their shareholders, but many other stakeholders as well which includes employees, suppliers, customers, the local community, government, non-governmental organizations (NGOs), environmental groups and special interest groups.

The Concept of Social Responsibility
CSR can be defined as the 'ethical behavior of a company towards society'. It means engaging directly with local communities, identifying their basic needs, and integrating their needs with business goals and strategic intent. The government perceives CSR as the business contribution to the nation's sustainable development goals. Essentially, it is about how business takes into account the economic, social and environmental impact of the way in which it operates.

CSR has been defined as **"**open and transparent business practices that are based upon ethical values and respect for employees, communities and the environment – and designed to deliver sustainable value to society at large, as well as to shareholders.**"** – The Prince of Wales Business Leaders Forum.

Archie Carroll in 1991 describes CSR as "a multi layered concept that can be differentiated into four interrelated aspects – economic, legal, ethical and philanthropic responsibilities."

Fig. 1 : Archie Carroll Model

Carroll presents these different responsibilities as consecutive layers within a cycle, such that "true" social responsibility requires the meeting of all four levels consecutively. The model probably is the most accepted and established.

The World Business Council for Sustainable Development has described CSR as the business contribution to sustainable economic development. Building on a base of compliance with legislation and regulations, CSR typically includes "beyond law" commitments and activities pertaining to:

- Corporate governance and ethics
- Health and safety
- Environmental stewardship
- Human rights (including core labour rights)
- Human resource management
- Community involvement, development and investment
- Involvement of and respect for Aboriginal peoples
- Corporate philanthropy and employee volunteering
- Customer satisfaction and adherence to principles of fair competition
- Anti-bribery and anti-corruption measures
- Accountability, transparency and performance reporting
- Supplier relations, for both domestic and international supply chains

Literature Review

Daniel S. Mason (2011) The 2016 Summer Olympic Games[1] bids were selected as a case study to explore how the focus on social responsibility (CSR) and community development (CD) differs in traditional versus nontraditional bid cities. We employed a media framing methodology to examine how the bids were represented through media and articulated by various stakeholders. Of specific interest was the finding that the discourse surrounding the Rio de Janeiro bid put a greater focus on the capability of sport to reach out to disadvantaged populations and create balance within the global economy. The results from this study will provide insights into how the global media has framed mega event bids from nontraditional cities, and the social and economic benefits event proponents argue can be accrued from hosting.

Thomas Heckelei (2011) corporate social responsibility (CSR) is of high relevance for food companies as this sector has a strong impact and a high dependence on the economy, the environment and on society. CSR's threats and opportunities are increasingly shifting from the single-firm level to food supply chains and food networks. This induces substantial challenges for the future due to firm heterogeneity and the associated diversity in CSR approaches.

Andrew Crane 2008 - Corporate social performance (CSP) has been a prominent concept in the management literature dealing with the social role and impacts of the corporation; it has been promulgated as a unifying paradigm for the field. However, the concept of CSP is still lacking strong theoretical foundations and empirical validity, suggesting that the paradigmatic status of CSP might be lost. In this paper, the authors draw on Hirsch and Levin's (2008) life cycle approach to explore the development of CSP as a concept, explain why it has so recurrently failed to deliver on these dimensions, and offer possible routes for future research that may potentially ameliorate this problem.

CSR used to be a formality. A function runs in the organization for the sake of it, Rather than with aim of creating any material difference to the society. Now, however the scenario has changed. Due to more product categories, competition in the market and lack of differentiation, companies are integrating CSR with marketing plan. Companies realize that to gain customer loyalty, to make the consumer choose them among a host of competing products, it is imperative to go with trend and project a distinct brand/corporate image, which is of being socially responsible corporate citizen. Due to that marketers are jumping the CSR brandwagon and branding their products and services tagged with CSR **(Krish 2010).**

Adam Lindgreen, et al (2009), observed that CSR practices are more prevalent in organizations that employ relational marketing practices. All types of CSR practices receive positive influences by one or more types of relational marketing practices. In the process of building and engaging in relationships, networks, and interactions with customers and other stakeholders, managers look for CSR practices that can generate trust, loyalty and support from stakeholders, especially as product differentiation becomes increasingly difficult.

VenuSrinivasan (2007) highlighted that Corporate Social Responsibility is more than philanthropy and must not mean 'giving and receiving'. An effective CSR initiative must engage the less privileged on a partnership basis. "CSR means sustainable development of the community by being partners in their progress. The government has been evolving a large number of welfare schemes for the people but experience shows that in most cases the benefits do not reach the most deserving. Industries have expertise in man management, financial management and business planning. They can easily provide the missing ingredients of leadership and organization and establish the 'last mile connectivity' to reach the benefits to the deserving people. Therefore the focus of CSR could be 'unlocking' the last mile connectivity. Industry must be a catalyst for social development. They must provide the leadership, know-how, training, etc.

CSR: Rationale

- Governments and intergovernmental bodies, such as the United Nations, the Organization for Economic Co-operation and Development and the International Labour Organization have developed compacts, declarations, guidelines, principles and other instruments that outline social norms for acceptable conduct.
- Advances in communications technology, such as the Internet, cellular phones and personal digital assistants, are making it easier to track corporate activities and disseminate information about them. Non-governmental organizations now regularly draw attention through their websites to business practices they view as problematic.
- Citizens in many countries are making it clear that corporations should meet standards of social and environmental care, no matter where they operate.
- Businesses are recognizing that adopting an effective approach to CSR can reduce risk of business disruptions, open up new opportunities, and enhance brand and company reputation.
- Globalization - cross-border trade, multinational enterprises and global supply chains have necessitated the need of CSR and this raise concerns related to human resource management practices, environmental protection, and health and safety, among other things.

Dimensions of CSR

The Green Paper (2001) by the Commission of the European Communities identifies two main dimensions of CSR, an internal dimension relating to practices internal to the company and an external dimension involving the external stakeholders.

Internal Dimension

This relates to practices internal to the company which need to be modified to incorporate CSR practices. The various components of the internal dimension of CSR are shown below.

Fig.2

Management of Environmental impacts

The importance of this aspect of CSR cannot be over emphasized. Optimization of resource utilization and reducing environmentally damaging effluents can reduce the environmental impact. This will also enable the firms to affect significant cost savings in energy bills and pollution costs.

Adaptation to change

A recent trend in the global business scenario has been the wide spread use of mergers and acquisitions for business expansion. Also downsizing has been used, often ineffectively, as a cost cutting measure by firms in their relentless push for profits.

Work Safety and Health Measures

Worker safety and labour health have been documented to be having a direct impact on productivity of the labour force. Although legal measures exist in most nations on maintaining standards for ensuring worker safety and providing health benefits, recent trends have made it imperative for companies to adopt a proactive approach to this issue.

Human Resources Management

As Employees are the living assets of the organization, their expectations must be met by a socially responsible business. The internal dimension of CSR includes elements like providing an environment for lifelong learning for employees, employee empowerment, better information flow, improving the balance between work, family, and leisure, diversified work force, profit sharing and share ownership schemes, concern for employability as well as job security among others. Above all the organization should give respect his employees. Some of the best socially responsible businesses also allow employees extra paid vacation time, retirement plans, profit sharing and many other incentives to keep the employees happy and well provided for. These things makes the employees make happy and thus leads to high productivity.

External Dimension

This dimension relates to practices concerning external stakeholders. The significance of this dimension of CSR has come to the forefront with the advent of globalization leading to the development of international standards for business practices.

Fig.3

Human Rights

Amnesty International states:" Companies have a direct responsibility to ensure the protection of human rights in their own operations. They also have a responsibility to use their influence to mitigate the violation of human rights by governments, the forces of law and order or opposition groups in the countries in which they operate."

Business Partners

Building long term relationships of sound ethical foundation with suppliers, customers (and even competitors in rare occasions) will enable companies to meet customer expectations better while reducing complexity and costs. Companies should realize their CSR practices will be judged taking into account the practices of their partners and suppliers throughout the supply chain. The effect of corporate social responsibility activities will not remain limited to the company itself, but will also touch upon their economic partners.

Local Communities

The development of positive relations with the local community and thereby the accumulation of social capital is particularly relevant for non-local companies. These relations are being increasingly used by multinational companies to support the integration of their subsidiaries into various markets in which they are present. Deep understanding of the local community and social customs is an asset which can be utilized by the companies to gain strategic advantage.

Fig.4: Benefits of Implementing a CSR Approach

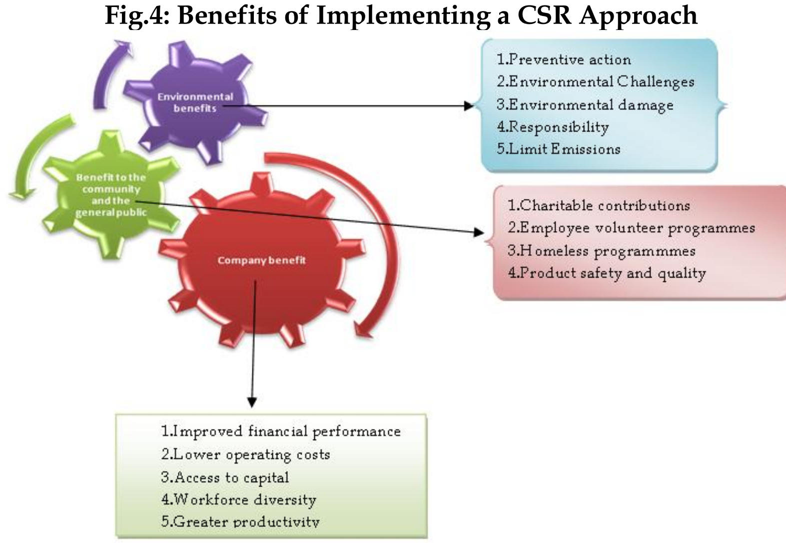


Fig.5 Stages of CSR

CSR in India – Historical Perspective

The concept of social responsibility of business has been in practice since ancient times. Helping the poor and disadvantaged was cited in much of the ancient literature. This can be easily seen in India in the form of magnificent temples, high mosques, large Dharmshalas and great educational institutions. Indian literature is full of incidents when businessmen have gone out of the way to help extract kings and societies out of crises. Many Indian businesses are known for staying one step ahead of the government, as far as the welfare of employees and societies is concerned.

Business CSR in India

Fig. 6

The Current Status of CSR in India

As of the year 2000, CSR is fast gaining momentum as an important aspect of business practice in India. Companies like TATA and BIRLA have been imbibing the case for social good in their operations for decades long before CSR become a popular cause. The 'business case' for CSR is gaining ground and corporate houses are realizing that what is good for workers – their community, health, and environment is also good for the businesses. Indian companies are now expected to discharge their stakeholder responsibilities and societal obligations, along with their shareholder – wealth maximization goal. Nearly all leading corporates in India are involved in CSR programs in areas like education, health, livelihood creation, skill development, and empowerment of weaker sections of the society, medical camps, raising awareness on protecting and enhancing the environment.

Mandatory provisions on CSR IN INDIA

In 2009, the government made mandatory for all public sector oil companies to spend 2 per cent of their net profits on corporate social responsibility.

The 2010 list of Forbes Asia's **'48 Heroes of Philanthropy'** contains four Indians. India has been named among the top ten Asian Countries paying increasing importance towards corporate social responsibility (CSR) disclosure norms.

There are several bodies now emerging on the Indian scene that focus on issues of CSR. An appreciative quantum of roundtables and networks pertaining to CSR are being established and doing good work. Given below are a few of the more prominent examples.

i) Corporate Roundtable on Development of Strategies for the Environment and Sustainable Development - Business Council for Sustainable Development (CORE-BCSD) of India

a. Currently the Roundtable includes some of the leading Indian corporate, such as:

✓ The Associated Cement Companies Limited
✓ Bharat Heavy Electricals Limited
✓ Bharat Petroleum Corporation Limited
✓ Century Textiles & Industries Limited
✓ Gas Authority of India Limited
✓ Gujarat Ambuja Cements Limited
✓ Hindustan Lever Limited
✓ Infrastructure Leasing & Financial Services Limited
✓ ITC Limited - Paper Brands &Specialty Papers Division
✓ National Thermal Power Corporation Limited
✓ Reliance Energy Limited
✓ Tata Chemicals Limited

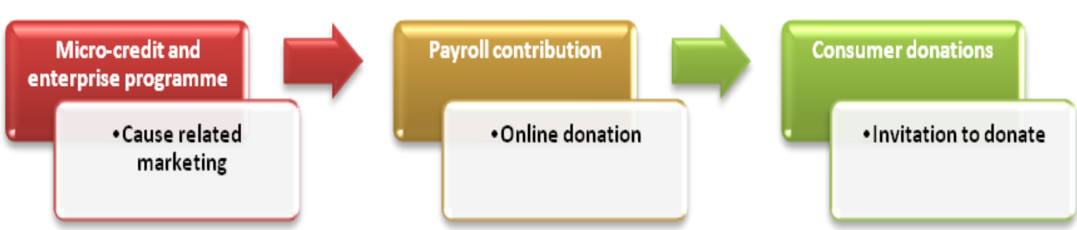
ii) India Partnership Forum of the Confederation of Indian Industries (CII)

iii) The British Council's CSR Network

The network members are:

I. Aravali Institute of Management, Jodhpur
II. Institute for Integrated Learning in Management, New Delhi
III. Institute of Management Technology, Ghaziabad
IV. National Law University, Jodhpur
V. New Academy of Business, UK
VI. University Business School, Punjab University
VII. CSR Models on Offer by the Times Foundation, India

Fig. 6

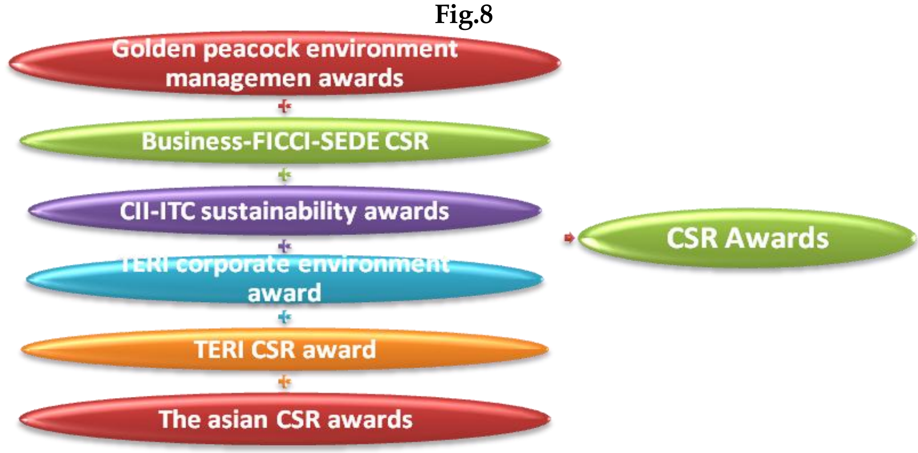


v) The EU-India CSR Network

CSR Awards

In India, most of the corporate houses still link social responsibility or sustainable development only with the community initiatives. For that reason, some of the critics question the institution of corporate responsibility awards by business chambers and NGOs as a means of helping the corporate houses to 'green wash'. While refraining from commenting on this, listed below are the popular CSR awards in India:

Fig.8



i) Golden Peacock Environment Management Award and Golden Peacock Award for Corporate Social Responsibility:

Both these awards are administered by the Golden Peacock Global Awards Secretariat, a London-based organization with a significant presence in India through its New Delhi office.

ii) Business world-FICCI-SEDF Corporate Social Responsibility Award:

This award was instituted in 1999 to recognize and applaud the social conscience of corporate houses in India. It has a three-tier selection process involving quantitative analysis, visits to companies and project sites, and the institution of a special jury.

iii) CII-ITC Sustainability Award:

The process of conferring the award comprises the following steps:

- Announcing the award
- Receiving the application of intent to participate,
- Submission of the application document
- On-site assessment of the participating organizations
- Final evaluation of the assessment results
- Jury meeting and award decision and
- Announcement of the award winners

iv) TERI Corporate Environment Award:

Turnover less than or equal to Rs.100 crores per annum

- Turnover between Rs.100 crores and Rs.500 crores per annum and
- Turnover above or equal to Rs.500 crores per annum.

V) TERI Corporate Social Responsibility Award:

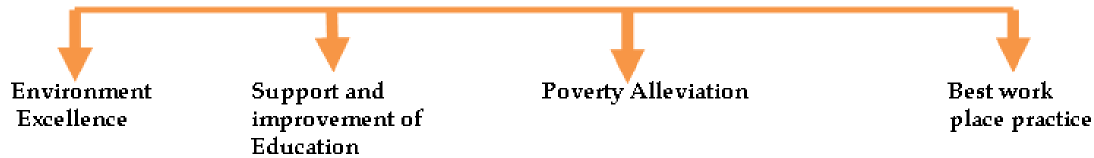
The stated objective of the award is to access to the:

- ➢ Integration of CSR concerns with corporate functioning
- ➢ Responsiveness to the needs of different stakeholders and
- ➢ Development of innovative partnership models to fulfill social responsibilities.

The awards are divided into three categories based on the annual turnover of the company:

- Turnover less than or equal to Rs.100 crores per annum
- Turnover between Rs.100 crores and Rs.500 crores per annum and
- Turnover above or equal to Rs.500 crores per annum.

iv) The Asian CSR Awards:



Discussion and Conclusion

In today's competitive business environment, corporate social responsibility represents a high profile notion that has strategic importance to many companies. Corporate have moved one step ahead from responsive activities to sustainable initiatives and have clearly exhibited their ability to make a significant difference in the society and improve the overall quality of life. Though the corporate have the power, expertise, strategic thinking, human resources and money, without adopting CSR practices, the corporate cannot bring a major change in the society. In India, most of the corporate do not have a clear policy on social responsibility. While developed countries like England have separate ministries to look after the issue of corporate social responsibility, in India, the government does not have a clear policy on the issue. But the Indian government has been motivating the corporate by giving awards and implementing CSR programmes. This alone cannot make a change in the society. Effective partnership between corporate and the government is required to place India's social development on a faster track.

The problem with corporate social responsibility (CSR) is that nobody is very clear about what exactly it encompasses. In 2011 the government made the CSR mandatory for all public sector companies to spend 2 percent of their net profit on Corporate Social Responsibility. Now the Indian government has been trying to make it mandatory for companies to spend at least 2% of net profits on CSR.

Scope of Further Research

- ✓ CSR in manufacturing industry
- ✓ CSR in Services industry
- ✓ CSR and Climate Change
- ✓ CSR and SMEs
- ✓ CSR and Insurance and Banking Sectors
- ✓ CSR and IT industry
- ✓ CSR and Corporate Governance

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Case study: Conducting financial analysis on Syngenta

Grishma Padhye
Foundation of Liberal and Management Education (FLAME), Pune, India

Key Words
Syngenta, financial analysis, liquidity ratio, asset turnover ratio, financial leverage ratio, profitability ratio, dividend policy ratio, agribusiness

Abstract
The case study places students in the shoes of a young, bright girl Jolly, studying her Bachelor of Business Administration, and brings them to conduct financial analysis on Syngenta. Syngenta is a leading multinational agribusiness company. Founded in 2000, the company employs more than 26,000 people in over 90 countries. (Syngenta, 2011) *The case presents information about general business of Syngenta, headquartered in Basel, Switzerland. The financial statements of the company and its closest competitors – Bayer and Monsanto - for financial years 2008, 2009, 2010, are given in the case. Other relevant financial information such as stock prices is also given. Students need to calculate the appropriate ratios by working with the figures presented in the case. Guidance is given to the students on how to make an inference from the ratios calculated.*

An empirical analysis of the impact of Corporate Social Responsibility accounting on profitability and company`s market share in Nigeria

Adebayo Olagunju &
Olufemi Omoyele
Redeemer`s University, Nigeria

Key Words
Corporate social responsibility, Accounting, Profitability, Market Share.

Abstract
Drawing empirical evidence from indigenous firms, this study explores the meaning and practice of corporate social responsibility in relation to its impact on profitability and company's market share. The study embodies a survey in which data were generated by means of questionnaires and annual reports of selected companies in Lagos State.0nehundred questionnaires were distributed in all. Responses from the survey and the hypothesis were statistically analysed using product moment correlation and simple percentage. The responses were also backed with secondary data obtained from the annual reports of the selected companies. The result of the study revealed that indigenous firms perceive and practice corporate social responsibility as corporate philanthropy. It was also discovered that the performance and reporting of social responsibility has a correlation with the profitability and market share of a company. This implies that, to an extent, corporate social responsibility influences the profitability and size of a company's market. The study concluded that, performance and reporting of social responsibility goes a long way in boosting the reputation, sales and profit levels of a firm operating in Nigeria .Regardless of the harsh and unfriendly business in which the firms operate, companies that are responsive to their social actions continue to flourish, partly as a result of CSR activities yielding its return. Finally, the study recommends that units or departments should be set up in these corporations whose sole and functional responsibility would be to discharge its social responsibility and that government should not abandon their lawful duties to the firms with the tag or licence of social responsibility.

Introduction

The corporate social responsibility (CSR) concept evolution started with the concerns related to the damage created by businesses on environment and society at large by way of activities linked to their business operation .That is, there are definite social and environmental costs of most commercial activities. One reason for such pronouncements is to proliferate that accounting must reflect what is taking place in its increasingly complex environment. The continual growth and expansion of accounting practices has led to a provision and recognition for the environment in which it thrives. The environment of accounting has undergone vast changes in the last two decades and an accelerating rate of change is in prospect for the future. Accounting is moving from its traditional procedural base, towards a role which emphasizes its social importance. As a result, there was a need to extend the boundaries of accounting to cover its social responsibilities. These social responsibilities involve moving targets many of which are subject to government action and societal demands.

In his speech at the World Economic Forum in Davos in January 1999, Kofi Annan, UN Secretary General as cited by Michael and Alan (2008), challenged businesses and countries to adopt universally agreed- upon values in the areas of human rights, labour standards and environmental protection. This was the start of the network Global Compact for the 21st Century. As a result, Companies are under increasing pressure from society to take their social responsibility. This is especially so if it concerns companies with a business relation in a developing country, since these companies are more confronted with CSR issues.

The CSR movement initially had a strong focus on environmental issues resulting in the first UN Global Environment Summit held in Stockholm in 1972 as cited by Scherer and Palazzo(2007) . The Earth

Summit in Rio de Janeiro in 1992 marked a start for a changing business approach when business community made efforts to contribute to the dialogue on environmental, economic and social issues by establishing the Business Council for Sustainable Development (BCSD). The Bali Roundtable on developing countries in 2002 as cited by Abdulazeez and Sulaimon (2007), recognised the business sector as a primary driver of economic development and the World Summit for Sustainability identified business involvement as critical in alleviating poverty and achieving sustainable development.

Recently, the International Organization for Standardisation (ISO) is developing an international standard to provide guidelines for adopting and disseminating social responsibility: ISO 26000- Social Responsibility, due for publication in 2010 as cited by Roger (2002).This standard will "encourage voluntary commitment to social responsibility and will lead to common guidance on concepts, definitions and methods of evaluation" (ISO, 2009) as cited by Nancy (2005). The standard describes itself as a guide for dialogue and action, not a constraining or certifiable management standard.

In Nigeria, the current CSR concept started formulating in early 1980s. In 1980s and 1990s events like Shell spoiling the environment and violating the human rights in Nigeria, started a new wave of criticism which triggered a completely different thinking on CSR which is mostly philanthropic.

In response to the increasing societal pressure, many companies adopt the concept of corporate social responsibility (CSR) by introducing codes of conduct that are expected to ensure socially responsible business practices throughout the chain – from supplier of raw materials to final end-users (Pedersen and Andersen, 2006) as cited by Michael and Alan(2008). Many firms go beyond what is required by their market and nonmarket environment and attempt to serve directly the needs of their stakeholders or, more broadly of society. For these firms, successful performance involves not only compliance with the law and public policies but also requires fulfilling broader responsibilities. This may include charitable donations and other ethical and discretionary responsibilities. Firms vary considerably in the scope of these activities. That is, the scope depends on their conceptions of the role of business in society and of corporate social responsibility.

However, Jurisdictions are yet to require substantive legislation requiring sustainability reporting of all large organizations (Gray and Milne, 2002) as cited by Oluwole (2008).But, a few guidelines, standard and government recommendations have begun to appear concerning CSR. It is also imperative to state here that, there are no universally bound laws with respect to CSR which firms must operate. CSR, in the past, was considered to be confined as a part of corporate philanthropy, but today, the actual definition of CSR has changed. CSR now not only includes the company's contribution towards the general public, but also towards its employees and the environment. CSR encompasses the way in which a company integrates its social, environmental and economic concerns into its values, culture, decision-making, strategy and operations in a transparent and accountable manner, thereby, establishing better practices within the firm, creating wealth and improving society.

Statement of the problem

The continual growth and expansion of accounting practices has led to a provision and recognition for the environment in which it thrives. The environment of accounting has undergone vast changes in the last two decades and an accelerating rate of change is in prospect for the future. Accounting is moving from its traditional procedural base, towards a role which emphasizes its social importance. As a result, there was a need to extend the boundaries of accounting to cover its social responsibilities. These social responsibilities involve moving targets many of which are subject to government action and societal demands.

One of the problems associated with CRS is that its definitive boundaries for businesses are subjective. Thus, CSR is individual firm's management function. The only guideline available to a firm is a tie between legislations on CSR on one hand and public opinion and pressures on the other. Consequently the operational meaning of corporate social responsibility is supremely vague and there is much less certainty about what its obligations or its scope might be. Vogel, 1991 as cited by Nancy (2005), notes that part of the universal appeal of the concept of corporate social responsibility rests on the concept's ambiguity.

Another problem is the use of CSR reporting and actions to suppress the effect of damages created as a result of business activities. The problem this study tend to address lies in the fact that:

(a) Whether there is significance impact of CSR Accounting on the profitability and growth of companies in Nigeria

(b) Whether there is any relationship between CSR Accounting and profitability of the companies in Nigeria .

Previous research work on CSR Accounting, Olabode, 2009, ladele, 2010 and Akinorun, 2008 concentrated only on the problems and prospects of CSR Accounting.

It is therefore the intention of the study to assess (through a research study) the impact of CSR Accounting on profitability and company's market share in Nigeria in order to form an opinion as to whether CRS Accounting has a bearing on the performance of companies in Nigeria and to make appropriate recommendations.

Research Questions

The study is designed to provide empirical evidence that will be used to answer the following research questions:

1. What is the extent/scope of corporate social responsibility accounting?
2. What are the motives for CSR accounting in business organisation?
3. What is the relationship between CSR accounting and profitability?
4. What is the relationship between CSR accounting and the company's market share?

Research Hypothesis

The following research hypotheses are formulated for the study:

H_{01}: There is no significant relationship between CSR accounting and profitability

H_{02}: There is no significant relationship between CSR accounting and the company's market share

Objectives of the Study

The study is designed to establish the following objectives:

- To gain a general and universal understanding of CSR and then its perception, nature and extent among corporate firms operating in Nigeria.
- To examine the motives of corporate organisation for reporting CSR
- To establish the relationship between CSR accounting and the market share of firms.
- To establish the relationship between CSR accounting and profitability.
- To explore the subject of CSR with the aim of understanding its components and to characterise

CSR in ways that may be useful to executives who wish to reconcile their obligations to their shareholders with other competing groups claiming legitimacy.

Theoritical and conceptiual Framework

History of CSR

According to Atilade (2008) as cited by Nancy (2005) , the history of corporate social responsibility has to do with the decision of some companies to always demonstrate a deeper responsibility towards the community. Such activities in time past in Western nations were located under two general headings-paternalism and philanthropy.

Paternalism describes a situation where companies felt a responsibility to take care of their employees and sometimes these actions took life from religious and moral sentiments. Philanthropy is also often driven by moral and religious convictions extended to the wider community which led to the founding of schools, hospitals and other social services to the community. It stems from an individual's wish to return something to the community which had made him wealthy rather than from any wish to conduct business in a responsible way.

Consequently, in Britain, visionary business leaders in the aftermath of the Industrial Revolution built factory towns, such as Bourneville (founded by George Cadbury in 1879) and Port Sunlight (founded by William Lever in 1888 and named after the brand of soap made there), that were intended to provide workers and their families with housing and other amenities when many parts of the newly industrialized cities were slums.

Also, Saltaire, founded in 1851 by Sir Titus Salt (1803-1876) just outside Bradford, then the world's wool textile capital. In the mid-nineteenth century, Bradford was also known as the most polluted town in England, with factory chimneys churning out black, sulphurous smoke and factory effluent and sewage being dumped into the local river that also provided the town's drinking water, leading to cholera and typhoid. Average life expectancy in Bradford was only 20 years. Daniel Salt and Sons was one of the most important textile companies in Bradford and the largest employer. In response to conditions in the city and needing a suitable site for a new factory, Titus Salt moved from Bradford and built a new industrial community called Saltaire. By the time of his death in 1876, this included 850 houses for his workers, each served with fresh water from Saltaire's own reservoir, as well as a park, church, school, hospital, and a library.

In 1970s, the terms corporate social responsiveness and corporate social performance were prominent. Corporate responsiveness emphasised the proactive approach required from the corporation and was used to link corporate social responsibility to strategic management. On the other hand, corporate social performance was an attempt to offer a managerial framework to deal with and to manage CSR.

The CSR movement initially had a strong focus on environmental issues resulting in the first UN Global Environment Summit held in Stockholm in 1972. The Earth Summit in Rio de Janeiro in 1992 marked a start for a changing business approach when business community made efforts to contribute to the dialogue on environmental, economic and social issues by establishing the Business Council for Sustainable Development (BCSD).

The debate over Africa´s future has been on the agenda recently with the publications of "Our Common Interest" (Commission for Africa). The report calls for "*improved governance and capacity building, the pursuit of peace and security, investment in people, economic growth and poverty reduction, and increased and fairer trade*". Businesses obviously have an important role in this transformation process, where a lot of efforts can be embedded within the framework of CSR.

CIBN (2009) suggested that CSR began in United States of America at the turn of the twentieth century as a result of a fall out from attacks on corporation for being too big, too powerful and guilty of anti-social and anti-competitive practices.

Over the years, attention has been shifted from social responsibility to social responsiveness by several other writers. Their basic argument was that the emphasis on responsibility focused exclusively on the notion of business obligation and motivation and that action or performance were being overlooked. The social responsiveness movement, therefore, emphasized corporate action, pro-action, and implementation of a social role. This was indeed a necessary reorientation. A number of factors such as managerial evolution, a growing hostility of the people who experience social problems demanding changes in business led to the shift in focus.

Basic Approaches to CSR

Between the 1960s and the 1970s, there were three approaches to the concept of social responsibility accounting.

i The Classical Economic Theory

Milton Friedman (1962) as cited by Famoroti, 2007 advocated that ''there is one and only one social responsibility of business- to use its resources and engage in activities designed to increase its profit, as long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud.'' The first approach originates in classical economic theory as expressed in the hypothesis that the firm has one and only one objective, which is to maximise profit. By extension, the objective of a corporation should be to maximise shareholder's wealth. It is asserted that in striving to attain this objective within the constraint of the existing legal and ethical framework, business Corporations are acting in the best interest of the society at large.

ii. The Stakeholder Approach

The second approach known as **'the stakeholder approach'** was developed in 1970s. It recognises the significance of social objectives in relation to the maximisation of profit. This approach propounded that corporate managers should make decisions which maintain an equitable balance between the claims of shareholders, employees, customers, suppliers and the general public. The corporation therefore, represents a coalition of interests, and the proper consideration of the various interests in this coalition is the only way to ensure that the corporation will attain its long term profit maximisation objective. This 'stakeholder' approach received much publicity in Britain when it was adopted by the Opposition Labour Party in 1996. This concept merely views the business enterprise as being concerned with making profits for its shareholders, and treats the claims of other interested groups.

Baron (2000) argued that a firm interacts with a number of constituencies including employees, suppliers, customers, the communities in which its facilities are located and the public in general. To the extent that these constituencies have an interest or stake in the relationship with the firm, they may be referred to as stakeholders. A stakeholder relationship centres on the exchange, as when an employee provides labour services to a firm in exchange for wages. Both parties presumably benefit from the continuation of such an exchange. Both parties therefore have incentives to take into account the interest of the other in the relationship.

iii Profit as a means to an end

The third view, regards profit as a means to an end and not an end in itself. It stated that organisational decisions should be concerned with the selection of socially responsible alternatives instead of seeking to maximise profit generally. The end result should be satisfactory level of profit which is compatible with attainment of a range of social goals. This view was established when 'the chief executive of a large corporation had the problem of reconciling the demands of the employees for more wages and improved benefit plans, customers for lower prices and greater values, shareholders for higher dividends and greater capital appreciation- all within a framework that will be constructive and acceptable to society'.

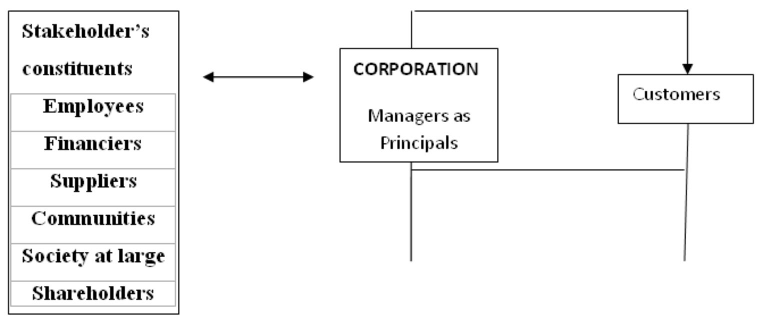
This concept acknowledges that the business enterprise has a responsibility to all stakeholders. That is, those who stand to gain or lose as a result of the firm's activities. From this approach, it is evident that unless firms are able to develop clear views of society's preferences and priorities,(socially responsible alternatives) they will be unable to plan activities which will make a social impact, much less report in a meaningful way on their social performance. Therefore, without this as a precise knowledge of such preferences and priorities, much of the discussion of what is socially desirable must pass for subjective judgements, or at worst pure guesswork.

However, the constraint to this third view is the problem of the ever changing nature of the ordering of social preferences. Social costs as well as social benefits are a function of social perception of what is good and bad about the business activity. As a result the nature of corporate social responsibility is not a static concept. It involves moving targets many of which are the subjects of government action.

The Business Roundtable Statement/Approach on Social Responsibility

The Business Roundtable was founded in 1972 to 'examine public issues that affect the economy and develop positions which seek to reflect sound economic and social principles'' Business Roundtable (1981). In 1981 ,one of its task forces issued a statement on Corporate Responsibility which reflects a constituency perspective and states that business is to ''serve the public interest as well as private profit''. The Roundtable states that 'some leading managers believe that by giving enlightened consideration to balancing the legitimate claims of all its constituents, a corporation will best serve the interest of its shareholders''. The Roundtable basic view of the firm is illustrated in the figure below

Figure 2.1: The Business Roundtable View of a Corporation



Source: Baron (2000) Ethics and responsibility: Business and its environment. (3rd edition)

The Roundtable identifies seven constituents: customers, employees, financiers, suppliers, communities, society at large and shareholders. Accordingly, responsibility to all these constituencies in total constitutes responsibility to society, making the corporation both economically and socially viable. The corporation is therefore a legal entity granted certain privileges including limited liability, indefinite life, and special tax treatment. In exchange for these privileges, the corporation has a responsibility to the society that granted it to them.

According to the Business Roundtable, customers have a ''primary claim for corporate attention'', they are therefore represented separately as providers of revenue for the firm. Also, in contrast to Friedman's perspective, the principals in the roundtable view are management.

Although, the Roundtable argues that the legitimate concerns of constituents are to be taken into account, it does not want those constituents to participate in the managerial decision making. Although, it is important that all sides be heard, management is to give attention to constituents' interest and decide whether and how much to respond to those interests. Vogel (1991) as cited by Nancy (2005), notes that part of the ''universal appeal of the concept of corporate social responsibility rests on the concept's ambiguity' allowing management to formulate more specific objectives.

Methodology

The primary data for the study were sourced from ten randomly selected banking and non-banking firms based in Lagos. Supportive secondary data contained in standard textbooks and journals with perspective on social responsibility accounting were also used. The statistical technique for data analysis and test of hypothetical proposition is the correlation coefficient. (r). A survey approach was adopted in generating data for the study. This was achieved through the distribution of questionnaires and personal interviews. Information from the questionnaires distributed constituted the primary data while those from the textbooks constituted the secondary data for the study. A total of hundred (100) questionnaires were distributed to staff in the companies. The questions were properly configured to produce a 'yes' 'or 'No' response option. This was done to encourage the respondent to complete the questionnaires quickly in less time. Ninety questionnaires were returned yielding a response rate of ninety percent (90%). The companies sampled were those located in Lagos state. Lagos state was chosen to facilitate quick distribution and retrieval of the questionnaires since the researcher is resident in Lagos. A total of ten (10) companies were surveyed. Data were presented using tables and simple percentages. The hypothesized statements were tested using correlation coefficient statistical instrument.

Model Specification

The correlation co-efficient, was used in measuring the degree of correlation or association between the two variables of this research work. Some variables of this research may not be put as dependent and independent, therefore, the use of letters X and Y was used to delineate the variables but not a causative arrangement. It is these variables that would demand ascertainment of correlation. Where;

$$r = \frac{\text{N}}{\sqrt{\left(\sum x^2 - (\frac{\sum x)^2}{\text{N}}(\sum \text{y} \; - (\frac{\sum y^2}{N} \;\right)}} \qquad (1)$$

Correlation, coefficient, $r = \dfrac{Sum(xy)}{\sqrt{(Sumx^2)}\sqrt{(Sumy^2}}$ (2)

Where;

x =deviation of each value in one variable from the means of the variable

y =deviation of each value in the other variable from the mean of that variable

xy=product of the deviation in one variable and the deviation in the other variable

If r is between – 1 to 1, there is a correlation between x and y, but where; r = o there is no correlation.

There is, however, an alternative formula for the product-moment correlation which does not involve the use of decimals and negative numbers.

The formula is as follows:

Correlation Coefficient, $r = \dfrac{NSumXY - (SumX)(SumY)}{\sqrt{[NSumX^2 \text{ - (SumX}^2 \text{][NSumY}^2 \text{ - (SumY}^2 \text{]}}}$

(3)

Where;

X =value in one variable

Y =value in the other variable

X^2 =square of value in one variable

XY =Product of values in the other variable

N =numbers of cases compared

RESULTS

The tables below contain correlation coefficient ,used to test hypothesis and computational out come.

Table 1:Relationship between Corporate Social Responsibility Accounting and Profitability of the Companies

Bank /company	**Average CSR budget (₦ Million)** X	**Average profit after tax (₦Billion)** Y	**X^2 (₦ Billion)**	**XY (₦ Billion)**	**Y^2 (₦ Billion)**
A	51	0.019	2601	0.969	0.000361
B	31	21	961	651	441
C	41	0.019	1681	0.779	0.000361
D	30	8	900	240	64
E	51	13	2601	663	169
F	41	6	1681	246	36
G	30	2	900	60	4
H	25	2	625	50	4
I	51	0.007	2601	0.357	0.000049
	$\sum x$=351	$\sum y$=52.	$\sum x^2$=14551	$\sum xy$=1912	$\sum y^2$=718.

Source: Banks' and Companies' published annual reports, 2010

Determination of coefficient of correlation

$$r = \frac{N(\sum xy) - \sum x \sum y}{\sqrt{\left[N(\sum x^2 \, (\sum x)^2\right] \left[N\sum y^2 - \right](\sum y)^2}}$$

Where;

X =average CSR budget

Y = Average Profit after Tax

N =number of business Firms in the survey

$\sum$ =summation

$$r = \frac{9(1912) - (351)(52)}{\sqrt{\left[9(14551) - (351)^2\right]\left[9(718) - (52)^2\right]}}$$

$$r = \frac{17{,}208 - 18252}{\sqrt{[130{,}959 - 123201][6462. - 2704]}}$$

$$= \frac{1044}{\sqrt{(7{,}758)(3758)}}$$

$$= \frac{1044}{\sqrt{29{,}154{,}564}}$$

$$= \frac{1{,}044}{5{,}399}$$

= -0.193

The above test duly examined the relationship between corporate social responsibility accounting and profitability of the selected business entities. The result showed that there is relationship between CSR accounting and the level of profitability of the companies as value of r falls between -0.0 to 0.2 which shows very low negative(-0.193) relationship. We therefore accept the alternative (H_1) hypothesis which says there is a relationship between CSR accounting and level of profitability. Null hypothesis (H_0) is rejected

Table2: Relationship between Corporate Social Responsibility Accounting and Size of the Market Share of the Companies

Bank/company	Average CSR budget X ₦Million)	Average sales/earnings Y ₦ Billion	X^2 ₦Billion	XY ₦Billion)	Y^2 (₦Billion)
A	51	0.08	2601	4.08	0.0064
B	31	93	961	2883	8649
C	41	0.092	1681	3772	0.008464
D	30	35	900	1050	1225
E	51	47	2601	2397	2209
F	41	42	1681	1722	1764
G	30	66	900	1980	4356
H	25	18	625	450	324
I	51	0.12	2601	6.12	0.0144
	$\sum X=351$	$\sum y=301$	$\sum x^2=17247$	$\sum xy=16940$	$\sum y^2=18527$

Source: Banks'and companies' published annual reports, 2010

Determination of coefficient of correlation (r)

$$r = \frac{N(\sum xy) - \sum x \sum y}{\sqrt{\left[N\sum x^2 - (\sum X)^2\right]\left[N\sum Y^2 - (\sum y)^2\right]}}$$

$$r = \frac{9(16{,}940) - (351)(301)}{\sqrt{\left[9(17247) - (351)^2\right]\left[9(18{,}527) - (301)^2\right]}}$$

$$r = \frac{152{,}460 - 105{,}651}{\sqrt{\left[2{,}677{,}131{,}081 - 123{,}201\right]\left[166743 - 90{,}601\right]}}$$

$$r = r = \frac{46809}{\left[(32022)(76142)\right]}$$

$$r = \frac{46806}{\sqrt{2438219124}} = \frac{46809}{49378.32646}$$

r = 0.947966514; r= 0.948

The above result showed that there is a relationship between CSR accounting and the market share of the companies as value of r falls between 0.0 and 0.9 which shows that there is a relationship between CSR accounting and the market share. We therefore accept (Hi) hypothesis which says there is positive relationship between CSR accounting and the size of the market share of the selected companies. We therefore reject null hypothesis (Ho).

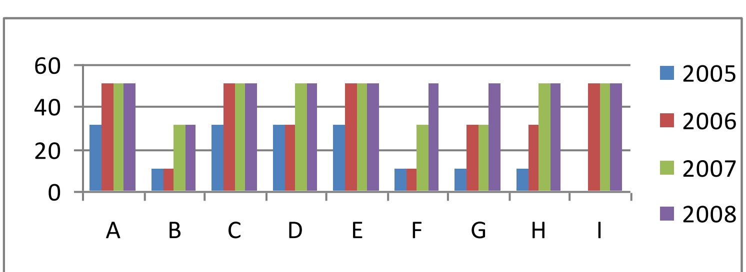


Figure3: BUDGET FOR CSR (₦' million)

Source: Annual reports of the researched firms,2010

The chart above shows that the budget for CSR took off at the range between 10-30million and increased steadily to 30million and or remain constant at 50million throughout the four year period. It also shows that the budget for CSR is not necessarily a function of the profit level of the organisation per year

Findings

This study has investigated many issues, both empirically and in literature and based on discussion of findings, we summarise as follows:

I. There is a relationship between Corporate social responsibility accounting and profitability of companies
II. There is a relationship between Corporate social responsibility accounting and companies' market share
III. Review of relevant literature shows that corporate social responsibility among Nigerian firms is philanthropic in nature.
IV. Companies have different motives for reporting social responsibility.
V. Corporate social responsibility is seen as a survival strategy and a competitive advantage in the Nigeria business environment.
VI. Social responsibility are now being reported in the annual report of companies
VII. Corporate social responsibility is an all year round responsibility and not donation made at the end of the year.
VIII. In some companies, entire department are dedicated for the achievement of CSR
IX. Social cost of Nigerian firms is based on enlightened self interest and defensive measures.
X. Charitable donation, education and children welfare, health and safety, scholarships are the areas of social responsibility given more preference among indigenous firms.
XI. Companies that are thinking ahead also adopted actions involving sustainable development along with CSR actions.
XII. Performance of CSR among indigenous is often perceived as a rip off. This is as a result of the heavy tax levied on firms which are often misappropriated by the government.

Conclusion

From the discussion presented in the preceding section of this study and also from the summary of our findings, the following conclusions were made.

Performance of corporate social responsibility among indigenous firms is from a defensive and self interest perspective. Defensive in the sense that, social actions are tailored to shield the firm's reputation from societal/ stakeholder pressure for the performance of social responsibility and from government sanctions. Self interest involves ''doing good in order to do well''. That is converting social needs and problems into profitable business opportunities which in fact, means converting what is seen as virtue into self interest.

In spite of the fact that social actions among indigenous firms are defensive, they are also philanthropic in nature. This is as a result of the socio- economic condition/challenges of the country such as poverty alleviation, health care facilities, infrastructural development, education and so on. Philanthropic nature of CSR in Nigeria can also be attributed to the communal philosophy of life which is rooted in the concept of extended kinship (that is beyond the immediate family).

Corporate social responsibility among indigenous firms is beginning to grow in meaning and in substance. It is no longer much of cash donations as in the past, but the involvement of people and organisation in actions that bring about sustainable development /changes.

Performance and reporting of social responsibility goes a long way in boosting the reputation of a firm operating in Nigeria. There is no relationship between CSR accounting and companies' level of profitability and companies' market share.

The demand for CSR on firms operating within the country is constantly on the increase. This is due to the deteriorating/ stagnant socio-economic condition of the economy which the government are doing little or nothing about. Therefore, the performance of CSR by firms in Nigeria, allows the government to slide back into their complacency leaving their lawful duties in the hands of these firms and in essence resulting in the payment of double taxation by such firms.

In spite of the hostile conditions, firms indulge in CSR activities because they have discovered that CSR is a means to achieve their objective. That is, CSR is an obligation to act in ways that serve both its own interest and the external public. CSR has become a survival strategy.

Recommendations

This study has investigated CSR, both empirically and in literature and based on the findings, this section further extends frontiers of the study by putting up some recommendations generally intended towards improving corporate social responsibility in Nigeria. The following specific recommendations are deemed appropriate.

i. The provision of a friendly and conducive business environment and the necessary infrastructure by the government would enable the indigenous firm conduct business profitably thereby increasing the morale to give back to the society.
ii. If CSR is to be meaningful and really work for development, then, it is not enough for companies to improve selected aspects of the environment/community and indulge in corporate giving. They should also indulge in activities relating to sustainable development. For example, sponsoring agricultural development projects, recycling and controlling waste from their products.
iii. Business and CSR activities should not only be driven by profit motive but must also be ethical and transparent in the conduct of their business operation while remaining sensitive to the problems and aspirations of their host environment.
iv. To ensure the performance and long term impact of CSR by firms, all corporate organisations k, operating in Nigeria should be made to publish their yearly financial accounts detailing their contributions and have such reports endorsed by the government or its agency.
v. However, the government should not abandon their lawful duties to the firms with the tag or licence of social responsibility.
vi. Corporate organisation should channel their CSR activities to specific causes rather than charitable donations whose funds can be misappropriated before its purpose is achieved.
vii. Section or departments should be set up in these corporations whose sole and functional responsibility would be to discharge its social responsibility.

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Leasing as a Viable Option for Asset Acquisition in Nigerian Manufacturing Companies

I.D. Nworji
Babcock University, Nigeria

A.M. Onaderu
Caleb University, Nigeria

OLABISI Jayeola
Redeemer's University, Nigeria

Key Words
Leasing; asset acquisition; profitability and size.

Abstract
The study empirically assesses leasing as a viable option for asset acquisition in manufacturing companies in Nigeria. The study shows the extent to which the manufacturing companies in Nigeria adopt lease financing as a veritable means of acquiring assets for business operations. Purposive selection of four Quoted manufacturing companies was made from the Nigerian Stock Exchange fact book. The financial statements of those companies were examined and questionnaire administered on one-hundred and forty financial managers of those companies. The study shows that as at 2010 almost 56% of the assets acquisitions by those selected companies were financed through leasing and that the lease arrangements included the outright purchase of majority of the leased assets at the expiration of the lease period. The study recommends that lease financing should be encouraged for it is a viable option for assets acquisition by Nigerian manufacturing companies facing assets acquisition difficulty. In this direction Government should make a promulgation that will legislate leasing in the Nigerian industrial sector that will give strengths and backing to leasing business as this will stimulate economic development.

Introduction
Leasing is the process by which a firm obtains the use of certain fixed assets for which it must pay a series of contractual, periodic, tax deductible payments (Osaze 1993). The lessee is the receiver of the services or the assets under the lease contract and the lessor is the owner of the assets (Drury, 2005). Drury (2005) asserted that undertaking a contract to lease an asset is very similar to borrowing money. There is an immediate cash inflow, because the lessee does not have to pay for the asset immediately, the future cash outflow consisting of the payments specified in the lease contract. Alternatively, the user could have borrowed the full purchase price of the asset by accepting a binding obligation to make interest and principal repayments to the lender.

Osaze (1993) defines leasing as a contract between the owner of an asset, the lessor, and the prospective user of that asset, the lessee, giving the lessee possession and use of the asset on payment of rentals over a period of time. The lessor retains ownership title of the asset so that it never becomes the property of the lessee or any third party during the tenure of the lease. Araga (1996), while citing Adewumi (1991) asserts that the concept of leasing has been described by the Equipment Leasing Association of Great Britain as a contract between lessor and the lessee for the hire of a specific asset selected from a manufacturer or vendor of such asset by the lessee. The lessor retains ownership of the asset, the lessee has the possession and of the use of the asset on payment of specified rentals over a period (kurfi 2009). The relationship between the tenant and the landlord is called a 'tenancy', and can be for a fixed or an indefinite period of time (called the 'term' of the lease). The consideration for the lease is called 'rent'. A gross lease is when the tenant pays a flat rental amount and the landlord pays for all property charged regularly incurred by the ownership (Osaze (1993). Eric et al asserted that a leasing decision generates two effects: the appearance of an agency cost related to the retro gradation of the existing banking claims and a reduction in the agency cost of debt related to the asset substitution problem.

Under normal circumstances, an owner of property is at liberty to do what he wants with the property, including destroys it or hands over possession of the property to a tenant. However, if the owner has to surrender possession to another (ie the tenant) then any interference with the quiet enjoyment of the property by the tenant in lawful possession is unlawful. Drury (2005) asserted that by examining leasing within a pecking order framework, profitability and growth are introduced as potentially important determinants of leasing. Financial leases can be substituted for debt and to be used relatively more by firms with higher credit risk. On the order hand, short-term operating leases do not substitute for debt (Osaze (1993). Operating leases are commonly used by smaller firms, non-tax paying firms and firms experiencing more rapid sales growth.

The study revealed that, leasing is a better alternative means of acquiring the use of capital assets instead of buying with fund realized from equity and debt of the company. The study essentially examines the degree to which a manufacturing company can adopt lease financing as a practicable option for long term assets acquisition among Nigerian manufacturing companies.

Statement of the Problem

Investment opportunities play an important role in company financial decisions (Adedeji and Stapleton 1996). The mix of assets in place and investment opportunities affect a firm's capital structure, the maturity and convents structure of its debt contracts, the dividend policy ,its compensation contracts and accounting polices (Gitman 2006). Gitman added that if leasing is not considered as an alternative source of finance a firm with growth options in investment opportunities is likely going to be in debt perpetually.

Drury (2005), argued that lenders view leasing and debt as non-equivalent financial instruments. Adedeji and Stapleton (1996), added that leasing is not a perfect substitute for debt financing as lessors will bear some costs of asset ownership like the cost of disposal which will be passed on to the lessee in the form of higher charges which could be higher than the cost of debt. Adedeji and Stapleton (1996) argued that leasing will rank below debt in management, choice of finance and it is expected that a firm which had low debt ratio will have low lease ratio and only observe high use of lease in firms which had already used up her debt capacity.

Empirical evidence substantiating the complementary relationship between leasing and leverage has been reported both in the US (Bowman, 1980; Ang and Peterson, 1984) and in the UK (Garrod, 1989). Stulz and Johnson (1985) aptly averred that leasing contracts could alleviate the under-investment problem, which arises where net present value projects are not carried out because shareholders (and their managers, if stock options are in place) perceive that the net benefits are likely to accrue to debt holders rather than themselves (Myers, 1977).

Hence, this study seeks to determine the extent to which the manufacturing companies adopt leasing as viable option for asset acquisitions in Nigeria.

Objectives of the Study

In order to capture the study fully and give it a focus, the following specific objectives are set to

i. evaluate the relationship that exists between the corporate capital structure and lease financing practices in Nigerian manufacturing companies;

ii. assess the relationship that exist between leasing and investment opportunity; and

iii analyze the relationship that exists between company's leverage ratio and lease ratio.

Research Questions

Sequel to the above problem and objective of the study are the following specific questions, which the study seeks to answer:

i. what relationship exists between the corporate capital structure and lease financing practices in Nigerian manufacturing companies?
ii. what relationship exists between the tendency to leasing and investment opportunity?
iii. what relationship exists between the company's leverage ratio and lease ratio?

Research Hypotheses

The following research hypotheses formulated were empirically tested;

Hypothesis 1:

There is no significant relationship between lease financing and investment opportunity

Hypothesis 2:

There is no significant relationship between company's leverage ratio and lease ratio

Literature Review

International Accounting Standard (IAS 17) classifies lease into two main categories namely finance leases and operating leases. A finance lease is a contract in which the lease is committed to make sufficient payments to pay the lessor for the entire purchase cost of the asset and all the associated (after tax) financing costs (Drury 2005). Drury further says an operating lease is not compensated for the full costs because it is normally expected that the asset will be re-possessed before the end of its useful life in order to re-lease the asset or sell it. Kalu (2005) asserted that an operating lease can be terminated at short notice, whereas financial leases cannot. Statement of Accounting Standard 11 (SAS 11) strengthens that operating leases thus give maximum flexibility to the leasee and also provide protection from risk in case of those assets which are subject to rapid technological change; the fundamental benefits of leasing continue to give an impetus to the growth of equipment leasing. These benefits combined with the creativity of the leasing industry, which continues to increase the acceptability of leasing as a means of financing equipment notwithstanding the challenges in the industry. Leasing is both an alternative and an additional form of financing to entities ranging from mega multinationals to small and medium scale enterprises and individual.

The use of leasing as a source of finance has been associated with it's off the balance sheet nature. The reasons why leasing may be considered preferably to financing purchase by non-leasing debt alternatives are grouped into six categories which include accounting treatment, tax savings, borrowing capacity, repayment, risk sharing and other reasons (Thomson 2005). Sykes (1976) discovered leasing to be used mainly because of cash flow advantages, although large companies attach importance to tax allowances.

Adam and Hardwick (1998) had the belief that high corporate leverage is often associated with increased contracting costs (eg increased monitoring expenditures and a higher cost of capital). Krishnan and Moyer (1994) noted that leasing is often perceived as having a direct effect on the debt capacity of companies and could be used to displace debt, particularly in those companies which do not have easy access to debt finance market.

Richard and Stewart (1996) averred that leases are more convenient because sometimes the cost of short-time rentals may seem prohibitively high or may find it difficult to rent at any price. This can happen for equipment that is easily damaged by careless use. Richard and Stewart further pointed out that, if the lessor can make better use of depreciation, tax shields than asset's user can, it may make sense for the leasing company to own the equipment and pass on some of the tax benefits to the lessee in the form of low lease payments. It must be noted that, leasing ranks below debt in management's choice of finance and this makes firms with low debt ratios to have low lease ratios and only observe high use of leases in firms which had already used up their debts capacity (Adedeji and Stapleton, 1996). In order word, the relationship between leasing and leverage will be complementary rather than be of a substitute.

Stulz and Johson (1985) argued that, leasing contract could alleviate the under investment problem, which arises where net present value projects are not carried out because shareholders (and the managers, if stock options are in place) perceive that the net benefits are likely to accrue to debt holders rather than themselves (Myers 1977). This view supports the complementary hypotheses' in that leasing could enable managers in highly leveraged companies to differentiate more easily the claims of shareholders and debt holders on future cash flows generated from projects and so maximize the traded value of the company.

Tax implication of Leasing

Leasing as a source of finance is associated with it's off balance sheet nature. The reasons why leasing may be considered preferable to financing assets by debt alternatives are grouped into six categories: accounting treatment; tax saving; borrowing capacity; repayment, risk sharing and other reasons (Thomson 2005). Skyes (1976) found leasing to be used mainly because of cash flow advantages, though large companies attached much importance to tax capital allowances. The tax laws require that the assets leased must be wholly, exclusively, necessarily and reasonably be for the purpose of trade or business before any capital allowance can be claimed. As a general rule, the lessee and not the lessor is entitled to claim capital allowance on the cost assets in the case of a finance lease. Operating lease, on the other hand, is a lease where the lessor bears the rewards and benefits and all incidental costs of maintenance and insurance apart from clearly retaining ownership of the asset. Where all these are clearly stated, the lessor is entitled to the capital allowances on the asset. Before granting a claim for capital allowances therefore, the Inland Revenue would critically examine the lease contract to determine whether ownership would be transferred by the lease term or the lease contains any bargain purchase option and the term is for the major part of the asset's useful life.

The tax authority adopts the classification of lease as provided in the statement of Accounting standard on leases (SAS 1). Under the standard a lease qualifies as a finance lease if the following conditions are met: the lease term covers substantially (80% or more), the estimated useful life of the asset or the net present value of the lease as at its inception using the minimum lease payments and the implicit interest rate is equal to or greater than the fair value of the leased asset, or the lease has a purchase option which is likely to be exercised.

Conceptual Framework

Leverage

High corporate leverage is often associated with increased contracting costs e.g. increased monitoring expenditures and a higher cost of capital (Adams and Hardwick, 1998). Adams and Hardwick (1998), Booth, (1992) and Harris (1994) suggest that debt contracts could impose liquidity tests, unscheduled audits, investment restrictions and sinking fund requirements, in addition to establishing the pre-emptive claims of debt holders in the event of bankruptcy. Schallheim; Johnson, Lease and McConnell (1987); Marston and Harris (1988) Lease, McConnell and Schallheim (1990); Krishnan and Meyer (1994) asserted that leasing is observed as having a direct effect on the debt capacity of companies which do not have easy access to debt finance markets. The thinking here is that leasing and debt are equivalent financing instruments and so substitute for each other. Marston and Harriss (1988), Adedeji and Stapleton (1996) asserted that leasing and debt could be substituted for each other. Leasing agreements could enable owners and managers of companies to avoid restrictive debt convenants and leased assets to generate cash flows which could be used to finance bonuses and legal consumption. Drury (2005), argued that this analysis assumes that lenders view leasing and debt as non-equivalent financial instruments. Adedeji and Stapleton (1996), added that leasing is not a perfect substitute for debt financing as lessors will bear some costs of asset ownership like the cost of disposal which will be passed on to the lessee in the form of higher charges which could be higher than the cost of debt. Therefore, leasing will rank below debt in management, choice of finance and it is expected that a firm which had low debt ratio will have low lease ratio and only observe high use of lease in firms which had already used up her debt capacity (Adedeji and Stapleton, 1996).

Ownership Structure

The ownership structure according to Mehran, Taggart and Yermack, (1999) is the ownership structure that includes such attributes as proportion of company stock owned by top management and the presence or absence of large stock holders. To a lawyer or a tax accountant, the lessor is clearly the legal owner of the leased asset. That is why the lessor is allowed to deduct depreciation from taxable income (Richard, Frank, Herringer and Williamson 1966). To them, in many respects a finance lease is equivalent to a secured loan. A lessee must make a series of fixed payments, if the lessee fails to do so, the lessor can repossess the asset. Fixed claims in general expose management to greater personal risk, but they help to reduce agency costs by forcing the payout of free cash. Managers in companies with spread ownership may choose to reduce personal risk by relying less heavily on debt financing, because, as shareholders they reap its agency cost reducing benefits. Kim and Sorensen (1986) opined that debt financing can allow managers with high ownership shares to maintain control over the firm.

Company size

The quality of information concerning a company's performance and the future prospects is a negative function of its size (Sharpe and Nguyen 1995). The contracting costs (eg monitoring expenditures) associated with transacting business are likely to be greater for small companies compared with large companies (Schallheim et al. 1987). Flath (1980) pointed out that leasing helps small companies to minimize the costs associated with ascertaining asset requirement ex-ante (eg in term of search and screening costs)and ex-post (eg with asset disposal and re sale).

Smith and Wake man (1985) asserted that the volatility of free cash flows is likely to be more severe in small rather than large companies. Hence metering clauses may be written in lease contracts to enable the lessor charge more for the asset when usage is high and less when usage is low.

Finally, Adedeji and Stapleton (1996) observed that company size was an important determinant of leasing in UK listed companies. There is an inverse relationship between leasing and company size when monitoring expenditures associated with business transactions for small companies as compared with big companies (Osaze (1993). Small companies may not utilize assets to full capacity and face a very great uncertainty with respect to future requirement of those assets. Leasing could be useful to small companies to minimize the screening and monitoring costs associated with known asset requirement. Investment opportunities play an important role in company financial decisions.

The mix of assets in place and investment opportunities affect a firm's capital structure, the maturity and convents structure of its debt contracts, the dividend policy ,its compensation contracts and accounting polices. This means that if leasing is not considered as an alternative source of financing a firm with growth options in investment opportunities is likely going to be in debt perpetually.

Methodology

The population for this study consisted of one hundred and nine (109) manufacturing companies quoted in the Nigeria Stock Exchange (NSE) as at December, 2010. Twenty-three out of these companies reported finance leases during the period of five years covered by the study (2006-2010). The sample of four companies was considered adequate for generalization and those companies were Dangote Flour Mills Plc, Flour Mills of Nigeria Plc and WAPCO Nigeria Plc and DN Meyer Plc. The selection of the sample was done through purposive sampling technique because they were identifiable. One hundred and forty questionnaires were administered to financial managers of those selected companies out of which one hundred and twenty-five were retrieved by the researcher and accordingly analyzed through the use of Statistical Package for Social Science.

Instrument for Data collection

In addition to the examination of published accounts of the selected companies, the study also employed questionnaire that consisted of 12-term with five –scale response options. Which are strongly agree, Agree, Undecided Disagree, Strongly disagree. The questionnaire was validated by expert in psychometric and test-retest reliability determination yielded stability co- efficient of 0.91. The respondents were financial managers who were involved in strategic financial decisions.

Data (Response) presentation and Analysis

Based on the questionnaire prepared, administered and retrieved from125 respondents out of one hundred and forty questionnaire administered, the following data in table 1 bellow were generated.

Table 1

S/N	Items	SA	A	UN	D	SD
1	investment opportunity plays a major role in the choice of lease financing for asset acquisition	39 31%	37 30%	4 3%	23 18%	22 18%
2	Leasing helps not to expand the company's capital structure unnecessary	40 32%	38 30%	2 2%	21 17%	24 19%
3	Lease financing is a viable option for capital acquisition among manufacturing companies?	41 33%	36 29%	1 1%	23 18%	24 19%
4	Lease financing a perfect substitute for equity fund?	21 17%	23 18%	3 2%	40 32%	38 31%
5	Lease financing serves as an alternative means of capital assets acquisition in my company?	37 30%	39 31%	5 4%	21 17%	23 18%
6	Lease financing assists my company to scale the hurdle for greater profitability and liquidity enhancement?	42 34%	37 30%	2 2%	19 15%	25 22%
7	The government should device realistic exchange rate for the Naira so that capital assets could be leased and imported at reasonable asset costs	38 31%	41 33%	3 2%	23 18%	20 16%
8	The tendency for a manufacturing company to lease is determined by company's leverage ratio	39 31%	42 34%	3 2%	18 14%	23 18%
9	Leasing industry can boost productivity, employment and the economic prosperity of all citizens through the development of manufacturing sector	43 34%	39 31%	1 1%	20 16%	22 18%
10	Leasing helps to reduce the costs of financial distress, particularly in a company, which has fully utilized her debt raising capacity	37 30%	40 32%	5 4%	23 18%	20 16%
11	Leasing agreements could enable owners and managers of companies to avoid restrictive debt covenants?	45 36%	37 30%	1 1%	18 14%	24 19%
12	New jobs often bring new equipment needs, and that means considering the acquisition of new equipment?	50 40%	49 39%	1 1%	13 10%	12 10%
	Total percentages	31%	30.5%	2%	17.5%	18%

Source; questionnaire administered

Interpretation of Data

Analysis of the responses presented above shows that 31% of the total responses were in favour of strongly agreed, 30.5% agreed to some of the questions, while 2% were undecided, 17.5% disagreed with the some of the statements and 18% were strongly disagreed with the statement. This implies that, on the aggregate, majority of the responses representing 61.5% were in agreement with some of the questions asked in the questionnaire.

Test of Hypotheses

Chi –square (X^2) statistic was used to test the first hypothesis and Spearman's rank order correlation was adopted to test the co-efficient of correlation of the second hypothesis of the study. The first hypothesis was tested using questions1in the questionnaire administered. For the second hypothesis, leverage ratios and lease ratios from the analyzed financial statement were used to test the hypotheses.

Hypothesis 1:

Ho: There is no significant relationship between investment opportunity and lease financing
Hi: There is a significant relationship between investment opportunity and lease financing

Table 2: Contingency Values and Chi-Square Computation

Response Options	O	E	O-E	$(O-E)^2$	$(O-E)^2/E$
SA	39	25	14	196	7.84
A	37	25	12	144	5.76
UN	4	25	-21	441	17.6
D	23	25	-2	4	0.16
SD	22	25	-3	9	0.36
TOTAL	125		0		X^2=31.72

Source: Own computations

Decision:

From the chi-square table, 4 degree of freedom at 5% level of significance gives 9.488, and calculated X^2 = 31.72. Since the cal X^2 is greater than the tabulated X^2 of 9.488 at 0.05; reject the null hypothesis and accept the alternative hypothesis that there is a significant relationship between investment opportunity and lease financing.

Hypothesis 2

Ho: There is no significant relationship between company's leverage ratio and lease ratio
Hi: There is a significant relationship between company's leverage ratio and lease ratio

Table 3: Debt ratios and Lease ratios of sampled manufacturing companies

	Dangote Flour Mills Plc	WAPCO Nigeria Plc	Flour Mills Plc	DN Meyer Plc
Debt ratios	10.6%	7.9%	3.9%	0%
Lease ratios	23.5%	12%	34%	57%

Source: Annual report and accounts 2010

Let debt ratios = X and Lease ratios = Y
R_x represents the ranking of X and R_y represents the ranking of Y
R_{sp} resents spearman's rank order correlation

Table 4: Computation of Spearman's rank order correlation

X	**Y**	**R_x**	**R_y**	**(R_x-R_y)**	**$(Rx-Ry)^2$**
10.6	23.5	1	3	-2	4
7.9	12	2	4	-2	4
3.9	34	3	2	1	1
0	57	4	1	3	9
Total					**18**

$$R_{sp} = 1 - \frac{6\sum(Rx-Ry)^2}{n(n^2-1)}$$

$$1 - \frac{6(18)}{4(4^2-1)}$$

$$1 - \frac{108}{60}$$

$$1- \quad 1.8 = \underline{-0.8 \text{ or } -80\%}$$

Interpretation

The result 80% shows that the relationship between the leverage ratios and lease ratios is negatively and is a very high negative correlation. The result reveals that increase in asset acquisition through debt financing will decrease the use of leasing in financing acquisition of assets and vis visa. The implication of this negative relationship is that debt capital and leasing are perfect substitute and this result is in consonance with the view of Drury (2005) that financial lease can be substituted for debt and to be used relatively by firms with higher credit risk.

Interpretation and Discussion of Annual Reports of Sampled Companies

Analysis and discussion of asset acquisitions and financing practices of the four selected manufacturing companies are presented here;

Dangote Flour Mills Plc

The capital structure of Dangote Flour Mills Plc was 89.4% financed by equity share with 10.6% of long term liabilities made up of loan amounting to $19.8 million which was obtained in prior year from Commerzbank Germany for the flour mill and Pasta line expansion projects. The loan amount was repayable in 3 years with $9.87 million payable in 2008 $1.61 million payable in 2009. The interest rate was 9.029%.

The company was not liable to taxation for the year ended 31 December, 2006 as it acquired a pioneer status under a scheme of arrangement with its holding company which was granted the status under the Act. However, the pioneer status under reference lapsed on 18 January, 2007 and the company did not seeking extension

Other current liabilities of the company were short time bank loans and overdrafts. The major creditors were customers' deposits; rebate received in advance, accruals, other creditors and reclassification of creditors.

The examination of the annual reports and Account of the company reveals that about 23.5% of the total fixed assets of the company are financed through leasing. Hence, the group head of finance of the company asserted that leasing is not a perfect substitute for debt capital, and that leasing has assisted the company not to expand capital structure unnecessarily. The major assets on lease by Dangote are leasehold land and building. The assets were secured under finance lease contract with the provision that the company will exercise the purchase option at the end of the lease period.

WAPCO Nigeria Plc

The capital structure of WAPCO Nigeria Plc is 92.1% financed by equity with only 7.9% long term liabilities comprised gratuity charges, Minority interest, deferred taxation and long term loans. The company's short term loans consisted of bank drafts, commercial papers, trade creditors, payments received in advance of supply to debtors. Between the periods the study covered (2006-2010) the ratio of the lease property to the total assets of the company ranges from 10% to 27%, which shows the indispensability of leasing of fixed assets to the companies operations and survival. In the early year the study covered, the lease ratio has declined to about 12%. According to the financial controller of the company, lease financing is not a perfect substitute for equity or debt financing but a good compliment for fixed assets acquisition. This justifies the position of the company upholding the three major modes of financing fixed assets. This is in consonant with Araga (1996) that argued that leasing offers low initial outlay, conserves working capital and flexible and convenient. The company chose to go for leasing of freehold land, building, motor cars and manufacturing plant with the condition to exercise the purchase option at the end of the lease period which is usually 20 years and above under finance lease.

Flour Mills of Nigeria Plc

The capital structure of Flour Mills is 96.1% financed with equity and only 3.9% financed by debt capital which includes creditors and accruals, amount due to associated company, taxation, bank loans, acceptances and overdrafts, dividend payable. During the periods covered by the investigation, the major lease property was leasehold property representing 34% of the total fixed assets of the company. The gross value (N1, 002,433) of the group's leasehold properties includes N19, 848,000 which was the subject of three professional valuations on 10 December 2007 and 1 January, 2007.

The financial director of the company asserted that sometimes, financing fixed assets through lease is a wise decision as it is a viable option where a company is facing financial difficulties and even it may serve as a perfect substitute for debt financing because leasing provides flexibility and conveniences for the company in their effort to acquire their manufacturing machines and vehicles. He concluded that most of the company lease arrangement involves finance lease with the opportunity for the company to exercise the purchase option at the end of the lease periods.

Lease Financing Practice of DN Meyer Plc

The capital structure of DN Meyer is almost 100% financed by equity without any long or medium term debt. Most of the external funds sources by the company are current liabilities such as bank's overdrafts, commercial papers, trade credits, accruals as well as amount owned to affiliated company. The total adoption of leasing in the ompany was attributed to obvious absence of long term debts for the periods under the study.

There is an obvious lease finance practice in the company for the periods under the study ranging from 29% of the value of the total fixed assets of the company in 2009, to 83% in 2010, and the average value of the assets on lease to total fixed assets of the company for the five year study period (2006-2010) was 57% which reveals the outstanding practice of leasehold property in the fixed assets holding of the company.

The head of finance of the company, lease and debt are substitute that is why their company goes for leasing only. The assets on lease are mostly machinery and motor vehicles that are secured under the finance lease contract, but with the provision that the company will purchase the assets at the end of the primary period which is finance lease.

Findings

The following were discovered from the result of the study;

a) That lease financing is a viable option for capital assets acquisition amongst enterprises in the manufacturing sector in Nigeria economy.

b) That on the average almost half (49.60%) of the total fixed assets of the companies, sampled for the study, are financed through leasing.

c) That leasing helps companies not to expand their capital structure unnecessary.

d) That leasing sometimes serves as a substitute for debt capital and that is why many manufacturing companies go for leasing only.

e) That assets on lease are mostly machinery, motor vehicles that are secured under the finance lease contract, but with the proviso that the company will purchase the assets at the end of the primary period of 3-6 years.

f) That lease financing does not substitute for the need of equity fund.

g) That lease arrangement is more convenient and flexible than loan term.

h) Leasing avoids to the firm low initial outlay, helps in conserving funds especially the working capital.

Conclusion and Recommendations

Having recognized the immense contribution of leasing to the manufacturing companies in Nigeria and to the economy as a whole, the government should make effort to create a vibrant leasing industry in a way that capital assets could be made avoidable and assessable to all the various sectors of the Nigerian economy to boost more productivity and employment generation. In achieving this, the government should therefore, make all efforts to remove all the constraints and hindrances that have been plaguing the Nigerian leasing industry.

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A Study on Key Success Determinants of Foreign Direct Investment

Cheng, Yu-Jen &
Chung, Lee-Fong
National University of Kaohsiung, Taiwan

Key Words
Foreign direct investment, multinational enterprises, key success determinants

Abstract
Foreign Direct Investment (FDI) has received significant attention in the global business environment. Under the trend of international specialization Multinational Enterprises (MNEs) are engaged in FDI to gain greater economic rent.

In this paper we adopt document analysis to investigate the questions of how MNEs can ensure its success in FDI. What determinants can increase the probability of success in FDI. From the four perspectives of Home country, Host country, Firms, and the Global business environment, we found that (i) Home country's government strong support and/or incentives will promote MNEs' success in FDI (ii) Formation of industry clustering in host country situated at geographical pivot location will increase the probability of MNEs success in FDI (iii) Firms with political or business ties, cultural similarities, international experience increases the probability of success in FDI (iv) Cross-border economic risk in global business environment affect MNEs success while engaging in FDI.

Our findings provide a variety of considerations that will increase the possibility of success for FDI undertaken by MNEs.

Introduction
In recent years, the formation of industrial specialization and economic interaction has led to an increase in the level of international trade. This have prompted governments of both home and host countries to encourage MNEs to undertake foreign investment by creating a favorable business environment with the setting up of international institutions like GATT/ World Trade Organizations (WTO), and formation of trade liberalization agreement like Free Trade Agreements /Free Trade Areas (FTAs).

An Analysis of International Trade between Korea and Bangladesh focusing Economic Potentials and Cooperation Imperatives

Chang, Tai-koo &
Saiful Alam
Daegu University, Rep. of Korea

Key Words
Bilateral Trade, Gravity Model, Economic Cooperation, Development Policy.
JEL Classification: C20, F10, F14, F42, O10.

Abstract
Ever since the Republic of Korea came into agreement with Bangladesh on trade and economic cooperation during the mid seventies, the bilateral flow of goods and services acquired new impetus along with accelerated development in other sectors. An economic review of the commodity structure of exports and imports in bilateral trade between these two partners in world economy and the growth in respective national incomes is now attempted to chalk out which of the economic factors might emerge prominent needing policy intervention. Contrary to the notion that non-contiguous economies may derive less from bilateral trade cooperation than with the contiguous ones and that industrialized nations look more towards the export markets of the bigger economies, this study analyses that the mutual benefits from vigorous international trade with least-developed populous countries can still be higher in the presence of cooperative environment. The simple gravity equation of bilateral trade involving South Korea and Bangladesh is found to possess good economic potentials of further trade cohesion and reciprocity. The implication of trade growth, in particular, the export growth of both countries being significantly associated with the expansion of gross domestic products and trade projection estimates warrant increasing economic cooperation between these distant economies to harness untapped trade potentials.

Introduction
In the era of globalization trade between economies has become an indispensible vehicle of growth and development. For developed and less developed countries alike international trade remains important instrument of achieving economic welfare and progress in standards of living. Both accounts of the inter-economy trade, i.e., exports and imports that might be determined at par with comparative advantages or relative factor abundance or other competent trade theory, precludes that the stages of economic development may also shape the composition and direction of trading engagements. Considering merchandise trade alone it is evident that Bangladesh at its current level of development exports mainly primary or low value added products, whereas South Korean industrialization and advancement is characterized with high value non-primary exports, the differences in the level of economic development has itself generated complementarities and scope for more trade cooperation. At present, a miniscule 0.33% of South Korea's total exports of goods are directed towards Bangladesh, and only 0.033% of total merchandise imports come from the South Asian nation; South Korea's principal trading partners being mostly advanced and industrialized nations. Knowing well of this economic reality, the study efforts to review the bilateral merchandise trade performance between these two countries in order to find out which factor(s) better explain bilateral trade flow between unequal partners and to draw policy implications for development. Despite non-prominence of the trade volume interacted with Bangladesh, such an attempt might not seem to be archaic considering the growing importance of the third world countries as major export markets for the developed nations (Todaro, 1996), and considering Korea's growing emphasis on economic development through trade promotion or Korea's heavy trade dependence wherein country's economic growth is envisaged to depend more on external trade than on internal domestic demand[ii].

Thus the trade enlargement objective with Korea's 'low-carbon, green-growth strategy' (UNCTAD, 2010) justifies an econometric exploration of bilateral merchandise trade with low-income populous country of Bangladesh using simple gravity model. Other important reasons for juxtaposing its trade with Korea are that, a) Bangladesh has the potential to be a large export market with the burgeoning population size of 164 million, b) Bangladesh has established stable democracy, liberalized economy, has registered consecutive high economic growth rates, c) Bangladesh has relatively cheap labor costs and abundant labors, d) Bangladesh is not land-locked, i.e., bulk of the merchandise trade are carried out using sea-ports having bright prospects of container trade expansion, e) Bangladesh can be an export production base for penetrating other SAARC (South Asian Association for Regional Cooperation) countries, especially the land-locked ones, f) Bangladesh has developed special Korean export-processing zones, and finally g) with the discovery of new natural resources, the growth prospect of natural-resource based industries is ample in Bangladesh.

The paper, therefore, first analyses the bilateral trade pattern between South Korea and Bangladesh, investigates the simple gravity equation of bilateral trade with, i) Korea, ii) with other selected bilateral partners for comparison by using random effects models and fixed effects models, estimates trade projection using ARTNet analyzing tools, and lastly explores areas of economic potentials and complementary basis for synergized trade cooperation bilaterally.

Bilateral Trade Pattern

The international merchandise trade between Korea and Bangladesh got gradual momentum as offshoot of three important bilateral treaties, namely, a) Agreement on Trade and Economic Cooperation (signed in July, 1973), b) Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (signed in August, 1984), and c) Agreement for the Promotion and Protection of Investment (signed in October, 1988). Since then the overall direction of trade more skewed in favor of the exports of Korea (krx) than the exports of Bangladesh to Korea (bdx).

The huge commodity trade deficit indicates that Bangladesh needs policy measures to achieve trade balance, which can be attained by strengthening and expanding base industries for exports (Park, 1991). It also implies that Korean export performance in Bangladesh is impressive to the extent of beta stages of industrial development[iii]. The chronic deficit in the bilateral balance of trade for Bangladesh, however, is not the only case with South Korea. The foreign trade balance sheet would reveal that the economy wide unfavorable terms of trade also prevail with other principal partners. The relevant point is that Korea occupies a vital share of Bangladesh's import payments through increased export penetration, as can be comprehended in the following scenario

Commodity Composition in Bilateral Trade

Korean exports are characterized with industrial products and consumer durables comprising electronics, automobiles, ships that are needed in the transitions of income growth. For Bangladesh market, the same drifts prevail excepting the automobile exportable. The major exports items of South Korea to Bangladesh include fabrics, iron and steel, machinery, plastics in primary and non-primary forms, paper-paperboards-articles of paper pulps, dyeing-tanning and coloring materials, electrical apparatus-appliances, organic chemical and chemical materials, and manufactured articles among others.

Gravity Model of Bilateral Trade:

The model

With these perspectives of bilateral trade pattern and composition of merchandise export-imports, we now turn to an econometric explanation of trade growth between South Korea and Bangladesh. We use a traditional simple model of bilateral trade known as GMT or gravity model of trade, which is based on economic sizes and the distance between two economies (Tinbergen, 1962). It states that the volume of trade between two economies is directly related to the product of national incomes but inversely related to the distance between the trading countries, i.e., the international trade between two countries takes place in the relation of $\boldsymbol{FT_{ij}} = G\,\frac{M_i\,M_j}{D_{ij}}$, where *FT* signifies flow of trade between country *i* and *j*, M_i and M_j are the economic masses of the two economies in question, *D* is the distance between country *i* and country *j* , and G is some constant. Due to the fact that there are certainly other factors that influence the pattern of bilateral trade, and that this archaic model does not hold exactly for fully explaining the mechanism of international trade because of obvious grounds of relative factor abundance principle or comparative advantage of factor endowments, the customary econometric form of GMT is popularly specified as $\boldsymbol{FT_{ij}} = G\,\frac{M_i^{\beta_1} M_j^{\beta_2}}{D_{ij}}\eta_{ij}$, where FT_{ij} is the volume of trade flow (export or import) from country *i* to country *j*, M_i and M_j are the economic sizes usually represented by the gross domestic products or their GDPs, η_{ij} is a well behaved error term. Despite the probability that estimating a log-linearized model of the gravity equation by OLS (Ordinary Least Squares) may lead to significant bias (Silva and Silvana, 2006), the traditional log form can still be used and be specified as the following-

$$\boldsymbol{ln(FT_{ij}) = \beta_0 + \beta_1\, ln(M_i) + \beta_2\, ln(M_j) - \beta_3\, ln(D_{ij}) + \varepsilon_{ij}}$$

The natural logarithmic form represents elasticity and thus ensures that the regression model is linear in parameters. A great deal of study on the gravity equation of bilateral trade flow shows that it can be estimated as (i) fixed effects model (FEM) or (ii) random effects model (REM) but the former gives better result in explaining bilateral trade flows (Insel and Mahmut, 2010).

Justification of using gravity equation (GE)

The first reason for endeavoring to explain the bilateral trade flow between Korea and Bangladesh by means of gravity equation is that, though archaic, the gravity equation has had remarkable empirical success in elucidating trade flows between countries of interest. Secondly, over the years gravity equation has acquired strong theoretical support and has been used to sort out alternative hypotheses of international trade (Fratianni, 2007). Other than basic economic data including export, import, GDPs of trading countries, this equation can also incorporate non-economic explanatory variables like distance between the partners, common language, border (contiguity), common past or other dummies that enhance or reduce the reciprocal trade flows. However, such control variables are more 'idiosyncratic' in nature than the theoretically derived ones, and therefore, these can be included judiciously. In that case, a reduced form of partial equilibrium model of export supply and import demand can be conveniently estimated (Linneman, 1966). The appeal of the equation is that aggregate incomes, proxyed by gross domestic products in trading countries usually determine the level of demand in the importing country and the level of supply in the exporting economy (Bergstrand, 1985). The choice of Korea and Bangladesh as exporting and importing country with their historical GDP data can well serve the purpose of finding out the nature of bilateral trade and implications for economic cooperation through augmenting international trade.

Specification and estimation of the equation

First we select the random effect model of estimation excluding the fixed effects like contiguity, distance between trading countries and re-specify the equation above as follows.

$$\boldsymbol{ln(krx_t) = a_0 + a_1\, ln(bdgdp_t) + a_2\, ln(krgdp_t) + \varepsilon_{ij}}$$

where, krx_t is value of South Korean exports to Bangladesh in year *t*, $bdgdp_t$ is the real gross domestic product of Bangladesh in the year *t*, and $krgdp_t$ denotes real gross domestic product of Korea for the same year. This is the simplest form of the gravity equation requiring only the time series data on dependent and independent variables. Secondly, we estimate the model including two fixed effects, i.e., distance and contiguity in the gravity equation and re-specify it as follows

$$\boldsymbol{ln\_export\_value = \beta_1 ln\_reporter\_gdp + \beta_2\, ln\_partner\_gdp + \beta_3\, ln\_distance + \beta_4 dummy\_contiguous + \varepsilon_{rp}}$$

where, Bangladesh's exports value is set as the dependent variable and reporter real GDP, partner real GDPs, distance between trading partners, and contiguity are the explanatory variables in natural log forms. The distance and the dummy of contiguity are the fixed effects variables, and the choice of intercept is excluded considering that interdependence between economies meaning trade includes at least export. Though other fixed effects dummies like reporter dummy, partner dummy, and year dummy may be considered for taking into account, 'the multilateral resistance terms' observed in the theory consistent with the gravity model (Anderson and Wincoop, 2003) may prevent the capturing of reporter and partner's specific characteristics (UNESCAP, 2008), therefore, those dummies are excluded for simplicity.

Data sources

For the random effects equation, we collect data on the dependent variable krx_t, the value of South Korea's exports to Bangladesh expressed in FoB prices in US dollar from (1) Korea Trade Statistics (KITA, 2011), (2) Bangladesh Economic Review (GoB, 2011). The data on the gross domestic products (GDP) of Korea and Bangladesh ($krgdp_t$, $bdgdp_t$) are collected from (1) UN Comtrade (2011), (2) World Bank National Accounts Data (WDI, 2011), and (3) Bangladesh Statistical Year Books (different editions). For the independent variables in the fixed effects model, data on distances, contiguity, and reporter-partner exports, are collected from UNESCAP (2008) which uses the basic gravity panel dataset developed by Aung *et al*.(2008).

Sample size and data

For the random effects equation econometric estimation covers annual time series data on a) the value of Korean export to Bangladesh (Bangladesh's import from South Korea) in US dollars of year 2000 constant prices, b) year 2000 constant US dollar value of GDP of Bangladesh, c) Korea's constant GDP prices in year 2000 US dollar for the year ranging from 1977 to 2007. For the fixed effect model, panel data from the year 1994 to 2007 sourced from different governments and international agency contain 216 observations. Besides Korea, the other bilateral trading partners of the reporter country include selected Asian economies that have traditional business ties with Bangladesh; these are India, Japan, Hong Kong (China), Cambodia, Indonesia, Lao PDR, Macau (China), Malaysia, Maldives, Mongolia, Nepal, Pakistan, Philippines, Singapore, Sri Lanka, Thailand, and Vietnam.

Hypotheses and descriptive statistics

The hypothesis that the defined explanatory variables are the most relevant ones means we expect the co-efficient estimates of a_1, a_2 in the random effects model to be positive. In the fixed effect estimation, it could be expected that signs of β_1 and β_2 to be positive but the signs of β_3 to be negative; and β_4 may have positive or negative sign. As is usual in simple regression analysis, we also expect at $t_{0.05,28}$ for no autocorrelation (Lee and Choi, 2003) as $H_0{:}\rho_{krx\ bdgdp,krgdp} = 0$, $H_0{:}\rho_{krx\ krgdp,bdgdp} = 0$, $H_0{:}\rho_{krgdp\ bdgdp,krx} = 0$.

Estimation results

The research questions of the paper are that a) which factor or factors substantially influence bilateral merchandise trades between South Korea and Bangladesh, and 2) whether the trading partners have sustained their trading partnership and have developed new potentials of economic growth out of international trade. With these primary concerns of the analysis the specified econometric model for a given time dimension and data we run regression by OLS in order to obtain the observed characteristics primarily of Korea and Bangladesh and later Bangladesh with other bilateral partners of selected East Asian countries. The result for the random effects model is presented in Table-1.

Table-1: Regression Results of Random Effects Model[iv]

Dependent variable: *lnkrx*					
Analysis of Variance					
Source	DF	Sum of Squares	Mean Square	F Value	Pr > F
Model	2	30.69521	15.34760	148.59	<.0001
Error	28	2.89204	0.10329		
Corrected Total	30	33.58725			

Root MSE	0.32138	**R-Square**	0.9139
Dependent Mean	19.14267	**Adj R-Sq**	0.9077
Coeff Var	1.67888		

Durbin-Watson D	1.157
Numder of Observation	31
Ist Order Autucorrelation	0.168

Parameter Estimates					
Variable	DF	Parameter Estimate	Standard Error	t-Value	Pr > |t|
Intercept	1	-23.04291	6.39329	-3.60	0.0012
lnbdgdp	1	1.38924	0.56245	2.47	0.0199
lnkrgdp	1	0.32957	0.28786	1.14	0.2619

The regression results yield the estimated values of the parameters in the equation stated concisely below,

$$ln\widehat{kr}x = -23.04291 + 1.389 lnb\widehat{dg}dp + 0.32957 lnk\widehat{rg}dp$$
$$(6.39329)\quad (0.56245)\qquad (0.28786)$$

The results of the fixed effects model of the gravity equation involving reporter Bangladesh and its selected bilateral partners, alone with the outcomes of trade projections are presented in Table-2 .

Table-2: Regression Results of the Fixed Effects Model[v]

A.Regression Statistics

R Square	0.828423
Adjusted R Square	0.825186
Standard Error	1.254586
Observations	216

B. ANOVA

	DF	*Sumof Squares*	*Mean Square*	*F*	*Significance F*
Regression	4	1611.131538	402.782885	255.899866	0
Residual	212	333.685097	1.573986		
Total	216	1944.816635			

C. Parameters

Name	Coefficients	Standard Error	t-statistic	P-value
ln_reporter_gdp	0.36405	0.130884	2.781484	0.00589873
ln_partner_gdp	1.11248	0.049488	22.479808	0
ln_distance	-1.85909	0.207342	-8.966313	0
dum_contiguous	-1.06417	0.393845	-2.70199	0.007450585

D. Trade Projections on the 2% Increase in Reporter's GDP (Selected Base Year 2007):

		(for *ln_export_value*)			
Reporter	*Partner*	*Prediction under*	*Predicted value of*	*Difference between pred.*	
		new conditions	*based year*		
Bangladesh	Korea	1.488	1.455	0.032	
Bangladesh	HK (China)	0.608	0.594	0.013	
Bangladesh	India	3.937	3.851	0.086	
Bangladesh	Indonesia	0.616	0.603	0.013	
Bangladesh	Japan	4.952	4.845	0.108	
Bangladesh	Cambodia	0.025	0.024	0.001	
Bangladesh	Malaysia	0.467	0.457	0.01	
Bangladesh	Mongolia	0.005	0.005	0	
Bangladesh	Nepal	0.234	0.229	0.005	
Bangladesh	Pakistan	0.58	0.568	0.013	
Bangladesh	Philippines	0.224	0.219	0.005	
Bangladesh	Singapore	0.337	0.33	0.007	
Bangladesh	Sri Lanka	0.095	0.093	0.002	
Bangladesh	Thailand	1.736	1.698	0.038	
Bangladesh	Vietnam	0.396	0.388	0.009	

Discussion of outcomes

The R-Square emerges to be of high magnitude demonstrating effectiveness of the random effects equation and the variables used. The adjusted R-Square of the magnitude 0.9077 reflects the strength of the estimation. The parameter estimates or the coefficients expectedly shows the relationship between explanatory variables and the explained. The ANOVA of the model finds Pr>F less than 0.0001. For the t-statistics and P-values (Pr > |t|) which show the statistical significance of the relationships are found to possess good bearing especially in the case of variable *lnbdgdp*. The P-value which is generally considered to be significant when it is less than or equal to 0.05, is found to be 0.0199 for *lnbdgdp*. The Durbin-Watson value being above 2 or 1st-order autocorrelation value of 0.168, rules out presence of serious autocorrelation. Using the outcomes summarized in Table 2, 1% increase in the real gross domestic product of Bangladesh can additionally increase South Korean merchandise exports to Bangladesh by 1.39% (since the data is expressed in natural log, the coefficient can be interpreted as elasticity).

In the estimation of the fixed effects model, the effectiveness of the fixed effects equation and the variables is also reflected in relatively high value of R-Square. The Adjusted R-Sq of the magnitude 0.825186 demonstrates the strength of the estimation. The parameter estimates too expectedly show the relationship between independent and dependent variables. We observe the coefficients of reporter-partner GDP to be positive and of distance, dummy contiguous to be negative as anticipated. The t-statistics and P-values showing the statistical significance of the relationship are substantial for all four explanatory variables. Results support that the least square estimators are consistent and the error term in the fixed effect model is uncorrelated with the explanatory variables and also supports the exogeneity of these variables. Using the results on coefficients or elasticity (due to natural log forms) presented in Table-3, it can be said that 1) 1% rise in Bangladesh's GDP can result in 0.36% increase its exports to partner countries, 2) 1% increase in partner GDP (for example, Korea's) can augment the Bangladeshi merchandise exports to that country by 1.11%, 3) distance and contiguity reduces bilateral trade flows significantly.

Trade potentials

The trade projection, i.e., the impact of a change in the GDP of the partner country on the exports from the reporter country, e.g., Bangladesh is recorded in segment D of Table 3. It shows that a 2% increase in the GDP of Bangladesh can raise its merchandise exports to Korea by $32million (base year 2007), the value which is higher than that of Hong Kong, Indonesia, Cambodia, Malaysia, Nepal, Pakistan, Philippines, Singapore, Sri Lanka, and Vietnam among the selected countries. The estimated to actual trade ratios of Korea are presented in Table-3. The measures of the untapped trade potential between the bilateral partners represented by the estimated to actual trade ratio for the year 2006, 2007 and average of two indicate that South Korea had more trade potential with Bangladesh, than with Indonesia, Thailand, the Philippines, Cambodia, Mongolia, Malaysia, Vietnam, Singapore and Hong Kong (China) in ASEAN and East Asian countries in the consecutive years of 2006 and 2007. The estimated ratios for South Korea also reflect the fact that the untapped trade potentials increase with the distance between trading partners.

Table-3: Trade Potential Estimation - Estimated to Actual Trade Ratio

(estimation for *ln_export_value*)

Reporter	Partner	Year	Actual	Predicted	Estimated to Actual	
Korea	Bangladesh	2006	648.316	5549.18	8.58	
Korea	Bangladesh	2007	611.524	6077.05	9.94	
Korea	Bangladesh	average	629.92	5813.12	9.25	
Korea	Indonesia	2006	4873.52	30466.43	6.25	
Korea	Indonesia	2007	5770.62	38278.52	6.29	
Korea	Indonesia	average	5322.05	33372.48	6.27	
Korea	Thailand	2006	4246.11	18996.35	4.47	
Korea	Thailand	2007	4488.49	22652.61	5.05	
Korea	Thailand	average	4367.26	20824.48	4.76	
Korea	Philippines	2006	3930.52	11886.32	3.02	
Korea	Philippines	2007	4420.33	14619.07	3.31	
Korea	Philippines	average	4175.425	13252.694	3.17	
Korea	Cambodia	2006	205.093	638.337	3.11	
Korea	Cambodia	2007	281.426	760.161	2.7	
Korea	Cambodia	average	243.26	699.249	2.91	
Korea	Mongolia	2006	110.306	329.517	2.99	
Korea	Mongolia	2007	169.758	403.782	2.38	
Korea	Mongolia	average	140.032	366.649	2.68	
Korea	Malaysia	2006	5227.18	13406.658	2.56	
Korea	Malaysia	2007	5704.25	15557.753	2.73	
Korea	Malaysia	average	5465.715	14482.205	2.65	
Korea	Viet Nam	2006	3927.48	6021.102	1.53	
Korea	Viet Nam	2007	5760.05	7046.658	1.22	
Korea	Viet Nam	average	4843.765	6533.88	1.38	
Korea	Singapore	2006	9489.3	11658.952	1.23	
Korea	Singapore	2007	11949.5	13810.722	1.16	
Korea	Singapore	average	10719.4	12734.837	1.19	
Korea	HK(China)	2006	18978.9	20664.243	1.09	
Korea	HK(China)	2007	18654.5	22510.563	1.21	
Korea	HK(China)	average	18816.7	21587.403	1.15	

Source: estimated using ARTNet Analyzing Tool (2008)

Implications for Economic Cooperation

The quantitative merchandise data analysis reveals that Bangladesh can be important export destination in South Korea's international trade. The estimated coefficients in simple gravity models are generally found significant revealing the importance of bilateral trade between these distant economies. The particular outcome of interest is the growth of Korean exports to be positively related with the growth of national income of Bangladesh. So, one specific implication could be Korea's greater involvement in redressing Bangladesh's development problems relating to international trade. For example, the huge trade deficit which necessarily adds to overall current account shortfall of Bangladesh requiring financing (Shepherd, 1978) can be minimized by taking active measures and by expanding bilateral trade and working together to achieve trade balance. The bilateral trade pattern and commodity composition mark narrow export base of Bangladesh and tremendous complementarities for many South Korean products. The changing nature of standards of living and growing demands for industrial products that globalization necessitates in daily life have created opportunities for industrialized South Korea to capture wholesome foreign exports market in Bangladesh which is also the target for China and Japan. The competition among Japan, China, and recently Malaysia and Indonesia for the imports market in Bangladesh (as can be inferred from Figure 2) has been remarkable and this creates stronger basis for Korea to expedite trade ties or economic cooperation with the populous country Bangladesh. The econometric estimation of the coefficients of the chosen explanatory variables clearly explains the trade flow which is positively related with partner country's GDP and untapped potentials can be reaped through increased trade activities. The negative distance factor also can be overcome given the fact that most of exports and imports are being realized by shipments as a result of technological progress in sea transport facilities of which South Korea is a forerunner and Bangladesh has seaports. Korea's outward-oriented trade policy is proven source of economic growth (Krugman and Obsfeld, 2000), of which Bangladesh can be a stakeholder.

In this respect, apart from the traditional arrangements to stimulate economic cooperation like import liberalization, putting more license free items in trade list, and the like (Jung, 1990), vigorous trade policy requires looking at complementarity basis for cooperation (Shin and Chang, 1992), such as, 1. cooperation in merchandise trade involving Korean export of manufactured goods and Bangladeshi export of raw materials, 2. cooperation involving Korean capital and technology and Bangladesh's natural resources, 3. cooperation involving Korean capital and technology and underutilized industrial facilities in Bangladesh, and 4. cooperation involving Korean capital and technology and Bangladesh labor force. Development in the first sphere of cooperation started quite long ago and by 2008 South Korea opened 75% of total tariff lines for Bangladeshi products and by 2009 the coverage of duty and quota free access was extended to 80% with the addition of 255 new products (MOFAT, 2010). What is more needed is free trade agreement or a comprehensive economic partnership agreement covering tariff cut up to above 90%. As Korea mainly imports raw materials and Bangladesh exports raw materials including leather, fabrics, garments, footwear, naphtha, there are wide scopes for inter-industry trade. Korea's major exports to Bangladesh, such as, iron & steel, industrial machinery seem continue to rise since these are necessary inputs of development and Bangladesh is import-dependent on these goods. In other sectors cooperation is needed to synergize Korean small and medium size enterprises (SMEs) with Bangladeshi SMEs in the area of semiconductors, plastics, auto parts, agricultural instruments, multimedia, and scientific products. New sectors of development cooperation that have gained importance are the prospects of natural gas, coal and oil exploration and commercialization in inshore and offshore land of Bangladesh (EMRD and KOTRA, 2008). Since South Korea has a proven comparative advantage in the development of natural resources (Lee, 1993), this can usher new stage of economic cooperation. Even though Korea can play minor role in others economic lives at present level of bilateral engagement, there is a need for stronger tourism, educational and cultural exchanges(Ursacki and Vertinsky, 1994) which would add to reaping the untapped trade potentials. In addition to utilizing the cheap labor force in Korean own export businesses in Bangladesh, South Korea can create more economic potentials by making use of the coastal Bangladesh as export partner in the SAARC. The cooperation imperatives from Bangladesh perspective are to provide necessary conditions for development of Korean business by removing all obstacles in the way of international trade.

Conclusion

The greater Korea-Bangladesh trade cooperation can be founded on the perceived grounds of a large export market of Bangladesh and Korea being an export-driven economy. Bangladesh has developed important trade relations with neighboring country as well as distant partners and opened the country for trade routes (for example, the Asian Highway), and regional arrangements. More importantly its stable democracy, liberalized economy, together with the consecutive recorded high economic growth rates show good prospect for economic development through trade. Economically Bangladesh's relatively cheap labor costs and abundant labors can be made to contribute to attracting greater amount of foreign investments or in translocations of export activities by Korean investors or exporters. As Bangladesh is not land-locked, there is ample prospect for developing the sea-borne merchandise trade and Korean's container trade expansion. Thus the increasing probability for Bangladesh of being an export production base for penetrating other SAARC countries or the spread of special export-processing zones by the private sector or the discovery of new energy resources can add to the bilateral trade with distant economies like the Republic of Korea which has comparative advantage in maritime trade and natural resources development.

Despite difference in pace of economic development and geographical distance, the international trade between South Korea and Bangladesh shows more opportunities and prospects than obstacles, as is evidenced from the pattern and composition of bilateral commodity trade. The simple gravity model of trade in random and fixed effects forms demonstrates that bilateral trade flow is significantly related with the development of national economies irrespective of distances or non-contiguity of partners. The trade projection estimates and the trade potential data are suggestive of deeper economic cooperation including comprehensive trade partnership between South Korea and Bangladesh. The quantitative merchandise trade analysis between the countries has demonstrated that Bangladesh can be a key export market for South Korea's firms. The estimated coefficients are suggestive of more closer bilateral trade between these distant economies. The fact that the growth of Korean exports is positively related with the growth of purchasing power of the rise national income of Bangladesh would imply Korea's greater involvement in resolving Bangladesh's development problems relating to international trade, such as human resources development and labor absorption. Specially, the large trade deficit which is the obvious offshoot of increasing Korean export *vis-à-vis* decreasing Bangladeshi exports, and which exacerbates current account shortage of Bangladesh can be redressed by Korea's trade assistance and development support measures alongside trade expansion and combined efforts to approximate trade balance. The shifting nature of living standards and growing demands for newer products that globalization necessitates and the governments strive to materialize can be viewed as opportunities for industrialized South Korea to capture wholesome foreign exports market in Bangladesh in the competitions with others Asian giants and this also creates stronger basis for Korea to forge trade ties and economic cooperation with the populous country Bangladesh. The econometric estimation of the coefficients not only explains the positive trade flow with partner country's GDP and untapped potentials that can be accrued through increased trading activities, its negative dummy-contiguous factor is indicative of export-competitiveness of distant allies that may outcompete the proximate trading partners and this strengthens the case for bilateral trade cooperation and development with non-contiguous economies. The potential sources of mutual benefits from such economic and trade cooperation would the emanate from the complementarities in trade, level of technology between the two countries, labor force and natural resources development in Bangladesh, and Korea's export competitiveness.

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Footnote

[ii] Trade dependence measured by the total export and imports as a ratio of nominal gross domestic product found to be about 88% for Korea in 2010 (KBS, 2011).

[iii] As distinct from 'alpha stages' which are efforts leading to and including the introduction of a radically or relatively new technology, 'beta stages' covers all subsequent stages of modifying and advancing. See Enos (1977).

[iv]Generated by SAS System, the REG Procedure, The SAS System for Windows V8.

[v]ARTNet Gravity Modeling Analysis Tool (UNESCAP, 2008) is used to generate these results.

The Profile of the Industries (furniture, garments, gifts, toys, and houseware) in Cebu in Relevance to Industry Structure, Performance and Advantage

John Symon D. Bailon
Cebu Normal University, Philippines

Key Words
Industry profile in Cebu, Structure, Performance, Advantage, Furniture, Garments, Old clothes, bottles, newspapers & magazines.

Abstract
The society is surrounded with many materials which could be made into useful things. Old clothes, bottles, newspapers, magazines and empty cans can be made into useful home decors and other articles. One must have to do is to bring out ones creativity, applying the principles learned. Materials when made into useful articles can be sold and one will find oneself earning at the same time learning. Someone will also find that instead of being idle during their leisure time, handicrafts can be very profitable hobby.

This study therefore, focused on the industry profile in Cebu specifically furniture, garments, gifts, toys, and houseware in terms of industry structure, performances and advantages. It simply studied the trends of the Cebu's industry in three aspects; the scope, profile, challenges and prosects.

The government has exerted so much effort in extending help to the society. The Department of Trade and Industry (DTI) utilized its Comprehensive and Livelihood and Emergency Employment Program (CLEEP) for the skills training, which was specially designed to provide more producers who can swell their workforce as per the requirements. DTI provides free training to the starting entrepreneurs, which all experts of skills training are called as resource persons, and imparted training on weaving, braiding, assembling various items of handicrafts.

Through the qualitative secondary document analysis method of research and with the use of interview to validate the answers called for, answers to the following questions were sought: 1.what is the scope of the industry; 2. what are the challenges and prosects of the industry and 3. what is the profile of the industry in terms of: a. industry structure. b. performance and c. advantage.

The study revealed the following findings and conclusions:

1. *The three industries mentioned in this study had varied scope in terms of products. Furniture includes leg items, and goods and combination, garments power on apparel, non- apparel and textile, while GTH has a scope on gift items, home furnishings, and house wares. In terms of raw materials, the furniture and GTH is closely associated, since they are an allied industry of each other but the garments which include fabric, yarns, threads, zipper and snaps are exemptions.*
2. *In totality, the challenges and prosects of each industry is merely because of global economic crisis. Since the high-end market exporters are USA and Europe which are greatly affected by the recession which resulted in the abolishment of the quota system in YIVS in terms of garment and textile industry. In the profile of Cebu's industry in terms of structure, the key players are the manufacturers, subcontractors and traders. In terms of industry performance – all of the industries are the major players in economic development and foreign exchange earner.*
3. *The profile of Cebu's industry in terms of competitive advantage lies merely on the creativity of its craftsmen, professional business practices, availability of indigenous materials and highly trainable and professional workforce.*

The Impacts of Global Financial Crisis on Small Scale Industries and Retail Business in Indian Economy

Hedieh Divsalar
Pune University, India

Key Words
Global Financial Crisis, Impacts, Indian Economy, Small Scale Industries, Retail Business

Abstract
Small Scale Industries of India poses a strategic place in current comparative global business environment. Although, Small Scale Industries creates employment or jobs for skilled as well as unskilled laborers and it solved and solve unemployment problem in developing countries like India. This article will discuss its significant role in the growth of Indian economy e.g. self-employment, low capital requirements, decentralized population, balanced and diversified growth, and increasing exports with use of local resources, and then it will focus on the impacts of Global financial Crisis on the small-scale industries that would cause massive job losses and affect livelihoods on a massive scale; finally, some possible solutions will be given and how Small Scale Industries and retail business can be enjoyed as winner cards during the crisis through efficient management strategies, cordial labor relations, intimacy between the producer and customers as internal economies used within global financial crisis.

Also, this article will investigate the reasons to continue them to survive within crisis in favor of large scale productions. In author's opinion, the government needs to devise sector specific relief packages, particularly for export-oriented and labor intensive sectors like garments and leather, keeping the interests of the small-scale industries and their workers in mind. The relief packages should include rescheduling of bank credit as well as direct subsidies and should also incentives and job protection. With slower growth in consumption, the businesses of small and unorganized retailers are bound to be hit, affecting their livelihood. In this backdrop, allowing big organized retailers to expand their businesses and capture greater market shares would only aggravate the situation. A policy to strictly regulate the operations of domestic corporate retailers and restrict their unbridled expansion is urgently required.

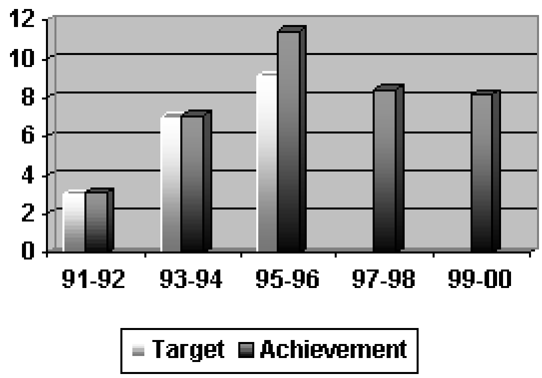
Introduction and Significance of SSI in the growth of Indian economy

Worldwide, the micro small and medium enterprises (MSMEs) have been accepted as the engine of economic growth and for promoting equitable development. The major advantage of the sector is its employment potential at low capital cost. The labor intensity of the MSME sector is much higher than that of the large enterprises. The MSMEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. In India too, the MSMEs play a pivotal role in the overall industrial economy of the country. In recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession. As per available statistics (4th Census of MSME Sector), this sector employs an estimated 59.7 million persons spread over 26.1 million enterprises. It is estimated that in terms of value, MSME sector accounts for about 45% of the manufacturing output and around 40% of the total export of India. Small Scale Industries is really significant in the growth of Indian economy e.g. self-employment, low capital requirements, decentralized population, balanced and diversified growth, and increasing exports with use of local resources.

Production

The small-scale industries sector plays a vital role in the growth of the country. It contributes almost 40% of the gross industrial value added in the Indian economy. It has been estimated that a million Rs. of investment in fixed assets in the small scale sector produces 4.62 million worth of goods or services with an approximate value addition of ten percentage points. The small-scale sector has grown rapidly over the years. The growth rates during the various plan periods have been very impressive. The number of small-scale units has increased from an estimated 0.87 million units in the year 1980-81 to over 3 million in the year 2000. When the performance of this sector is viewed against the growth in the manufacturing and the industry sector as a whole, it instills confidence in the resilience of the small-scale sector.

Year	Target	Achievement
1991-92	3.0	3.1
1992-93	5.0	5.6
1993-94	7.0	7.1
1994-95	9.1	10.1
1995-96	9.1	11.4
1996-97	9.1	11.3
1997-98	*	8.43
1998-99	*	7.7
1999-00	*	8.16
2000-01 (P)	*	8.90



P-Projected (April-December)

* Target not fixed at constant prices

Employment

SSI Sector in India creates largest employment opportunities for the Indian populace, next only to Agriculture. It has been estimated that 100,000 rupees of investment in fixed assets in the small-scale sector generates employment for four persons.

Generation of Employment - Industry Group-wise

Food products industry has ranked first in generating employment, providing employment to 0.48 million persons (13.1%). The next two industry groups were Non-metallic mineral products with employment of 0.45 million persons (12.2%) and Metal products with 0.37 million persons (10.2%). In Chemicals & chemical products, Machinery parts except Electrical parts, Wood products, Basic Metal Industries, Paper products & printing, Hosiery & garments, Repair services and Rubber & plastic products, the contribution ranged from 9% to 5%, the total contribution by these eight industry groups being 49%. In all other industries the contribution was less than 5%.

Per unit employment

Per unit employment was the highest (20) in units engaged in beverages, tobacco & tobacco products mainly due to the high employment potential of this industry particularly in Maharashtra, Andhra Pradesh, Rajasthan, Assam and Tamil Nadu. Next it came Cotton textile products (17), Non-metallic mineral products (14.1), Basic metal industries (13.6) and Electrical machinery and parts (11.2.) The lowest figure of 2.4 was in Repair services line. Per unit employment was the highest (10) in metropolitan areas and lowest (5) in rural areas. However, in Chemicals & chemical products, Non-metallic mineral products and Basic metal industries per unit employment was higher in rural areas as compared to metropolitan areas/urban areas. In urban areas highest employment per unit was in Beverages, tobacco products (31 persons) followed by Cotton textile products (18), Basic metal industries (13) and Non-metallic mineral products (12).

Location-wise Employment Distribution - Rural

Non-metallic products contributed 22.7% to employment generated in rural areas. Food Products accounted for 21.1%, Wood Products and Chemicals and chemical products shared between them 17.5%.

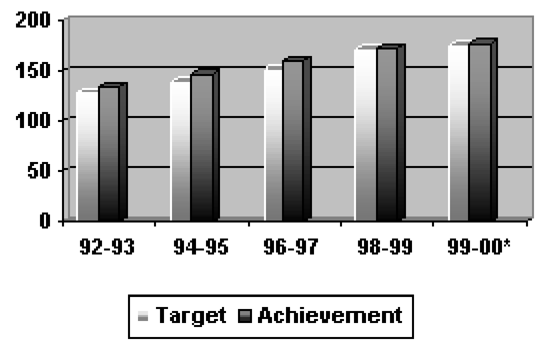
Urban

As for urban areas, Food Products and Metal Products almost equally shared 22.8% of employment. Machinery parts except electrical, Non-metallic mineral products, and Chemicals & chemical products between them accounted for 26.2% of employment. In metropolitan areas the leading industries were Metal products, Machinery and parts except electrical and Paper products & printing (total share being 33.6%).

State-wise Employment Distribution

Tamil Nadu (14.5%) made the maximum contribution to employment. This was followed by Maharashtra (9.7%), Uttar Pradesh (9.5%) and West Bengal (8.5%) the total share being 27.7%. Gujarat (7.6%), Andhra Pradesh (7.5%), Karnataka (6.7%) and Punjab (5.6%) together accounted for another 27.4%. Per unit employment was high - 17, 16 and 14 respectively - in Nagaland, Sikkim and Dadra & Nagar Haveli. It was 12 in Maharashtra, Tripura and Delhi. Madhya Pradesh had the lowest figure of 2. In all other cases it was around the average of 6.

Year	Target (lakh nos.)	Achievement (lakh nos.)	Growth rate
1992-93	128.0	134.06	3.28
1993-94	133.0	139.38	3.28
1994-95	138.6	146.56	5.15
1995-96	144.4	152.61	4.13
1996-97	150.5	160.00	4.88
1997-98	165	167.20	4.50
1998-99	170.1	171.58	2.61
1999-00	175.4	177.3	3.33

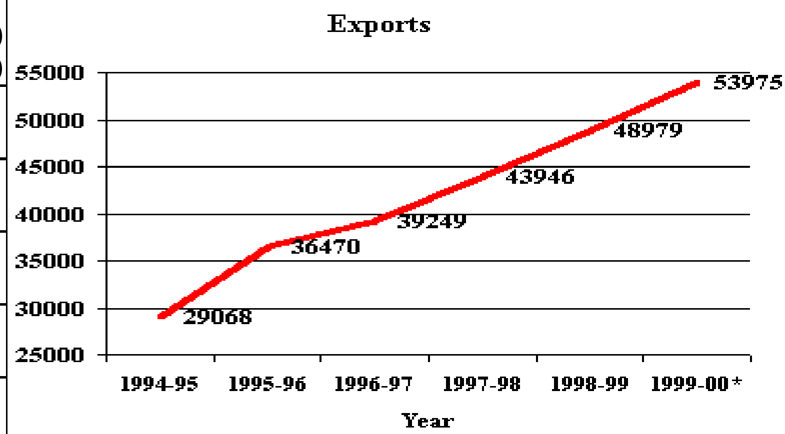


Export

SSI Sector plays a major role in India's present export performance. 45%-50% of the Indian Exports is contributed by SSI Sector. Direct exports from the SSI Sector account for nearly 35% of total exports. Besides direct exports, it is estimated that small-scale industrial units contribute around 15% to exports indirectly. This takes place through merchant exporters, trading houses and export houses. They may also be in the form of export orders from large units or the production of parts and components for use for finished exportable goods.

It would surprise many to know that non-traditional products account for more than 95% of the SSI exports. The exports from SSI sector have been clocking excellent growth rates in this decade. It has been mostly fuelled by the performance of garments, leather and gems and jewelry units from this sector. The product groups where the SSI sector dominates in exports are sports goods, readymade garments, woolen garments and knitwear, plastic products, processed food and leather products. The SSI sector is reorienting its export strategy towards the new trade regime being ushered in by the WTO.

Year	Exports (Rs. Crores) (at current prices)
1994-95	29,068 (14.86)
1995-96	36,470 (25.50)
1996-97	39,249 (7.61)
1997-98	43946 (11.97)
1998-99	48979 (10.2)
1999-00 (P)	53975 (10.2)



P-Provisional

Major Export Markets
An evaluation study has been done by M/s A.C. Nielsen on behalf of Ministry of SSI. As per the findings and recommendations of the said study the major export markets identified having potential to enhance SSIs exports are US, EU and Japan. The potential items of SSIs have been categorized into three broad categories.

Export Destinations
The Export Destinations of SSI products have been identified for 16 product groups.

Opportunity
The opportunities in the small-scale sector are enormous due to the following factors:

- Less Capital Intensive
- Extensive Promotion & Support by Government
- Reservation for Exclusive Manufacture by small scale sector
- Project Profiles
- Funding - Finance & Subsidies
- Machinery Procurement
- Raw Material Procurement
- Manpower Training
- Technical & Managerial skills
- Tooling & Testing support
- Reservation for Exclusive Purchase by Government
- Export Promotion
- Growth in demand in the domestic market size due to overall economic growth
- Increasing Export Potential for Indian products
- Growth in Requirements for ancillary units due to the increase in number of greenfield units coming up in the large scale sector. Small industry sector has performed exceedingly well and enabled our country to achieve a wide measure of industrial growth and diversification.

By its less capital intensive and high labor absorption nature, SSI sector has made significant contributions to employment generation and also to rural industrialization. This sector is ideally suited to build on the strengths of our traditional skills and knowledge, by infusion of technologies, capital and innovative marketing practices. This is the opportune time to set up projects in the small-scale sector. It may be said that the outlook is positive, indeed promising, given some safeguards. This expectation is based on an essential feature of the Indian industry and the demand structures. The diversity in production systems and demand structures will ensure long term co-existence of many layers of demand for consumer products / technologies / processes. There will be flourishing and well-grounded markets for the same product/process, differentiated by quality, value added and sophistication. This characteristic of the Indian economy will allow complementary existence for various diverse types of units. The promotional and protective policies of the Govt. have ensured the presence of this sector in an astonishing range of products, particularly in consumer goods. However, the bugbear of the sector has been the inadequacies in capital, technology and marketing. The process of liberalization coupled with Government support will therefore, attract the infusion of just these things in the sector. Small industry sector has performed exceedingly well and enabled our country to achieve a wide measure of industrial growth and diversification.

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Impacts of Global financial Crisis on the small-scale industries

The impacts of Global financial Crisis on the small-scale industries would cause massive job losses and affect livelihoods on a massive scale. Governments pumped money into the system which ran to the tunes of trillion dollars. Stimulus packages were given to every bank, every automaker to keep them afloat and yet executive bonuses were pretty hefty. If a closely look is taken at the stimulus packages money, it is the taxpayer's money which is going down the drain. People are encouraged to take another loan to repay their older loan, people are encouraged to spend money which is not theirs, which they should realize is not affordable. To nullify the mortgage based bubble, the government has blown another bigger bubble. Every country is doing the same. Even the author had thought that spending money now would be the best solution, but it seems to be a midterm solution, the final outcome is going to be a disaster. Political motives and corruption are also not helping to channelize the money to the right sectors. Countries have to go bankrupt in near future due to excessive debts; Experts have named the countries which are going to be bankrupt as PIGS (Portugal, Ireland ,Greece and Spain) just as Goldman Sachs had named emerging economies as BRIC (Brazil, Russia, India and China)

Well quite frankly, India is doing better compared to other countries. As Indian economy is mainly domestically driven rather than export driven like Chinese economy, India is better insulated to the storm. The Indian mentality of saving rather than investing has also come in handy. It's like India has had a precautionary shot to overcome this meltdown. In the early 1990's when Indian economy was freed and was made attractive to foreign investment, care was taken to make it moderately export driven by leaving enough space for domestic markets and domestic players. Agriculture and small scale industries are India's main breadwinner for a rural family, and IT for an urban family. Around 65% of Indian population depends on agriculture for a living and its accounts for 22% of GDP, and Indian IT and BPO exports constitute 6 % of GDP. There are several other exports like fish, fish oil, Ayurveda medicines and many other secondary materials out of agriculture which drive our export market. Reports say that within the next 5 years India is going to take over from China as the manufacturing hub of the world. Nevertheless, we are hit by the global phenomenon and have to take measures to withstand it.

While the relationship between financial structure, financial growth and overall economic development is complex, the basic issue of financing for development is really a question of mobilizing or creating real resources. In the old development literature, finance in the sense of money or financial assets came in only when looking at the ability of the state to tax away a part of the surplus to finance its development expenditures, and the obstacles to deficit-financed spending, given the possible inflationary consequences if real constraints to growth were not overcome. By and large, the financial sector was seen as adjusting to the requirements of the real sector. But this need not happen when the financial sector is unregulated or covered by a minimum of regulation, since market signals then determine the allocation of investible resources and therefore the demand for and the allocation of savings intermediated by financial enterprises. This aggravates the inherent tendency in markets to direct credit to non-priority and import-intensive but more profitable sectors, to concentrate investible funds in the hands of a few large players and to direct savings to already well-developed centers of economic activity.

The socially necessary role of financial intermediation becomes muted. This certainly affects employment-intensive sectors such as agriculture and small-scale enterprises, where the transaction costs of lending tend to be high, risks are many and collateral not easy to ensure. The agrarian crisis in most parts of the developing world is at least partly, and often substantially, related to the decline in the access of peasant farmers to institutional finance, which is the direct result of financial liberalization (Patnaik 2005). Exports dropped sharply, declining by 17 per cent in November 2008 compared to the same month in the previous year. Aggregate growth projections were continuously revised downwards by both official and other analysts, as the expectation that GDP growth would remain above 7 per cent for the year 2008-09 was tempered by the realization of a likely sharp decline in the second of the year. The impact on employment was immediate: in early December it was estimated that more than 1 million jobs had already been lost, especially in the construction and small-scale export manufacturing sectors. Agriculturalists, especially those producing export crops whose prices had collapsed, faced growing difficulties on top of their existing financial problems. Real – and sometimes even nominal – wages of workers in industry and services have been falling, and the incomes of the self-employed that constitute half the work force are also under threat. Small scale producers in all sectors are being squeezed by the pincer movement of falling demand and credit crunch. Investment projects are being curtailed by the liquidity trap conditions in which banks are willing to lend only to the most secure borrowers, who in turn are unwilling to invest because of greater uncertainty. State governments' tax receipts have fallen and so they are increasingly strapped for cash and unable to meet even essential spending on basic services, not to mention development.

Conclusions and Possible solution

The government needs to devise sector specific relief packages, particularly for export-oriented and labor intensive sectors like garments and leather, keeping the interests of the small-scale industries and their workers in mind. The relief packages should include rescheduling of bank credit as well as direct subsidies and should also incentives and job protection. With slower growth in consumption, the businesses of small and unorganized retailers are bound to be hit, affecting their livelihood. In this backdrop, allowing big organized retailers to expand their businesses and capture greater market shares would only aggravate the situation. A policy to strictly regulate the operations of domestic corporate retailers and restrict their unbridled expansion is urgently required. Small Scale Industries and retail business can be enjoyed as winner cards during the crisis through efficient management strategies, cordial labor relations, intimacy between the producer and customers as internal economies used within global financial crisis.

Clearly, much more creative and imaginative policy responses are required, in terms of changing directions of investment and consumption in the home market to emphasize wage-led growth, diversifying exports and generally making moves designed to turn economic adversity to advantage.

What is immediately required is significantly increased public expenditure, directed towards particular areas– expansion of the employment guarantee scheme within rural areas and extension to urban areas, creative use of NREGS, especially in urban areas, to enable productive use of the tremendous wealth of labor resources available, especially women workers; more resources provided to state governments to enable them to meet basic development and social expenditures; and a package for agriculturalists to protect them from volatile crop prices and to deal with the burden of debt.

In the medium term, the government needs to encourage moves towards more sustainable patterns of consumption and production, both through newer technologies and by re-orienting demands. If this can be done, the current crisis might even be worth the pain that it is now delivering to so many millions. The UPA Government's responses to evolving situation of Economic Crisis, however, have been extremely disappointing. Ever since the Government has come out of its initial state of denial, the measures adopted by it reflect on the one hand a sheer lack of comprehension of the causes behind and the proportions of the current crisis and on the other hand a proclivity towards appeasing myriad financial interests and corporate lobbies.

The UPA Government has so far chosen to meet only the corporate bigwigs and bankers in order to discuss policy responses. It is indeed strange that at a time when the neo-liberal vision of putting corporate profits over peoples' interest and relying upon 'trickle down economics' is getting discredited across the world, the economic managers of the UPA Government are clinging on to it.

In this backdrop the real answer can be in form of suggestions in order to tackle the adverse impact of the global recession on the Indian economy and protect the interests of the people.
Broad-based Growth through Fiscal Stimulus

* A special fiscal package should be announced by the Central Government directed at increasing public expenditure in ways which increases the income and consumption of the working people, especially the vulnerable sections, and ensure broad-based growth.
* This is an appropriate time to expand the fiscal deficit not only by the Central Government, but also the State Governments. The FRBM Act should be scrapped and a comprehensive debt relief scheme for the State Governments adopted to encourage them to adopt expansionary fiscal stances.

Protecting Existing Jobs

* Protection of domestic jobs must be the priority of the Government in the backdrop of the global recession.
* The Government should announce a moratorium on job or wage cuts in the organized sector, in the interest of the national economy, since such job or wage cuts would further depress demand and aggravate the situation. The extant labor laws should be duly invoked by the State Governments to prevent retrenchments and lay offs.
* The burden of cost adjustment should first fall on profits and executive pay, which have ballooned during the recent period. India requires an Income Policy whereby executive pay is linked to prices and the minimum wage earned by workers.

Specific Measures to Boost the Real Economy

* The Government has to undertake massive public investment directed at sectors which are employment intensive and capable of creating employment demand for those likely to lose jobs in the export-oriented sectors.
* Employment Guarantee: The NREGA should be strengthened and extended to the urban areas. Extending the period of guaranteed employment beyond 100 days should also be considered.
* Agriculture: Food grains production has to be encouraged and public procurement operations expanded for all major crops across the country. The allocations for the Food Security Mission and the Rashtriya Krishi Vikas Yojana should be enhanced substantially. Public investment in irrigation also needs to be stepped up substantially. For cash crops like cotton and oilseeds, import protection

should be accorded through higher tariffs. Protection should also be extended to cash crops like rubber, cashew etc. to prevent sharp falls in prices.

* Food and Fuel Prices: The hikes in the prices of diesel and petrol by Rs.4 and Rs.2 respectively, must be withdrawn without further delay, in view of the sharp fall in international oil prices (which have fallen below $60 per barrel). The PDS needs to be universalized and strengthened drastically by reducing the issue price so that subsidized food grains can reach every settlement in the country. This is essential for boosting consumption demand in the economy.
* Retail Trade: With slower growth in consumption, the businesses of small and unorganized retailers are bound to be hit, affecting their livelihood. In this backdrop, allowing big organized retailers to expand their businesses and capture greater market shares would only aggravate the situation. A policy to strictly regulate the operations of domestic corporate retailers and restrict their unbridled expansion is urgently required.
* Small-Scale Industries: Crisis affecting the small-scale industries would cause massive job losses and affect livelihoods on a massive scale. The Government needs to devise sector specific relief packages, especially for export-oriented and labor intensive sectors like garments and leather, keeping the interests of the small-scale industries and their workers in mind. The relief packages should include rescheduling of bank credit as well as direct subsidies and should also incentives and job protection.
* Tariff Protection: In order to ensure that the demand injected into the economy through public investment does not leak out through increased imports, increasing customs duties should be considered. Further tariff concessions under NAMA or entering into structurally unequal trade agreements like the proposed EU-India FTA should be ruled out.

Tightening Financial Regulation and Reviving Development Finance

* Regulation should be strengthened in the financial sector and state control over finance need to be reasserted in order to revive development finance. While curbing reckless flow of credit to fuel elite consumption and asset price bubbles, credit should be directed towards employment intensive sectors like agriculture and small-scale industries.
* Capital Account Convertibility: Measures undertaken to liberalize the capital account as per the Tarapore Committee recommendations need to be reversed and strict controls reimposed on the outflow and inflow of capital.
* Participatory Notes: PNs, which are non-transparent derivative instruments used by the FIIs to invest money in the Indian capital market on behalf of undisclosed entities and individuals, should be prohibited. Allowing speculative hedge funds and other dubious entities to invest in Indian markets without any adherence to disclosure norms is the antithesis of prudential regulation.
* Banking and Insurance Sector Deregulation: The Government should abandon the moves to further deregulate the banking and insurance sectors through legislation like the Banking Regulation (Amendment) Bill, the State Bank of India (Amendment) Bill and increasing the FDI cap in the insurance sector from the present 26% to 49%.
* Pension Reforms: Pension reforms should be abandoned by the UPA Government and the PFRDA Bill scrapped. The Pension Scheme for Government employees should be reworked to ensure minimum guaranteed pension.

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Study of impact of proposed "51 % FDI in multi brand retailing" by Government of India on the unorganized retail market.

Ruby S Chanda
Sinhgad Institute of Business Administration and Research, India

Kunal Bhattacharya
Symbiosis Institute of Management Studies, India

Key Words
FDI, Multi branding, wholesale, market, investment.

Abstract
According to AT Kearney's Global Retail Development Index (2011), India has been ranked as the 4th most emerging market for retail (after Brazil, Uruguay and Chile). India has been ranked as the 4th most emerging market for retail (after Brazil, Uruguay and Chile). The organized retail market in India is approximately 6 % of the total retail market but growing at a significant rate of 35 – 40 % (Indian Retail Report, 2011). India being a signatory to World Trade Organization's General Agreement on Trade in services, which includes wholesale and retailing services, had to open up the retail trade sector to foreign investment.

There were initial reservations towards opening up of retail sector arising from the fear of job losses, procurement from international market, competition and loss of entrepreneurial opportunities. However, In 1997 FDI in cash and carry (Wholesale) with 100 percent ownership was allowed under the government approval route. It was brought under the automatic route in 2006. 51 percent investment in a single brand retail outlet was permitted in 2006.

The paper studies the impact of proposed "51 % FDI in multi brand retailing" by Government of India on the unorganized retail market by discussing the pros and cons of the proposed FDI policy. The paper is based on secondary data and analysis is done by taking into account the views expressed by government and findings of surveys done by various market research agencies.

Role of the Indian Software Industry in Global Trade and their Corporate Sustainability Reporting Practices as per G3.1 Guidelines of the GRI under the realm of corporate social responsibility

Tessy Thadathil
Symbiosis College of Arts & Commerce, Pune, India.

Key Words
Corporate sustainability, CSR, GRI(Global Reporting Initiative), software industry, global trade

Abstract
*Sustainability reporting, also called triple-bottom-line reporting, is the practice of expanding traditional business reporting to take into account **environmental** and **social** performance in addition to **financial** results.*

GRI or Global Reporting Initiative is an initiative at the global level to standardize non-financial reporting. The rapid increase in the number of companies around the world adopting GRI standards and issuing corporate sustainability reports, along with the fact that the GRI works closely with the United Nations, gives its reporting criteria the credibility necessary to be considered generally accepted. The latest guideline G3.1 was issued on 23rd March 2011.

Given the increasing overseas presence of Indian companies and the expectation that India will become the second largest global economy by 2050, the performance of Indian companies is under greater scrutiny than ever before. International companies, including Indian companies investing overseas, increasingly practice a sustainable approach to business and undertake sustainability reporting in response to peer pressure and the competitive international environment. This paper analyses the Corporate Sustainability Reports of leading software companies in India with reference to the G3.1 guidelines.

Objectives
1.To study the role of the Indian software industry in global trade
2.To investigate the Sustainability Reporting Practices with reference to G3.1 Guidelines under the realm of Corporate Governance of some of the leading Indian Software Companies
3.To study the extent to which they comply with the GRI framework and its G3.1 Guidelines
4.To identify leading and laggard issues relating to sustainability practices by these companies

Methodology
Study of annual reports
Interviews with persons from industry

Limitations
The study limits itself to the software industry in India

Retailing Innovations in India

Anand Ramu Patil
Alliance School of Management, Bangalore, India
Bangalore University and Alliance University

Key Words
Customers, Retail Sector, agriculture, IT, database

Abstract
Innovation is the need of the day. Customers are always on the look-out for new-capturing ideas. The Retailers are introducing different ways to increase footfalls in their outlets apart from offering regular services. They have taken a step ahead to make customers feel at-ease and spend more time in the outlet. Because they know that If they can cater to this requirement, their business will touch new heights.

The Retail Sector is the largest sector in India after agriculture, accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment. India has the most unorganized retail market in the world. Most retailers of the unorganized retail market have their shop in the front and house at the back. IT plays a crucial role in the retail industry. Retail is amongst the fastest growing sectors in the country and India ranks first, ahead of Russia, in terms of emerging markets potential in retail.;

Innovations in the retail industry are multi pronged and are aimed at enhancing the end user experience, optimizing resources and logistics, creating a technology platform to keep pace with the dynamics of the industry and manage the unprecedented growth given the geographic spread and diversity. Some of the key innovations include: Customer identification using RFID: E-Catalog based selling: Mobile Point of Sale (POS): Digital Signage: Intelligent database:

Innovations in Retailing India are still at an introductory phase, and in the process of understanding the benefits of IT in retail."It is indeed the beginning. That said, the innovation and deployment that is taking place in India is confined to the organized sector, which is a small proportion of the overall retail industry. The way the Indian retail industry is shaping and developing presents an opportunity no less than a goldmine unearthed for vendors. However it is really shocking to note that he India has come down by 6 in rankings out of 125 countries as per The international business school for the world in its INSEAD report on Third consecutive Global Innovation Index 2011 .Therefore what is necessary for the innovative innovations in the retail sector in India is deployment should happen in a phased manner, starting from the foundation and then going up the ladder. This article is an attempt to explain the various innovations and growth in the field of retailing in India.

Introducation

About three decades ago we had our green revolution. Then came the white revolution. The telecom revolution happened just a few years ago and now we are in the throes of a Retail Revolution. Repaid growth of retailing in recent years and up come many new firms in India has necessitated for innovations in retailing in India.

Innovation is the need of the day. Customers are always on the look-out for new-capturing ideas. The Retailers are introducing different ways to increase footfalls in their outlets apart from offering regular services. They have taken a step ahead to make customers feel at-ease and spend more time in the outlet. Because they know that If they can cater to this requirement, their business will touch new heights.

Retailing is considered to be a service but is, of course, a hybrid economic activity performing a bridging role between production and consumption, in which firms bring together assortments of goods relevant to the needs of consumers.

Innovations in the retail industry are multi pronged and are aimed at enhancing the end user experience, optimizing resources and logistics, creating a technology platform to keep pace with the dynamics of the industry and manage the unprecedented growth given the geographic spread and diversity. Some of the key innovations include: Customer identification using RFID: E-Catalog based selling: Mobile Point of Sale (POS): Digital Signage: Intelligent.

It surprising to note that India has come down from a ranking of 56 last year to 62 this year among 125 countries as per The international business school for the world in its INSEAD report on Third consecutive Global Innovation Index 2011.This is mainly due to lack of support for the innovations. There is a need for innovations and support for the innovations in the field of retailing in India.

Literature Survey

Indian retail market is being observed as a potential market for investment. The quality expectations of the India's vast middle class and its almost untapped retail sector are key attractions for global investors in the retail market . This certainly indicates the necessity of innovations in the field of retailing in India. The flow of global funds will difinetly bring innovations in the retail sector .

Kaushik Mukerjee in his article "Innovation Holds the Key" published in India Management September 2009 Explained that Innovation has long been the success mantra of many a company . But in a slowdown it seems to be the only tool to stay afloat and Successful innovation is the result of combination of ideas'

Report for NESTA December 2007 on "Innovation in the UK Retail Sector" Recommended to i. Improve the effectiveness of innovation-related support activity within Government. ii. Increase the take-up of R&D tax credits by the retail sector. Iii. Promote innovation in sustainability. iv. Identify and support the complex sets of skills required for retail innovation

R. Yuvarani in her the article **"VER VIEW / RECENT TRENDS IN THE INDIAN RETAIL SECTOR" published in the online Sector View in July 2009, pointed out that** The recent increased power of retailers has led to the introduction of new tactics by manufactures such as everyday low pricing, partnership with retailers and increased use of direct marketing methods.

Ram Prasad Sahu in his article "Retailers high on rising footfalls" published in Business Standard December 8, 2011 illustrated about the Improvement in operational performance, fresh equity investments and FDI proposals are well for the organised retail sector

"Neeraj Gandhi in his article "IT innovations in Indian retail" published in Express computers January 2008 Issue pointed that Indian retail is quite advanced in basic IT adoption like ERP, network, etc. compared to foreign retailers. However they have not managed implementation well due to lack of sector understanding both with clients as well as IT consultants.

Sreelatha Menon in her article" Unsung innovators ",published in Business Standard dated 16/11/ 2011 expressed that at least the innovators need is to be identified and aided by an angel investor. Neither are they identified nor is there any angel investor for them in India

Manju Smita Dash In her article "Next-Generation Retailing In India: An Empirical Study Using Factor Analysis" published in International Review of Management and Marketing Vol. 1, No. 2, 2011, pp. 25-35 ISSN: 2146-4405 discussed about The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and complete them.

India's retail sector is witnessing a major transformation as traditional markets make way for modern and indigenously development retail formats. Standing on the threshold of a retail revolution and witnessing a fast changing retail landscape. Indian retail is still growing, and growing at an enviable rate. This growth supported with innovations will produce innovative results.

Retail Industry in India

The Retail Sector is the largest sector in India after agriculture, accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment. India has the most unorganized retail market in the world .It has emerged as one of the most dynamic and fast paced industries with several players entering the market. That said, the heavy initial investments required make break even hard to achieve and many players have not tasted success to date. However, the future is promising; the market is growing, government policies are becoming more favorable and emerging technologies are facilitating operations.

Retailing in India is gradually inching its way to becoming the next boom industry. The whole concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping. Modern retail has entered India as seen in sprawling shopping centres, multi-storeyed malls and huge complexes offer shopping, entertainment and food all under one roof.

The Indian retailing sector is at an inflexion point where the growth of organised retail and growth in the consumption by Indians is going to adopt a higher growth trajectory. The Indian population is witnessing a significant change in its demographics. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working-women population and emerging opportunities in the services sector are going to be the key growth drivers of the organised retail sector. Big in size and turnover,

According to a report titled, 'Winning with Intelligent Supply Chains', brought out by FICCI and Ernst & Young- 2007 , the Indian retail sector is presently valued at $280 billion. Of this, the organized retail segment accounts for $14 billion, approximately 5%. That said, it is expected to increase to 30% by 2010. "A mid-sized retail company can easily spend around Rs. 10-20 crores in the initial setup phase including enterprise applications,".

Indian Retailing Industry Attributes

i) **Good and Fast Reach Network:** The network of retailers reaches every nook and corner of the country. So any product produced anywhere in the country can be easily accessed by the buyers from any location. Thus the spatial convenience of Indian retailers is very high.

ii) **Unorganised Retail Sector in Dominant**: in India the retailing industry is an unorganised lot consisting of, in most of the cases, small entrepreneurs. And the virtual omnipresence of the Indian retailer can be attributed to these small entrepreneurs only. The second attribute gives rise to the following characteristics

iii) **Restrictions form the Producers on Retailers:** Power of the retailers, as such is very less, and in many cases it is negligible. This weakness has been exploited by the manufacturers and the stronger partners of the marketing channel. The retailers, in general, abide by the terms and conditions set by the manufacturers and other "big brothers" of the channel.

iv) Complicated **Channel of Management between Manufacturers and Retailers**: The manufacturers cannot directly reach all retailers in a particular geographical area. Therefore, the manufacturers cannot maintain the desired relationship with the retailers, which in turn, make management of the channel complicated. This also makes the possibility of a direct feedback loop from the retailers almost remote. Therefore, the member operating between the manufacturers and retailers become more powerful as they can block the channel of communication between the two. So the dependence of retailers on other channel members increases to a high extent. Thus the participation of retailers in the flows of marketing mix becomes lower than desired.

v) **Low Financial Strength and Dependence of Retailers:** The financial strength of the Indian retailers, in general, is very low and hence the investment capabilities. This makes the retailers more dependent on the other channel members.

However, these characteristics are peculiar to the small retail outlets and may not be present at every kind of retail level.

Innovations in Retailing in India

Innovations in Retailing India are still at an introductory phase, and in the process of understanding the benefits of IT in retail."It is indeed the beginning. That said, the innovation and deployment that is taking place in India is confined to the organized sector, which is a small proportion of the overall retail industry. The way the Indian retail industry is shaping and developing presents an opportunity no less than a goldmine unearthed for vendors. What
Should be noted is that deployment should happen in a phased manner, starting from the foundation and then going up the ladder.

Phases of Evolution of Retailing: There are four stages of retailing evolution

1. New entrants create awareness of modern formats and raise consumer expectations.
2. Consumer demand a modern format as the market develops thereby leading to strong growth.
3. A maturing market and as they market consolidates, intense competition forces retailers to invest in back- end operating efficiency.
4. Retailers explore new markets as well as inorganic opportunities' as growth tapers.

India is at the cusp of the first and second phase, with the modern training format having emerged centre stage. The growing preference of the affluent and upper middle classes for shopping at these types of retail stores, give the convinces they offer such as shopping ambience, variety and single point source for purchases have been driving factors behind this transformation.. From supermarkets such as big bazaar of food world, which are large self service stores selling a variety of products a discounted prices to malls and department stores such as crossroads, lifestyle and west side, the Indian consumer is fast catching up with his/her global counterpart.

Key Innnovations in the Indian Retail Sector

1. ERP (Enterprise Resource Planning): Systems: An ERP System integrates the many departments in these companies so that they can work in tandem .Because of ERP the different functioning process of different departments are optimized and planning improves.
2. Sales force Automation (SFA)Software: This helps to capture the data at the retailers level for the companies>
3. Global Data Synchronization Tool: (GDS): This is an website based model which lets suppliers and retailers to interact without facing data interoperability problems
4. RFID(Radio Frequency Identification) :Under this a shopping cart with a scanner and a touch screen computer offers information about each product and suggest complementarities. The computer keeps a list of items in the cart with a running total, so that we know exactly how much we are spending, When finished shopping we have to a self checkout stand or to a cashier. Since the items are already total and bagged, the wait time is minimal.

   This involves identifying customers by issuing them smart cards embedded with smart chips. These cards would be RFID enabled and would give information regarding the customer like his preferences, shopping behavior etc.
5. Wireless Devices (PDAs and POSs): The Personal Digital Assistants give real time access to product and customer information. Point of sales will go a step further in combining real time information with on the spot check our series.
6. E-Catalog based selling: Here a limited range of merchandise is available in-store, while the range of a hyper format is made available through self browse kiosks.
7. Mobile Point of Sale (POS): This would enable the purchase of goods while putting them in a shopping cart. The customer would be spared the hassle of standing in long queues.
8. Digital Signage: Static signboards have not proved beneficial in terms of helping a customer track a product. Digital signboards integrated with an automated tracking system can make this easier.
9. Intelligent database: A detailed database of the customer is made available online and helps the retailer understand a particular customer's buying characteristics.

Future Trend of Innovations in Retailing in India

That said, the innovation and deployment that is taking place in India is confined to the organized sector, which is a small proportion of the overall retail industry. The way the Indian retail industry is shaping and developing presents an opportunity no less than a goldmine unearthed for vendors. In addition, the unorganized sector—a sizable portion of the retail industry—is lagging behind in terms of IT usage. This is the reason why the IT percentage remains considerably low in the Indian retail industry. Even though technology is available to cater to this segment, factors like money, lack of education and comfort factor are playing spoilsport. "Even the unorganized sector is using IT, but it's largely user driven. The approach still remains traditional. In contrast; the organized sector seems to have reached a point of no return. The growth is constant and is expected to continue. It is here that a lot more innovation and development can be expected in the near future. ".

Difficulties of Innovations in Retailing in India

1. Difficulty of Getting Adequate Investments Required:

The expansion of the retail sector requires Rs 20,000 corers for 36% growth of this sector (Images Retailing India 2007). This business does not have collateral assts . As many business operate in leased property. The suitable ways of financing will be venture capital and public issues.

2. Difficulty in Transmitting Unorganised Retail Sector to Organised Retail Sector:

There are about 4 corers of whole sellers in the country who will be displaced because of transmission. Not only that this process will affect the life of many poor's working in unorganized retail sector.

3. Risk of Organised Retail Sector growing into Monopoly:

The lessons from developed countries show (Wal- Mart in Us) that monopolistic or oligopolistic controls are neither beneficial for consumers nor for the manufacturers nor for the stake holders.

4 .Lack of Strict Regulatory Body:

Presently there is no Strict Regulating Body in India in the field of Retail Industry. As the speed of growth is getting accelerating there is a need of strong regulating body for the welfare of the said sector.

Examples of Innovations in the Retail Sector in India

1. Big Bazaar is launching a scheme whereby a consumer can enter into a Big Bazaar outlet and drop in an innovation in the various consumer sectors it is present in and if the idea seems feasible, the group will manufacture and market the innovation under the brand "India ka Idea".

Two such innovations have already found space on the shelves at Big Bazaar outlets in Ahemdabad, where the company has put samples of a refrigerator called Mitticool, a clay refrigerator that works without electricity and mitti cool non-stick pan - a non-stick tava made out of clay layering which wouldcost you only Rs 70-100 as against for the regular one which would not cost less than Rs 500. The Future Group has also signed an MoU with National Innovation Foundation, Department of Science and technology, Government of India, giving shape to an innovation lab called "Khoj lab" which will create and support innovations at grassroots and help those innovations becoming marketable

2. Reliance retail, followed cost effective innovative and appealing packaging for Home categories, including Houseware, eg metal, glass and plastic cooking and storage items, Home Needs like CFL bulb, home furnishing items like curtain, bedsheet, towels, pillow covers, apron, etc, and consumer durable and electronic products accessories.A few examples of images are cited in the attached jpeg.

3. Throughout its long history (the first ever **Spencer'**s store opened in 1895), Spencer's has been a recognized and respected player in the Indian grocery business, synonymous with quality goods and services, trusted by India's exploding population of the upwardly mobile middle class.Spencer's has continually helped reshape the retail landscape in India, introducing a host of innovations to make shopping even more convenient and enjoyable for the consumer. These include:

Retail Design Initiatives

The Retail Design team helps Spencer's deliver its brand promise in a way that is sophisticated, but not snobbish. This results in differentiation without alienation of loyal customers or loss of the brand equity acquired over the years.

Central to the retail design strategy is a unique brand position - Taste the World, derived from the consumer's own transition from a price-conscious purchaser to a global-minded, well-travelled citizen of the world, looking out for authentic international flavors and experiences. Spencer's has consequently evolved from being a preferred grocery retailer to being a passport to a stimulating world.

4. **Zerostock Retail Pvt Ltd**, a new garment retailer from Hyderabad, has come out with an innovative idea for retailing men's wear — there's no readymade apparel available at the store. A typical store offers sample wear for trial and a display of designs and fabric.
All a customer has to do is walk into any of the stores, figure out the size which will fit them with the trial shirts on display and then select the design and the material of the shirt. Once the transaction is done, the shirt will be dispatched to the customer within a matter of 24 hours to 48 hours from their centralized inventory at no additional cost.

Conclustion

Indian retail sector is progressing tremendously with unbelievable innovations. It has played a phenomenal role throughout the world in increasing productivity of consumer goods and services.. The Indian Retail Industry is the largest among all the industries, accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. The India Retail Industry is gradually getting innovated and inching towards becoming the next boom industry. But the decline in the ranking of Third consecutive Global Innovation Index 2011 from 54 to 62 necessitates the support for the innovations in retailing in India. Provided with economical, social and political support for the innovators of the nation and rest of world they will definitely produce miracle in the field of Retail Management in India

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Regional Export Market Dynamics of Iron-ore Extracting Firms: Panel Data Analysis Using Fixed and Random Effect Estimator

Manasvi M. Kamat &
Manoj S. Kamat
VVM's Shree Damodar College of Commerce and Economics, India

Key Words
Export Elasticities, Export Intensity, Firm Characteristic, Firm Performance, Panel Data, Fixed and Random Effects, Two Stage Least Squares, Tobit Model

Abstract
The paper attempts to improve the prediction and measurement of regional export by revisiting the role of firm demographics and inter-firm export performance. Firm characteristics as potential predictors of export performance are focused while premising our propositions on constructs from international market theories. Firstly it is examined whether the coefficients in the demand and supply equations are consistent with the economic theory. Secondly we find industry specific evidence on the determinants of the firm-level export intensity for iron-ore extracting firms in a regional context, originating from the State of Goa. The Fixed and Random Effect Estimators (FEM & REM) are modeled on Panel Data. Two Stage Least Squares (TSLS), Dynamic OLS (DOLS) and Panel Tobit Model estimations conducted on all the sample firms pooled together, add value from a managerial perspective. At a scholarly level we respond to the need to test the explanatory power of the premises by the most followed export marketing literature.

Problem Identification and Development

Export marketing activity has always been understood as a driver of economic growth. These explanations can be reduced to two broad approaches. The first is that growth of exports stimulates the development of industries with significant economies of scale. Secondly, the growth of exports leads to further growth of the economy. Recent policy and research interest in firm level analysis of exporting behavior is at least in part, motivated by the understanding of both the above approaches that it is relatively easy and of rationale to provide the real action needed to achieve firms' objectives; thereby collectively contribute to the export enhancing goal. Though the empirical studies like that of Dunning (1994, 1998) and UNCTAD (1999) report the impact of recent increasing governmental efforts and various push and pull factors on the export enhancing role of firms in a region / industry particularly in developing countries, the empirical studies on this issue are scarce. Given that Roberts and Tybout (1997) suggest that different idiosyncratic forces determine export behavior of firms in different countries and industries, the present attempt is to improve the prediction and measurement of regional export by revisiting the role of firm demographics and firm-level performance.

Historically economic growth in Goa has been underpinned by exports, especially for iron-ore. The Iron-ore mining and export industry still continues to be the predominant factor of Goa's economy being the single largest contributor to the state Gross Domestic Product. Goa accounts for almost 50% share in the total ore exports from India and contribute a share of nearly 4% in the global iron-ore export trade. Premising our propositions on internationalization of export led regional growth theories, we test the explanatory power of firms export performance against the collective regional export performance**.** Promoting export development has also been an important strand of industrial policy in both Goa through direct measures focusing on marketing, and indirect measures focusing on improving firms' international performance. Policy in both areas has focused particularly on developing the export potential of local firms reflecting policy-makers' concerns that Goa has become over-reliant on the export activities. Given that no firm-level studies been conducted for the Goa's Iron-ore extracting firms and unexplained absence of consensus over how to conceptualize and operationalize the various elements of export performance, we focus on firm characteristics as potential predictors of export performance.

Research Questions and Objectives of the Study

In view of the above, this study aims to improve the operationalization of export performance by grounding measures of export. Firstly, we attempt to estimate whether an integrated demand and supply approach can plausibly explain the long-run behavior of exports. The key issues are to find whether the reforms introduced in external sector has an observable effect on the regional behavior of export suppliers. Secondly, given that few Goa's iron-ore extracting firms only with inherent advantage predominates the export basket, helps us bring the second issue concerning our study: What are the predominant characteristics of Goa's iron-ore extracting firms? In the second issue mentioned above, we attempt to investigate is the firm-level characteristics of Goa's Iron-ore extracting firms to answer whether, and to what extent and which factors can explain stark differences in firm performance given that North & South Goa share a common geographical situation, *i.e.* when both are 'peripheral' to the foreign markets?

Very particularly we thrive to explore answers to two pronged objectives. We examine whether the coefficients in the demand and supply equations (especially price elasticities) are consistent with the economic theory and secondly, unearth industry specific evidence on the determinants of the firm-level export intensity for iron-ore extracting firms in a regional context, originating from the Goa state.

Relevance of the Problem

Previous researches in the area of performance evaluation of export markets deals with the contribution of export to growth, understanding the factors affecting trade performance in relation to terms of trade, productivity, and the effectiveness industrial and trade policies. Very few studies document the measurement of export intensity at the firm-level. Specifically, firm-level studies have not been conducted for the Goa's Iron-ore extracting firms by analyzing of changing Goa's iron-ore export behavior during 1987 (post Statehood) to 2010.

Broadly, there are two sharply divided views on the export behavior. While the predominant view stresses the importance of supply and policy related constraints, other studies find the significance of world demand in the determination of exports. Most econometric studies find relative price factor, real effective exchange rate in particular, to be significant however the emergence of various export sectors over the period of time does not lend support to the observation that only relative prices play an important role, but highlight the importance of various demand and supply factors influencing at the regional level. Individual demand and supply factors can be found to be important for specific short periods, but their confluence very likely determine long run behavior.

This study establishes the importance of demand factors such as world demand and real effective exchange rates in the determination of India's exports as against the relatively weak relevance of supply side determinants. There are other supply side factors determining export growth as well, especially non-price factors as technology and quality, marketing, infrastructure, and access to export credit, when any of these factors are inadequate, they operate as constraints limiting supplies for exports. Even transaction costs due to procedural delays and sector specific supply constraints are as important to export growth as any other factors. Some studies also find the significance of demand in the determination of exports. Nayyar (1976, 1988), points external constraints provide an upper limit to growth of exports from India. Sinha Roy (2001b, 2002) by analyzing un-sustained pattern of post-reforms export growth in India provide evidence on the primacy of world demand in determining India's exports growth pattern. Thus, the debate on whether India's exports are demand constrained or supply determined is far from being conclusive. It is in this context that we consider the empirical estimation of demand and supply equation for firm-level exporters in a regional context.

The export marketing literature is unanimous that the quantification of the various elements of export performance (intensity) is difficult and that there is ambiguity across country and industry evidence. Past empirical evidence testifies that the success for trade performance at a firm-level necessitates significant role of the entrepreneur, knowledge, technological capability, human capital and learning process, and very often are firm-initiated. From a policy perspective this means that finding on export determinants from one country or industry cannot not be used for generalization, to determine and evaluate policy in respect of the other.

Increasing firm level exports underpins export success at the economy wide level. All firms face the same macroeconomic condition yet they respond and perform differently in their export behavior and if so, then, there must be firm-specific characteristics that significantly affect its performance in the world market. This recognition has led to heightened research interest in firm level determination of export performance and export intensity of firms' as an important dimension of export performance.

Two dimensions of firm level export performance have been focused upon: export propensity and export intensity. Among the two dimensions, export propensity (willingness / ability) features more prominently in the literature. Hiep and Nishijima (2009) reviewing over ninety micro-data studies find that around 90% of them deal with export propensity. The former is defined as whether or not a firm is an exporter while the latter is defined as exports as a proportion of sales. This supports the case for undertaking separate investigation to identify the determinants of export intensity as according to Helpman *et al.* (2008) and Lawless and Whelan (2008) suggest that the two decisions are in fact independent, different and driven by heterogeneous factors.

The present study attempts to provide empirical evidence to the rising literature on firm-level export performance and measurement of export intensity in developing countries. International evidence on the performance and determinants of export intensity has been mixed; different results have been identified for different countries and industries making generalizations difficult. Thus there is a need to have a deeper understanding on trade performance and role of industry and regional variables in the micro-level setting.

Theoretical Paradigms and Literature Review

Trade pattern is largely explained by comparative advantage (Ricardo, Hecksher-Ohlin). The classical assumptions of trade are relaxed and extended to increasing returns to scale and oligopolistic structure. Neo-technology trade theorist emphasized the role of innovation in creating markets and conferring cost advantages while Posner (1961) and Vernon (1966) note that the technology and knowledge are important part of the production function and technological differences of nations determine export activity.

The scanty literature available on the issue stresses the importance of supply and demand related constraints. From the supply side firms' that have an inward looking policy, with capacity constraints, lack of competition, and high domestic demand, do not signal enough incentives to export. The findings are a definite improvement over the existing studies on India's exports. Bhagwati and Srinivasan (1975), Joshi and Little (1994) and Wolf (1978) shows that domestic policies have significant effect on trade behavior of developing countries. Arize (1990) finds that in developing countries demand and supply factors are equally important in determining their export growth pattern. Muscatelli *et al.* (1992) for instance, find high income elasticity of demand for exports, but low price elasticity of demand result in demand being constrained in export markets.

In explaining export growth, demand and supply factors are important, according to Virmani, (1991) and Krishnamurty and Pandit (1995) in explaining export behavior as most industrializing economies are able to liberalize their respective trade regimes, expand and diversify their exports almost at the same time without facing deteriorating terms of trade or subject to fallacy of composition.

Two main conceptual approaches exist to modeling the determinants of export performance, the 'neo-endowment' models and, 'technology-based' models. In the former firms' competitive advantage is based on factor endowments in which competitive advantage derives from the quality of firms' products or services. Studies in the neo-endowment tradition argue that factor-based advantages may be important if the firm has either a natural monopoly of a particular factor or is, for example, located in a particular region where a factor is plentiful. The importance of monopolistic and oligopolistic market structures (large firms) is also accounted for in the theory. There is continuous search and learning process that can have varying results and advocates building technological capability. Montobbio and Rampa (2005) for Latin American and Asian firms analyze the impact of structural change on the sectoral distribution of export.

Sousa (2004) lament that there are many ways to operationalize export performance and as many potential drivers for export performance and as a consequence, results are often inconsistent and contradictory. Recently, some studies like that by Gemunden (1991) and Shoham (1998) among others have focused on possible ways to surmount these challenges. In response to Dhanaraj and Beamish's (2003) call for the development of parsimonious theoretical models, some studies like that by Leonidou (2003), Styles *et al.* (2003) Child *et al.* (2003), Wollin and Perry (2004) apply broader theoretical bases such as social exchange theory, natural selection and complexity theory to the study of export performance.

There are multiple internal and external factors according to Cavusgil and Zou (1994) and Calantone *et al.* (2002) that have a direct or indirect relationship with export performance. These factors include firm demographics such as size (Bonaccorsi, 1992; Mittelstaedt *et al.*, 2003), age (Brouthers and Nakos, 2005; Ursic and Czinkota, 1984), export experience (Kirpalani and MacIntosh, 1980), technology (Sterlacchini, 1999; Wignaraja, 2002), capital intensity (Wakelin 1998), marketing expertise (Ogunmokun and Ng, 2004), management traits (Dichtl *et al*., 2000), productivity and human capital (Alvarez, 2002), investment in R&D (Cooper and Kleinschmidt, 1985; Bleaney and Wakelin 1999), business maturity (Görg and Ruane, 2000) and export destination (Ruane and Sutherland, 2005). Further, there are numerous objective and subjective measures according to Zou, *et al.* (1998) for operationalizing performance.

Data and Methods

The study uses both secondary and primary sources of data. The secondary data over the period 1987-2011 on Goa's firm-level iron-ore exports is drawn and compiled from the information requested from the Goa Mineral Ore Exporters Association (GMOEA), and Goa Chamber of Commerce & Industry (GCCI) Panjim-Goa. For the periods and parameters the data was not available, the data was tabulated and complied from the archives requested from the respective firms.

For primary data personal visits were preferred because it results in low cost and faster response times. Though the firms did not decline to disclose firm-level information, maintain not to reveal identities on grounds of confidentiality. The data used is taken from the two surveys of export activity conducted between November 2007 and March 2011, covering plants' activity during the 2006-07 periods, and 2010-11. As part of both of the surveys, plants were asked about their export propensity and also provided a range of background information on the plant itself.

Empirical Models

Estimation of Demand / Supply Equation

The issue is whether the reforms that introduced market incentives in India have an observable effect on the behavior of export market supplies. Specifically it is checked whether the coefficients in the supply equation *i.e.* the price elasticises are consistent with the economic theory. However since the export prices are endogenous the Two Stage Least Squares (TSLS) is employed as the first step in order to identify the supply equation using all exogenous variables in the equation as instruments using the fixed effect model. Fixed effects model represents the observed quantities in terms of explanatory variables that are treated as if the quantities were non-random. This is in contrast to random effects models and mixed models in which either all or some of the explanatory variables are treated as if they arise from the random causes. Often the same structure of model, which is usually a linear regression model can be used in panel data analysis, the term fixed effects estimator is used to refer to an estimator for the coefficients in the regression model. If we assume fixed effects, we impose time independent effects for each entity that are possibly correlated with the regressors.

The supply function of the exports is represented in log form as

$$X_{it}^{s} = \alpha_i^s + \beta P_{it} + \beta_2 E_t + \beta_3 PI_t + \beta_4 AD_t + \beta_5 DP + \beta_6 RDum_t + u_{it} \quad \text{.........1.}$$

Where β_1, β_2, β_3, β_4, β_5, and $\beta_6 > 0$ ....2.

X_{it}^{s} = export value of i th good, P_{it} = export price of the i th good in US \$, E_t = US \$ per real effective exchange rate, PI_t = wholesale price index, AD_t = aggregate Asian demand for iron-ore, DP_t = Goa state's gross domestic product and $RDum_t$ = dummy for economic reforms.

Subsequently, an alternative methodology employing a Dynamic Ordinary Least Squares (DOLS) given by Stock and Watson (1993) is estimated for the panel data on firm-level exports. This estimation has been shown as superior in panel co-integration relative to the OLS and fully modified OLS as given by Kao and Chiang (2000).

The Dynamic OLS involve adding leads and lags of the first order differences of the regressor to the equation and suitable adjustments are made for serial correlation and cross-sectional heterogeneity.

Where $X_{it}^{s} = \alpha_i^s + \beta Z_t + d_1(L)\Delta Z_t + d_2(L^{-1})\Delta Z_t + u_{it}$ ....3.

$$d_1(L) = \sum_{k=1}^{\infty} d_{1k} L^k, d_2(L^{-1}) = \sum_{k=1}^{\infty} d_{2k} L^{-k}, \beta = (\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_5, \beta_6) \quad \text{.........4.}$$

$Z_t = (P_{it}, E_t, PI_t, AD_t, DP_t, RDum_t)$ and L is the lag operator and the infinite order polynomials are truncated to a parsimonious specification ....5.

and it is hypothesized that β_1, β_2, β_3, β_4, β_5, and $\beta_6 > 0$ ....6.

The Dynamic OLS regression is adjusted for serial correlation and cross-sectional heterogeneity, and the infinite polynomial is truncated to two leads and lags of the regressor. The fixed effect estimation is used for panel sets and homogenous slopes are assumed to allow for heterogeneity in coefficients.

Model using a Panel Tobit Estimator

Taking into account of the findings of previous studies in both the neo-endowment and technology-based traditions, our model of export propensity include a number of indicators of plants' operating and organizational characteristics. The form of the dependent variable (*i.e.* export propensity) *viz.* export intensity is left-censored at zero and is a percentage of total extractions in a year with one year lag suggesting that the appropriate estimator is Tobit. The usage of OLS method in such cases leads to biased and inconsistent estimates as per Cheng (1992). The Tobit method takes care of this problem. In the Tobit approach we have the option of estimating the coefficients through either the 'Fixed Effects Model' (FEM) or the 'Random Effects Model' (REM). The estimation of the REM depends on the assumption of no significant correlation between the effects and the explanatory variables.

The Hausman test using our firms' panel data is carried out. The calculated Hausman statistic for values is not significant at 5% level and hence we may justifiably use the REM for estimation of our equation. According to Mundalak (1978), if we want to draw inference with respect to the population of all the three effects, *viz.*, firm specific, time-specific, and both firm and time specific, we should use the REM. On the other hand, if one is looking for inferences conditional on the effects existing in the sample, the FEM is ideal. Since we are interested in the present exercise to make inferences for the population of firms based on an examination of our sampled cross-section firms, it is appropriate to view firm-specific constant terms as randomly distributed across different cross-sectional units.

If the relationship parameter β is estimated by regressing the observed Y_i on X_i, the resulting OLS regression estimator is inconsistent. It will yield a downwards-biased estimate of the slope coefficient and an upwards-biased estimate of the intercept. It is proven that the maximum likelihood estimator suggested by Tobin for this model is consistent. The β coefficient should not be interpreted as the effect of X_i on Y_i, as one would with a linear regression model; this is a common error. Instead, it should be interpreted as the combination of the change in Y_i of those above the limit, weighted by the probability of being above the limit; and the change in the probability of being above the limit, weighted by the expected value of Y_i.

The structure of the Goa's iron-ore extracting firms' panel with small T and relatively large N suggests the difficulty of estimating the number of parameters required by a FEM, however, and where appropriate a random effects structure is therefore preferred in following Roper and Love (2001). It is also found that there does not exist any substantial correlation between different explanatory variables.

The general Tobit model is expressed as

$$Y_t = \beta_1 + \beta_2 X_1 + \mu_i \quad \text{If RHS > 0} \qquad \text{...7.}$$
$$= 0 \qquad \text{otherwise}$$

Let X_{it}* be a latent (i.e. unobserved) variable, then our model specification is

$$X_{it}^* = \beta_0 + \beta_1 RS_{it} + \beta_2 HC_{it} + \beta_3 CI_i + \beta_4 RD_i + \beta_4 TDum_i + \beta_5 FA_i + \beta_5 FC_i + \beta_7 ED_i + \beta_8 LDum_i + \beta_9 TDum_i + \varepsilon_{it}$$
$$\text{...8.}$$

Where RS= relative size, HC= human capital, CI= capital intensity, RD= R&D, $TDum$= training dummy, FA = firms' age, FC= firm concentration, ED = export destinations serviced, LDum = location dummy and $TDum$ = time dummy

and it is hypothesized that $\beta_1 > 0$, $\beta_2 > 0$, $\beta_3 > 0$, $\beta_4 > 0$, $\beta_5 > 0$, $\beta_6 > 0$, $\beta_7 > 0$, $\beta_8 > 0$, $\beta_9 > ?$, and $\beta_{10} > 0$, ...9.

Where $X_{it} = \begin{cases} X_{it} \text{ if } X_{it}^* > 0 \\ 0 \text{ if } X_{it}^* \le 0 \end{cases}$ and $\varepsilon_{it} = \alpha_i + \mu_{it}$ ....10.

It is assumed that $u_{it} \sim N(0, \sigma^2_u)$, $a_i \sim N(0, \sigma^2_a)$ and that u_{it} and a_i are mutually uncorrelated,

$E(a_i\, a_j) = 0$ and $E(u_{it}\, u_{js}) = 0$ if $i \neq j$ and $s \neq t$. ....11.

This means that $\sigma^2_\varepsilon = \sigma^2_a + \sigma^2_u$, ...,,..........12.

and it implies that for any given time period the latent variables X_{it}^* are independent.

For given any i, X_{it}^* are correlated over time and therefore the correlation parameter is

$\gamma = \sigma^2_a / \sigma^2_\varepsilon$. ....13.

This correlation is constant through time and higher where the 'individual effect' a_i has greater variation, *i.e.* there is more unobserved heterogeneity among firms as per Hamerle and Ronning (1995).

Variables and Hypothesis for Export Intensity

As part of the surveys, plants were asked about their export propensity and also provided a range of background information on the plant itself. In international studies, export intensity has been modeled on a host of firm specific attributes and sector wide factors. The underlying literature reviewed in the previous sections outline that there is a certain level of consensus on what the determinants of export intensity might potentially be.

In our regional context, export intensity was selected as a dependent measure of performance because the construct is a reliable and frequently used objective scale in accordance with Enderwick and Ronayne (2004) and Lages and Lages (2004). While some studies have utilized export sales as a performance measure, we adjust this variable by expressing it as a proportion of the number of employees to account for the differences in size. Firm relative size, human capital, capital and technology intensity, R&D expenditures, raining, firm age, firm concentration, number of export markets serviced, firm location and time dummy are selected as the independent variables. The following independent variables do not represent the casual link running from them per se to export intensity instead, the coefficient informs on whether exporting firms with higher productivity export a greater share of their output.

a. Relative Size (RS)
The variable Size is measured relatively, using sales turnover to number of employees. Theoretically the variable RS is predicted to affect export performance of firms positively and thus it is hypothesized that RS will have a positive impact on export insensitivity.

b. Lag of Human Capital (HC)
Strongly related with technological capabilities where skills and education are preferred features for the foreign market. The number of skilled employess to total employees of the firm constitutes HC. Positive relation between HC and our dependent variable is hypothesized.

c. Capital Intensity (CI)
Since past innovations and knowledge are embodied in the capital goods, higher capacity firms are expected to be associated with higher export intensity thereby giving the concerned firm access to superior extraction technology, management know-how, and logistic networks. This variable is the ratio of the total money value of capital equipment to the total potential output and a positive relation with export intensity is expected.

d. R&D to Sales (RD)
Research and development expenditure is associated with technology and knowledge acquisition and is intended to provide a positive impetus to export intensity of the firm. Local R&D activity confers competitive advantages on all firms automatically and these capabilities are reflected in research and development intensity that is expected to affect their export performance positively.

e. Training Dummy (TDum)
TDum is a dummy variable if the concerned firm has regular training to its work force on its agenda. Since training is expected to enhance learning and accumulates additional skills which can improve productivity, a positive relation with the dependent variable is hypothesized.

f. Firm Age (FA)
Firm age is based on the date of birth of the firm and proxies the firm's market experience and is an informative and empirically sound approach for operational zing firm demographics as per Hoang (1998). In this context it is hypothesized that the relation of FA with our dependent variable will be positive.

g. Firm Concentration (FC)
Competition is measured by the five firm concentration ratios and a higher ratio is indicative of a few firms garnering much of the market. Sector export intensity is included to proxy for the sector's competitive advantage in international markets. A positive relation is indicated with export intensity.

h. First lag of Export Market Diversification (MD)
Measured by the number of export markets serviced by a firm and it is hypothesized that a presence in more number of foreign markets should result in higher export intensity.

i. Location Dummy (LDum)
The variable LDUM assumes a value of 1 if the firm has locational advantages in terms of proximity to a river / rail for obvious cost and time advantage in logistic arrangements.

Empirical Findings and Discussion

The results from empirical models are discussed in to sub-sections in order they are contemplated to be studies in the objectives. The firm-level export behavior is analyzed by fitting a supply equation in the former and the later part of this section details the results for export intensity model. The former follows:

Estimation of the Export Supply Equation

The export supply equation is estimated with the endogenous export price index on the right hand side of the equation. In the TSLS and also for the Dynamic OLS allowing for leads and lags, the exogenous variables consisted of real effective exchange rate, the domestic wholesale price index, aggregate Asian demand for iron-ore and the state's GDP.

The results for the TSLS regression are consistent with the explanation that the external sector reforms in India have increased market incentives and encouraged suppliers to positively respond to market signals. The price elasticity of supply is found to be positive after the reforms, and has significantly increased in magnitude in the recent post-reform periods indicating local iron-ore exporting firms increasingly retained the benefits from their exports and higher export prices have stimulated more supplies. The other variables the wholesale domestic price index, aggregate Asian demand are significant and the state's GDP (insignificant coefficient) have the expected signs.

The results from the dynamic OLS estimations are more consistent with those of the TSLS regressions. Correct signs and significant coefficients (except for real effective exchange rate and State's GDP) and the supply price elasticities are found to be greater in magnitude, more particularly in the recent periods. Our regression results for supply elasticises indicate that the exports have behaved according to the predictions of economic theory based on market economy. In particular the price elasticity of supply has become positive over time and increased significantly in the recent periods. These results indicate that these firms are likely to respond to price signals going forward.

Table 1: Fixed Effect Panel Regression using Micro level Firm Data

Independent Variables	Two-Stage Least Squares	Dynamic Ordinary Least Squares
P_{it}	3.44 ** (0.69)	3.86 ** (1.22)
E_t	3.14 * (0.57)	4.77 (16.34)
PI_t	4.35 * (1.50)	6.51 ** (1.75)
AD_t	1.21** (0.51)	1.89 *** (0.64)
DP_t	0.29 (0.42)	0.33 (0.64)
$RDum_t$	1.21 ** (0.13)	1.92 * (0.12)

Notes: 1. The system of equations is over-identified. **2.** * denotes significance at 10%, ** denotes significance at 5%, *** denotes significance at 1%. **3.** Standard errors are in parenthesis. **4.** X^s_{it} = export value of *i*th good, P_{it} = export price of the iron-ore in US $, E_t = US $ per real effective exchange rate, PI_t = wholesale price index, AD_t = aggregate Asian demand for iron-ore, DP_t = Goa state's gross domestic product and $\boldsymbol{RDum_t}$ = dummy for economic reforms.

The most striking result that this exercise provides is the predominance of price related factor. The demand for Goa's iron-ore exports should depend inversely on the price at which the ore is sold in the international market. Demand for iron-ore exports should increase as the price of the competitor goods in the world market rises and as world income, and thus the Asian demand for imports-grows. The supply of exports in an economy driven by market depends positively on the price at which these goods can be sold in foreign markets. If the exports are priced in the importer's currency, then the price received by exporter in domestic currency will fall as the exchange rate appreciates, which will reduce the incentive to supply. As the price at which the export good can be sold in the domestic market measured by the WPI, the increase in incentive helps the supply to sway from the importers market to domestic market.

As aggregate Asian country demand increases it motivates higher supply from the State. The demand for Goa's iron-ore should depend inversely on the price at which the Goa's iron-ore is sold in the international market. Demand for Goa's iron-ore exports should increase as the price of competitor goods in the world market rises and as world income and thus Asian demand for imports grows. Export supply is also expected to rise with the local state economy's capacity to produce more goods and services. This variable is proxied by the state's gross domestic product however the coefficient has no statistical significance. Export supply rises with the local state economy's capacity to produce more goods and services. The relatively less importance and insignificance of GDP as a supply-side determinant of export growth leave enough room for higher value-added growth providing a better explanation of long run export performance. The sign and magnitude of coefficients of reform dummy suggests that iron-ore export market supplies have begun to be more responsive in the latest periods. The coefficients are significant at five percent levels and thus significant.

6.2 Results for Panel Tobit Model Estimation

Table 2: The Effect of Internal Resources and Firm Characteristics of Iron-ore Export Intensity

Independent Variables	Fixed Effects Tobit Model		Random Effects Tobit Model	
	Coefficients	Robust Standard Errors	Coefficients	Robust Standard Errors
Intercept	-15.82**	0.0027	-17.89***	0.0049
Internal Resources				
Relative Size	0.016**	0.0005	0.072*	0.009
Human Capital	0.429	0.083	0.631**	0.0031
Capital Intensity	0.245***	0.092	0.251***	0.062
R&D to Sales	0.563**	0.254	0.541*	0.3460
Training Dummy	0.008	0.2167	0.013**	0.0054
Firm Characteristics				
Firm Age	-0.009**	0.0004	-0.040**	0.012
Firm Concentration	0.1053	0.076	0.0691	0.0061
First lag of Export Market Diversification	-0.0135**	0.0052	0.0423	0.0821
Location Dummy	0.1567***	0.043	0.1705**	0.0046
Time Dummy	0.872***	0.0053	0.016**	0.0040
Log Likelihood Ratio	390.23		344.56	
R squared	.3443		.3913	

Notes: * denotes significance at 10%, ** denotes significance at 5%, *** denotes significance at 1%.

Firm specific internal attributes and sector wide characteristics have been used to model export intensity. Among the internal capabilities, relative firm size, human capital, capital intensity, R&D and training are focused upon, whereas the firm age, firm concentration, and export market diversification proxy firms' characteristics. Firm location is a dummy variable measuring the location advantage of the firm in respect of its logistics.

In accordance with the specification in full sets of time dummies are included. This additional variable controls for un-observables which might be related to time specific. Inspirit of Moultons' (1990) demonstration that such regressions produce standard errors that are biased downwards, thereby giving raise to the possibility of spurious significance. To address this issue, robust, i.e., clustered standard errors are used. The results are based on the FEM and REM specifications. Examining alternative specifications serves two purposes. First, it enhances the interpretation of the results and two, it tests for sensitivity.The model estimated using the REM is preferred and used for interpretation as the fixed effect model was overwhelmingly rejected by the Hausman test at less than 1 % level of significance. The findings from the study are reasonably intuitive.

Estimated coefficient of the Tobit models has the strong and positive effect on export propensity of the strength of firms' internal resource base than on characteristics. Evidence suggests that the export intensity of a firm is not a function of the export intensity of the exporters in the sector as the sector wide characteristics do not determine iron-ore exporting firms' exporting intensity and those more productive exporters consistently export a larger share of their output.

The new trade theory posits a positive impact of market size in view of economies of scale. It argues that the scale economy provides cost advantages in production, R&D and marketing efforts as per Kumar and Siddharthan (1994). The literature associated with export marketing also suggests that large firms have greater resources to gather information on markets in foreign countries and to cover uncertainties of a foreign market. It is, therefore, according to our hypothesis that large firms are likely to be more export-oriented; capable of bearing large investment and high risks associated with exporting. Using a resource-based perspective Penrose (1959) and Wernerfelt (1984) argue for a hierarchical argument that firm size is a reliable surrogate for the various resources a firm may be endowed with. Size also proxies quality of management, technological intensity, or investment in research and development as per Ali (2004). The larger the firm, the greater the likelihood that a firm has better quality management, manufacturing slack or bigger research and development budget. These factors are directly related to export performance. The resource-based proposition thus suggests that bigger firms may perform better because of the multiple critical resources that size represents.

As expected, plants with a high proportion of graduate employees had higher export propensity, as did plants with an in-house R&D capability. This positive result for R&D reflects that found in other studies in the technology-based tradition which also suggest a strong positive relationship between non-price quality and plants' export competitiveness for as Anderton (1999, 1999a) show.

The theoretical literature summarizes that higher capital intensity firms are likely to be more outward oriented, and are associated with more competitive technology, better management techniques and better marketing skills in a globalised world. Our hypothesis is therefore not rejected that the export intensity of iron-ore exporting firms accentuates with capital intensity. The discussion above suggests that larger degree of capital affiliated firms have an edge over their local counterparts in international markets and are likely to enjoy higher export intensity.

One significant finding the age of the firm is found to be negatively related with the export propensity. Our null hypothesis regarding age is thus rejected. Though these results do not mean that older and matured firms export less in absolute sense, it certainly means that firm maturity does not fully explain growing export intensity. There is a clear association between market diversification and export intensity; more the number of destination markets for a firm, higher its export intensity. The size of the coefficient is robust across specifications. Market concentration ratio has no explanatory power. It is also worth noting that few of the sector wide characteristics are found to determine firm level export intensity in terms of their magnitudes.

Plants' location also proves an important determinant of export propensity. As we might expect from the contrast between average export propensity in Northern Goa and the Southern part of Goa, plants in the North Goa have significantly higher export propensity than similar plants in south. This might reflect differences in, say, the operating environment and say distributional channels in North Goa and the South. If export marketing support was more effective in the South, for example, this might raise south located plants' export propensity ceteris paribus. This effect would be primarily additive, augmenting the export propensity of any given plant which would be predicted on the basis of its internal characteristics.

Our time dummy included in the regression is significant and stresses on the positive reform effect on the export intensity of firms' supporting our hypothesis that liberalization measures of the 1990s enhanced the export-role of individual firms' in the late 1990s. Results suggests that increasing liberalization of the economy, intensified competition and exchange rate correction favored firms in the world markets in the 1990s.

Conceptual and Empirical Support for our Findings

Our results provide meaningful insights to the earlier researches in these areas. The age (experience of firm's) negative impact means that export performance does not appear to endorse theories of experiential learning and various models on the growth of the firm. Firm size on the other hand turns significant with a positive sign in both the estimations. Most previous studies *for instance* Lall and Kumar (1981) and Patibandla (1995) among others found smaller firms to be more export oriented in the restrictive regime and very large firms to be domestic market oriented. The present study however shows that firm size may be directly connected to performance due to indirect benefits attendant to size such as the ability to develop greater managerial, product and marketing competencies as Cavusgil (1984) points out.

Most studies in the evolutionary literature like that of Mowery and Oxley (1997) have emphasized learning as an important determinant of firms' export intensity and that in the process of learning, the most crucial input is the presence of skilled labour force is often emphasized**.** It is argued that though acquisition of technology may be a key factor but it is the effective utilization of technology that makes it valuable and there are two requirements for this. First, the firm must hire skilled persons and train them and two; the firms must organize to make use of employees' skills effectively in spirit of Lazonic (1993) and Lall (1999). In accordance with the earlier findings we find support for human capital and capital intensity as a determinant of export intensity of firms however find no support for the process of learning accentuating from its maturity / age. In this regard we find no support for Naidu and Prasad's (1994) evidence which note that firms in export intensive sectors are more likely to learn to become more regular exporters.

These empirical results are important from three standpoints. First, from a policy point of view they emphasize the importance of R&D and associated developments to export competitiveness and growth. Secondly, emphasize contrasts between the different types of R&D activity which influence export propensity. Plants' export propensity, for example, is positively influenced by both location and time dummy and the effect is both positive and significant.

Overall, this analysis supports studies that lobby for better conceptualization and operationalization by using multiple variables, because no single factor captures the dynamics of export performance. Our empirical addition further supplements the work of Aaby and Slater (1989), Thirkell and Dau (1998) and Zou *et al.* (1998) in the field of export performance and behavior.

Likely Contribution to Knowledge

Our study is based in the macroeconomic setting using regional firm-level data. In addition to the empirical evidence of changing export behavior, if supply factors other than capability and relative prices are considered while estimating the system of equations a better account of export performance could have been provided. Along with improvements in efficiency, the performance of exports can also be improved by removing structural impediments in terms of provision of better infrastructure and simplification of trade procedures. Such developments on the supply side would necessarily reduce delivery time for exports, improve efficiency in transaction and result in larger volumes of exports.

Despite an overlap in the vector of determinants across studies and mixed international evidence on export intensity we provide some value added from the dynamics of firm-level export behavior from a regional context. The underlying research highlights the importance of internal resource capabilities in determining export performance. It is indicated that the state government's initiatives' to identify new markets and by targeting productive, capital intensive and R&D oriented firms may facilitate deeper export penetration and result in further export growth. The explanatory power of the size and operating experience measures changes in relation to the dependent variable.

Our analysis of the determinants of Goan iron-ore export propensity suggests four results applicable to all local exporters. First, plants with more highly skilled workforces tend to be more successful in export markets. Providing training to workers can also have significant impact. Secondly, in common with other studies, we find that larger plants tend to export a larger proportion of their sales. The increase in export propensity is, however, less than proportionate to plant age. Thirdly, north-located plants export a larger proportion of their output than similar plants located in the south and fourthly liberalization measures have proved to be beneficial in promoting export intensity among iron-ore exporting firms in Goa.

Important differences are also evident between plants in terms of impact of R&D on export propensity. In policy terms, this study emphasizes again the positive relationship between an aspect of business performance (*i.e.* export propensity), size of the firm, capital intensity, workforce quality and research and development.

Summary and Conclusions

Though no single factor can explain such a changing pattern of Goa's iron-ore export growth, a number of demand and supply-side factors provide an explanation to such a long run phenomenon. On the whole Goa's iron-ore export performance is explained by such factors as relative general prices, real effective exchange rate, and growing demand from Asian countries. A changing export growth path being coincidental with India's trade liberalization efforts is often attributed to price responsiveness of exports, improvements in incentive structure towards trade or plausibly due to increasing capability to export with industrialization and changes in development strategy. In explaining export growth on the other hand, demand factors are no less important in explaining export behavior.

This paper also analyses the inter-firm determinants of export performance in the iron-ore exporting sector of Goa. The underlying objectives were twin-fold: first, in a liberalized regime identify the characteristics of firms that perform distinctly better than other local firms in the export markets and second, understand the broad factors underlying export intensity of those firms. Tobit model estimations conducted on all the sample firms pooled together add value from a managerial perspective and their magnitudes along with their relations are significant. At a scholarly level we responded to the need to test the explanatory power of the premises used in exporting literature enlisted by Doern (2009).

Important implications of the results are: one, it appears that the iron-ore industry of Goa is fully integrated with the global economy and that the technological capabilities need further reorientation to attract efficiency. There have been dynamic and positive changes in the export structure after liberalization and that the export performance of firms was linked strongly with firm size and capital intensity, R&D among others. Two, our estimation from fixed effect for supply elasticity and REM for export intensity models reveal that more productive exporters export a larger share of their output and from a policy perspective; export assistance to more productive firm for should lead to greater exports, than what would otherwise have been the case and three, the export intensity of a firm is positively influenced by the number of export market serviced and this finding is in accordance with the new trade theory. Government intervention at the firm level, through delivery agencies with ground level knowledge of foreign markets, is likely to be effective. More generally, Government action to facilitate export entry to new overseas markets would lead to a greater share of output being exported.

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Managing Challenges in Retail innovation across the globe

Vidhya Pillai &
Yesha Mehta
Thakur Institute of Management Studies and Research, India

Key Words
Innovation, retailing, challenges

Abstract
The practice of innovation in retailing is poorly understood and inadequately measured due to many challenges. And yet retailing is the eighth biggest sector of the world economy in terms of total market value .The retail sector makes direct contributions to GDP and employment, but also makes indirect contributions to demand and economic growth through its work with suppliers and business service firms, as well as to the social and environmental performance. Innovation by retailers plays a critical role in allowing the sector to make these contributions.

Current publications, national, international reports and journals, and recent Internet articles were collected to provide ideas for the research paper. Also the paper tries to examine the nature of, drivers, barriers and challenges to innovation in retailing across the world. It draws upon selected insights from consulting firms and industry associations on how they define encourage and manage innovation. It brings together a wide range of secondary material dealing with innovation. Finally, the paper makes recommendations on the particular ways in which it can manage the challenges in innovation within the sector.

Innovation and New Product Development

Shri. Mallappa. Sidaram. Khodnapur
Government First Grade College, India

Key Words
New Product, Product Planning, Marketing Myopia and Product Life Cycle.

Abstract
Introducing new products is rather difficult as it involves long-range planning. Customer's need should be identified, competing and substitute products should be evaluated and above all the strength of the company should be examined before deciding to produce a new product. Product failure defeats not only the objectives of a firm, but also ends in colossal waste of money, material and time. In a survey conducted by Booze, Allen and Hamilton, it was revealed that firms with well organized product planning programme had only 40-50% product failures. When this percentage is compared with the overall industry product failures (80%), one could easily be convinced of the need for product planning.

That crores of rupees are being spent on Research and Development (R&D) is a clear attestation of the fact that new products are the result of planned discovery. Such a huge investment is necessary as the new products are at present the only means of survival for a firm. At the very outset, it was stated that a business must have two elements; innovation and purpose.

Necessity for innovation is created by political, economical and technological and sociological changes. One could actually say that the need for innovation is created by the dynamic nature of culture. We have also seen that product planning is the activity charged with the responsibility of providing new and profitable products for management to evaluate. It is also charged with the responsibility of reviewing the profitability of current items (existing products) in the product mix. Product planning deals with changes in:

- *The kinds of goods or services offered*
- *The number of kinds of products or different lines, that the company offers*
- *The width of assortment within each product line offered*
- *The quality levels or levels acceptable to various classes of consumers and*
- *The degree of distinctiveness.*

Innovative new products are the fuel for the most powerful growth engine you can connect to. You can grow without new products--AT&T sold essentially the same telephones for decades while becoming the world's largest telecommunications concern--but most small companies will find it difficult to grow at all, much less rapidly, without a constant stream of new products that meet customer needs.

How do you know when you need new products? Early detection of a problem with existing products is critical. The following eight symptoms of a declining product line will provide clues far enough in advance to help you do something about the problem before it's too late. Not all the symptoms will be evident in every situation, but you can start suspecting your product line when more than just one or two crop up. This paper tries to attempt an effort to study the objectives, policy and strategy involved, steps, Marketing Myopia, Product Life Cycle (PLC), Problems in Product Development and Solutions.

Impact of lifestyle on brand preference of buyer behaviour-A case study of durable products

Mithilesh Kumar Pandey
BRD College of Management, Roorkee, India

Key Words
India, Consumer Market & Lifestyle,

Abstract
India is one of the fastest growing markets in the field of durable as well as non durable products of the world. The potential customers are not only lying in the urban India but in the rural India also. Our study has been carried out to find out the buying behaviour of customers lying in the Uttrakhand. For that purpose one of the very important product television taken for study. We concluded that people differ in aged for their lifestyle. Young aged people lifestyle is quite different that matured and old aged people. They were more technically aware people than mature and old aged people. As their income was found changed their taste and preference was also varied. People were more quality and price sensitive than any other factor. They believed that highly price durable goods are more qualitative. They preferred branded product because it has more valued in than society than others.

Introduction

India is the world's 12th largest consumer market in world. By 2025, it is projected to be ahead of Germany, the fifth largest, according to a recent McKinsey (2007) survey. The biggest strength of Indian markets lies in the size, not in individual spending. With the rise in income, over approximately 300 million people will move from desperate poverty to a more sustainable life, and India's middle class will increase incredibly by over ten times from its current size of 50 million to 583 million people. There had been a strong misperception about the rural markets. One that rural India is poor and there is a lack of adequate infrastructure. Second, rural India depends upon agriculture as a sole source of subsistence. But the reality is different. MART (2005), the specialist rural marketing and rural development consultancy agency, has found that rural India accounts for 46 per cent of soft drinks sales and 49 per cent of motorcycle sales. Subscription from small towns and villages accounts one-half of it. The states like Haridwar and UP get a favourable ranking in terms of ownership of assets, consumer durables, two-wheelers, and cars in rural areas. In rural Uttarakhand, there are many families who are living in plan as well as hilly region, whose one or more family members are working in plan region due two lack infrastructure facility. Their standard of living is poor than many of the urban residents. According to Sinha (2005), rural India in which more than 74 per cent of the population of the country resides; generates one third of country's GDP, and accounts for 38 per cent of two-wheelers sales of the country. All people are not engaged in agriculture; about 25 per cent have nonfarm occupations. Disposable income again is not low. Per capita annual income in rural area is Rs.9481 as against Rs.19,407 of urban areas. Rural people have the advantage, as they need not to bear expenses like rent, and water bills etc. The number of middle-class households are 15.6 million in rural areas, and 16.4 million in urban. The rural market for durables is Rs. 5000 crore, for tractors and agricultural inputs Rs. 45,000 crore (1 crore = 0.1 billion) and two and four wheelers,Rs. 8000 crore. In total, it has a potential of Rs. 1,23,000 crore. The understanding of rural as well as urban behaviour, appropriate pricing and distribution may help marketers to increase its potential. The Federation of Indian Chambers of Commerce and Industry (FICCI, 2005) has carried out a comprehensive Survey of industries in the consumer durable goods sector. The survey which; is based on feedback and interaction with representatives of consumer durables industry, allied industry organizations, associations, government agencies, and public sector undertakings; reveals that the sector is poised for a wide jump due to technological improvisation, falling prices due to competition, aggressive marketing, and declining import tariffs. There is a dramatic change in the behaviour of the consumer with the increase in their disposable incomes. The consumers have started perceiving many of the luxury goods as necessities in this area.

Literature Review

Consumer durable is a product that must be durable in use and must be expensive relative to income. An item may be durable for a working class family and at the same time may not necessarily be durable for upper middle class consumer. Various studies have been carried out in segmenting consumers on the basis of various demographic and socioeconomic characteristics. Demographic dimensions have received broader acceptance and lend themselves easily to quantification and easy consumer classification. However, the usage of demographics has been questioned and argued that demographic profiles do not give a complete picture of the consumers and often need to be supplemented with additional data (Wells, 1975; Cooper, 1984). The use of chronological age as a tool for segmentation is not as closely related to purchase behavior as the psychological age (Barak & Rahtz, 1989; Barots, 1980) . Though income is highly related to buying behaviors, it is generally used in segmenting the market; but it does not take into consideration factors such as activities, interest, health (Bone, 1991; Burnett & Wilkes, 1985-86; Moehrle, 1990). Researchers (Becker et al., 1985; Becker and Conner, 1981) have tried to divide consumers markets by looking at the consumer's personality. By incorporating psychographics' information with demographics, the marketer will better understand the consumers and hence and communicate and serve them more effectively. (Kaynak and Kara, 1996) Psycho graphic or Lifestyle refers to consumers' Activities Interests and Opinion (AIO). More specifically it focuses on what people like to do, what are their areas of interests, and what the opinions people hold on various matters are (Lazer, 1963, Plummer 1974, Guttman and Mills 1982). Psychographic segmentation is being increasingly used in different industries such as professional service consultations (Mitchell.1994), alcoholic beverages (Lesch et.al.). Apparel marketing (Richard and Sturman,1977), and credit cards users (Plummer 1971). Moreover various lifestyle studies of women have been conducted.

It was characterized that infrequent durables stock adjustment by consumers who also derive utility from non-durable consumption flows in the presence of idiosyncratic income uncertainty (Giuseppe Bertola, Luigi Guiso, Luigi Pistaferri, (2005). The data analysed include subjective future income uncertainty measures, which we use as instruments in the estimation of relevant parameters of heterogeneous consumers' dynamic adjustment problems. The data feature two conceptually distinct sources of variation: cross-sectional heterogeneity of the sampled households' dynamic problems, and history-dependent heterogeneity in their situation during the observation period. We note that the latter should affect the likelihood but not the size of stock adjustment decisions, and find broad support for theoretical predictions in formal selection-controlled regressions based on this insight.

The firm's position on the market is determined by the value offered by selling its products or offering its services, the public relations depending on the customers' perception of the value of the product or service offered to them, and the position occupied in relation to the competitors is determined by the level of the product's prices and advantages offered by the competition (V. Deac , G. Carstea ,C. Bagu, F.Pirvu . 2010). The price and the value-price ratio are two fundamental variables of which the firm's survival depends in the competitive environment. To ensure the fact that the pricing strategy be a long-term success we must define in the early stage of development research the value-price ratio, having in view that it's possible for a product with an increased perceived value not to be introduced on the market with a competitive price, an aspect that can be approached using the target costs and target value method, a method that allows to define the production costs limits and fixing the target price to avoid the launching errors.

Objective of the study

To study how lifestyle changes with demographic in Uttarakhand.
To identify how brand preference affects purchase behaviour of consumers in Uttrakhand

Research Hypothesis

H_1:People belonging to different demographics segment differ in their lifestyle.

H_2:Brand preferences affect purchase behaviour of consumers.

Research Methodology

Sample design: The present study is descriptive in nature and shall adopt the survey method. A structured non disguised questionnaire was used to collect information. Efforts were made to collect all the published information through available reference materials. The questionnaire used for the study shall have three constructs. This construct was consisted of demographic factors of the respondents. It was consist of questions like the age, and income level of the respondent. It consisted of data pertaining to the activities, interests and opinions relating to purchase behaviour, socialization, brand opinion and the like. It was consisted of questions like the brands preferred and possessed by them.

Sample size: The data for the study was collected through a survey of people residing in Haridwar city. The collected data was selected by random sampling and clustered sampling method. The questionnaire shall be administered to total 100 consumers from Haridwar region because the changes in consumption pattern can be significantly marked with diverse habits in these areas being near to national capital region.

Tools of Data Collection and analysis: The primary data was collected through questionnaires. A structured questionnaire designed to find out responses from consumer. The sources of secondary data was included Internet, magazines, journals and books from various concerning libraries and inputs from point of purchase centers like malls located in Haridwar. The classification of the data was done according to the attributes of the sample. Appropriate Statistical tools Chi- squared technique was used to analyze the data with the help of SPSS software.

Analytical Evaluation

Age * Total time Spend to watch T.V. in a day

	Value	df	Table Value
Pearson Chi-Square	21.193(a)	12	21.026

The calculated chi- square value for different age group is slightly greater than table which vindicate that there had been a significant differences between different age groups and to total time spent to watch the television by the people.

Age * Purchase of types of product

	Value	Df	Table Value
Pearson Chi-Square	22.131(a)	12	21.026

The calculated chi- square value for different age group is slight greater than table value which vindicate that there had been a significant differences between different age groups and to types product used by consumers shown in serial or advertisement. It is clear that People do not use such product which is shown in serial or advertisement.

Age*Ads. Help in Increasing brand Awareness

	Value	df	Table Value
Pearson Chi-Square	17.080(a)	9	16.919

The calculated chi- square value for different age group is slight greater than table value which vindicate that there had been a significant differences between different age groups and questions related to advertisement help in increasing brand awareness used by consumers. The analytical reveals that advertisement help in increasing brand awareness.

Age * Impact of source on purchase decision

	Value	df	Table Value
Pearson Chi-Square	27.437	24	36.415

The calculated chi- square value for different age group is less than table value which vindicate that there had been no significant differences between different age groups and impact of sources in purchases decision. The analytical value reveals that there had been direct impact of source on purchases decision.

Age * Time period of used of television brand

	Value	df	Table Value
Pearson Chi-Square	11.495(a)	12	21.026

The calculated chi- square value for different age group is less than table value which vindicate that there had been no significant differences between different age groups and time period used in different brand. That means all age group are using television from long time.

Age * Technological awareness by buyer

	Value	df	Table Value
Pearson Chi-Square	7.011(a)	12	21.026

The calculated chi- square value for different age group is less than table value which vindicate that there had been no significant differences between different age groups and technological awareness of buyer. All age groups buyer are well aware and using new technology.

Age*Highly priced product is better in quality

	Value	df	Table Value
Pearson Chi-Square	14.333(a)	9	16.919

The calculated chi- square value for different age group is less than table value which vindicate that there had been no significant differences between different age group and questions about highly priced product is of better quality. The people believe that it is not necessary that highly priced product was always better quality.

Age * Place decision for Purchase of Product

	Value	Df	Table Value
Pearson Chi-Square	18.494(a)	12	21.026

The calculated chi- square value for different age group is less than table value which vindicate that there had been no significant differences between different age groups and place decision for purchase of branded product. Normally people purchase branded television either from dealer shop or retail store.

Age * Choice of T.V. brand during purchase

	Value	Df	Table Value
Pearson Chi-Square	18.695(a)	9	16.919

The calculated chi- square value for different age group is greater than table value which vindicate that there had been a significant differences between different age groups and influence of decision in the choice of branded product. Normally people's self decision plays a significant role in selection of television.

Age * Important factor influence in purchase

	Value	Df	Table Value
Pearson Chi-Square	13.333(a)	9	16.919

The calculated chi- square value for different age group is less than table value which vindicate that there had been no significant differences between different age groups and factor which influence purchase decision. It has been seen in the table that quality and price are two important factor on which purchase decision of consumers is considered significant.

Age * Preference of highly priced brand

	Value	Df	Table Value
Pearson Chi-Square	20.505	12	21.026

The calculated chi- square value for different age group is slightly less than table value which vindicate that there had been a significant relationship between different age groups and preferences of highly price brand. From the table it is quite clear that young age consumer is less price sensitive and emphasis on more quality.

Age * Importance of suggestion of Retailer

	Value	Df	Table Value
Pearson Chi-Square	23.512	12	21.026

The calculated chi- square value for different age group is greater than table value which vindicate that there had been a significant differences between different age groups and importance of suggestion taken by retailer. There is no importance given for selection of branded products.

Age * Promotion pack or promotion sales product purchase only

	Value	Df	Table Value
Pearson Chi-Square	36.465	12	21.026

The calculated chi- square value for different age group is greater than table value which vindicate that there had been a significant differences between different age groups and Promotion pack or promotion sales product purchase only. Consumers do not go for selection of such branded product which are added through promotion pack or through promotion pack only.

Age * promotion pack or free gift purchase only

	Value	Df	Table Value
Pearson Chi-Square	24.o52	9	16.919

The calculated chi- square value for different age group is greater than table value which vindicate that there had been a significant differences between different age groups and promotion pack or free gift purchase only. Consumers do not go for selection of such branded product which are added through promotion pack or free gift purchase only.

Age * Reason for purchasing branded products

	Value	Df	Table Value
Pearson Chi-Square	18.478	9	16.919

The calculated chi- square value for different age group is greater than table value which vindicate that there had been a significant differences between different age groups and. It means age do play a significant role in purchase of branded product.

Total Monthly income of family * Total time Spend to watch T.V. in a day

	Value	Df	Table Value
Pearson Chi-Square	41.730	20	31.410

The calculated chi- square value for total monthly income of the family verses total time to watch television is greater than table value which vindicate that there had been a significant differences between total monthly income of the family and total time spend to watch T.V.in a day. It means as monthly income of the people increased total time to watch television decreased.

Total Monthly income of family * Purchase of types of product

	Value	Df	Table Value
Pearson Chi-Square	73.147	20	31.410

The calculated chi- square value for Total Monthly income of family verses Purchase of types of product is greater than table value which vindicate that there had been significant differences between total monthly income of the family and types of product consume by celebrities is also used by consumer is not relevant.

Total Monthly income of family *Ads. Help in Increasing brand Awareness

	Value	Df	Table Value
Pearson Chi-Square	24.805	15	24.996

The calculated chi- square value for total Monthly income of family verses Ads. Help in Increasing brand Awareness is less than table value which vindicate that there had been no significance differences between total monthly income of family and Advertisement help in increasing brand awareness. The people believe that advertisement help in increasing brand awareness.

Total Monthly income of family * Impact of source on purchase decision

	Value	Df	Table Value
Pearson Chi-Square	119.662	40	55.759

The calculated chi- square value for total monthly income of family verses impact of source on purchase decision is greater than table value which vindicate that there had been a significance differences between total monthly income of family and impact of source on purchase decision. The people believe that sources have direct impact on purchases decision.

Total Monthly income of family * Impact of source on purchase decision

	Value	Df	Table Value
Pearson Chi-Square	52.973	20	31.410

The calculated chi- square value for total monthly income of family verses time period of used of television brand is greater than table value which vindicate that there had been a significant differences between income of family and time period of used of television brand. It is observed that total monthly income and time period for using television are not very relevant.

Total Monthly income of family *Technological awareness of buyer

	Value	Df	Table Value
Pearson Chi-Square	22.486	20	31.410

The calculated chi- square value for total monthly income of family verses technological awareness of buyer is greater than table value which vindicate that there had been no significant differences between income of family and technological awareness of buyer. It reveals that total monthly income and technological awareness of buyer relevant. This means if income of the family increased awareness of the technology also increased.

Total Monthly income of family *Highly priced product is better in quality

	Value	Df	Table Value
Pearson Chi-Square	36.662	15	24.996

The calculated chi- square value for total monthly income of family verses highly priced product is of better quality is greater than table value which vindicate that there had been a significant differences between income of family and highly priced is of better quality. It reveals that total monthly income and highly priced product is of better quality are not considered very relevant.

Total Monthly income of family *Place decision for Purchase of Product

	Value	Df	Table Value
Pearson Chi-Square	66.951	20	31.410

The calculated chi- square value for total monthly income of family verses place decision for purchase of product is greater than table value which vindicate that there had been significant differences between income of family and place decision for purchases of purchases of product. The result shows that total monthly income and place decision for purchases is significant.

Total Monthly income of family *Choice of T.V. brand during purchase

	Value	Df	Table Value
Pearson Chi-Square	34.382	15	24.996

The calculated chi- square value for total monthly income of family verses time period of used of television brand is greater than table value which vindicate that there had been a significant differences between income of family and choice of television during purchases. The result shows that total monthly income and choice of the branded television is relevant.

Total Monthly income of family *Important factor influence purchase

	Value	Df	Table Value
Pearson Chi-Square	29.593	15	24.996

The calculated chi- square value for total monthly income of family verses important factor influence purchase is greater than table value which vindicate that there had been significant differences between income of family and important factor influence purchase decision. It reveals that total monthly income and important factor influencing purchase decision for television are not very relevant.

Total Monthly income of family * Preference of highly priced brand

	Value	Df	Table Value
Pearson Chi-Square	66.353	20	31.410

The calculated chi- square value for total monthly income of family verses preference of highly priced brand is greater than table value which vindicate that there had been significant differences between income of family and time period of used of television brand. The result shows that total monthly income and preference of highly priced brand selection are not very relevant.

Total Monthly income of family * Importance of suggestion of Retailer

	Value	Df	Table Value
Pearson Chi-Square	40.940	20	31.410

The calculated chi- square value for total monthly income of family verses importance of suggestion of retailer is greater than table value which vindicate that there had been significant differences between income of family and importance of suggestion of retailer. The result shows that total monthly income and importance of suggestion of retailer are not very relevant.

Total Monthly income of family * Promotion pack or promotion sales product purchase only

	Value	Df	Table Value
Pearson Chi-Square	38.454	20	31.410

The calculated chi- square value for total monthly income of family verses Promotion pack or promotion sales product purchase only is greater than table value which vindicate that there had been significant differences between income of family and Promotion pack or promotion sales product purchase only. The result shows that total monthly income and Promotion pack or promotion sales product purchase only are not very relevant.

Total Monthly income of family * Promotion pack or free gift purchase only

	Value	Df	Table Value
Pearson Chi-Square	36.658	15	24.996

The calculated chi- square value for total monthly income of family verses promotion pack or free gift purchase only is greater than table value which vindicate that there had been significant differences between income of family and Promotion pack or free gift purchase only. The result shows that total monthly income and Promotion pack or free gift purchase only are not very relevant.

Total Monthly income of family * Reason for purchasing branded products

	Value	df	Table Value
Pearson Chi-Square	18.406	15	24.996

The calculated chi- square value for total monthly income of family verses reason for purchasing branded products is less than table value which vindicate that there had been significant no differences between income of family and reason for purchasing branded products. The result shows that when income of the family increases people use to purchase the product for reason of brand reliability, brand image, status symbol and convenience.

Discussion and Conclusions

In our present research our main emphasis is connected on two hypothesis “People belonging to different demographics segment differ in their lifestyle” and “Brand preferences affect purchase behaviour of consumers”. There are two demographic factors which are taken for study. One of the factors is age and other total monthly income of the family was taken for the discussion. We have taken one of important durable product television which is most influencing source of all media among people. As we have seen from calculated value in different table which that some of factor are most influencing. Overall there have been moderate differences in the lifestyle of people during the selection for television. A majority of young aged consumers have a tendency to watch much television than old aged people. Most of the consumer opined that they do no purchase such products which are used by actors/actress in the television and it has no impact on purchase decision of the consumers. It, also, do not increases the brand awareness. All people are using the television from long team and the source has direct impact on purchase decision. normally people purchase branded television either from dealer shop or retail store. It has no role of media which reverse purchase decision of media. The people believed that highly priced product are considered the good quality as the low priced product consume. The price and quality are the two important factors on which Indian consumer give are given more privilege. There is no evidence available that retailer or promotional offer or free gift involve in the sales has any significance. This is also a fact that young age people are more quality sensitive age compared to matured age people because these age groups people are price sensitive also. The important decision regarding the selection of branded product is that it is considered highly qualitative. In our present research, there is no relevance between total monthly income of the family and watching television by the people, purchase of types of product, impact of source on purchase decision, highly priced product is better in quality, place decision for purchase of product choice of T.V. brand during purchase, important factor influence purchase, preference of highly priced brand, Importance of suggestion of retailer, promotion pack or promotion sales product purchase only and Promotion pack or free gift purchase only. But there is proper relationship between total monthly income of the family and advertisement help in increasing brand awareness, technological awareness of buyer, reason for purchasing branded products. Consumer acknowledged that if their income was increased then they prefer to search new technological product and advertisement help the consumers in increasing brand awareness.

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Financial Performance of Indian Postal Life Insurance

A. Vinayagamoorthy &
K. Senthilkumar
Periyar University, India

Key Words
PLI, RPLI, Financial Performance.

Abstract
India possesses the largest postal network in the world with 1,55,699 post offices spread all over the country as on March 31, 2010, of which 90 per cent are in the rural sector. The Indian economy is growing significantly and has various investment options but the Government of India has provided the oldest investment option. However, it is a fact that the Postal Investment scheme has not gained much importance. The changing postal environment presents an enormous challenge for traditional postal businesses, but it also creates a vast array of new business options and opportunities, as the interest rate compared to other schemes provided by the Postal schemes are higher. The study was carried out to analyze whether the Rural Postal Life Insurance in India have gained importance among the people or not. Government must create more awareness among the rural and urban people about the Rural Postal Life Insurance, saving Schemes and the benefits availed through it as it has not reached the People properly. Good reliable, Government authorized agents should be appointed so that people find it easy to hand over the money so that mobilization of savings could be increased. The Post Offices should be computerized and more staff members are to be appointed as majority feel that the service provided by the post offices are not good. The interest rates have to be increased as for many Investment schemes there is a gradual reduction from high percentage of interest to low percentage. There must be a change in the infrastructure facilities of Post Office and the staff should be more hospitable. The presented paper depicts the current scenario and the financial performance of Indian Postal Life Insurance

Introduction
Postal Life Insurance (PLI) was introduced on 1st February 1884 with the express approval of the Secretary of State (for India) to Her Majesty, the Queen Empress of India. It was essentially a scheme of State Insurance mooted by the then Director General of Post Offices, Mr. F.R. Hogg in 1881 as a welfare scheme for the benefit of Postal employees and later extended to the employees of Telegraph department in 1888. In 1894, PLI extended insurance cover to female employees of P & T Department at a time when no other insurance company covered female lives. It is the oldest Life insurer in this country.

In the beginning, the upper limit of life insurance was only Rs 4000/- which has now increased to Rs 10 lacs (Rupees Ten Lacs) for all schemes combined - Endowment Assurance and Whole Life Assurance. Over the years, PLI has grown substantially from a few hundred policies in 1884 to 42,83,302 policies as on 31.03.2010. It now covers employees of Central and State Governments, Central and State Public Sector Undertakings, Universities, Government aided Educational institutions, Nationalized Banks, Local bodies etc. PLI also extends the facility of insurance to the officers and staff of the Defence services and Para-Military forces. Apart from single insurance policies, Postal Life Insurance also manages a Group Insurance scheme for the Extra Departmental Employees (Gramin Dak Sevaks) of the Department of Posts.

Government Saving Bank was started in the three Presidency towns of Calcutta, Madras and Bombay in 1833, 1834 and 1835 respectively. In 1860, the Secretary of state for India initiated steps for empowering the post offices to undertake savings bank operations in India, similar to that of the U.K. But the Government was under organized and mature enough to take upon such banking business. Some changes took place subsequently in the management of Savings Bank. Between 1863 and 1865, the management of the Savings Bank was transferred from Government Treasuries to the Presidency Bank, and each Presidency bank framed its management. The deposit allowed was Rs. 500 in a year up to a maximum of Rs. 3000 and the interest rate was fixed at 3.75 percent per annum. In practice, the SB counters were kept open twice in a week.

Methodology

This study is based on the Primary and secondary data which were collected from Tamil Nadu and Postal department. The date collected from the survey constitute primary and the information gathered from books, journals, magazines, reports, dailies were secondary.

Sample size

A sample size consists of 750 postal investors where selected. The sample size is selected by adapting convenient sampling techniques.

Analysis

The data collected from the year 2001-2010, the main tool of analysis used in the study is Trend percentage.

Objective of the study

The objective of this study are as fellows

1. To study on the performance of postal Life insurance in India.
2. To examine the Rural Postal Life Insurance in India
3. To offer suggestion for improving the postal Life Insurance today

Limitations of the study

❖ The analysis and interpretation are based on secondary data contained in the published annual report of postal department.

❖ Due to the limited time available at the disposable of the researcher the study has been confirmed for a period of 10 years (2001-2010)

Analysis And Interpretation

Table-1
Personal Profile

Particular		Percentage	No. of Investors
Gender	Male	71	532
	Female	29	218
Age	21-30	12	91
	31-40	30	223
	41-50	41	308
	51-60	17	128
Marital Status	Married	79	594
	Unmarried	21	156
Type of Residence	Own	61	458
	Rental	39	292
Education	Up to Hr. Sec.	22	163
	Degree	31	232
	P.G.	30	225
	Professional	12	91
	Others	5	39
Nature of Work	Clerical	29	218
	Managerial	6	48
	Professional	11	83
	Teaching	30	225
	Others	18	134

Type of Employment	Government Private	68 32	510 240
Place of Residence	Village Town	42 58	316 434
Status in the family	Head Member	64 36	480 270
No. of earning members	One Two 3 & above	53 33 15	394 247 109

Spouse Employment	No Yes	25 75	187 563
No. of dependents	None 1-2 3-4 5 & above	4 31 50 14	32 236 377 105
Monthly Income (Rs.)	0-8000 8000-12000 12000-16000 16000-20000 20000 & above	7 21 24 30 17	54 158 180 228 130
Monthly Family Expenses (Rs.)	0-5000 5000-10000 10000-15000 15000 & above	35 50 12 3	259 376 88 27
Monthly Investments (Rs.)	0-3000 3000-6000 6000-9000 9000 & above	46 39 13 2	345 292 94 19
	Total	**100**	**750**

(Source: Primary Data)

Table-2
Awareness on Modes of Investments

S.No.	Description of Components	No. of Investors	Percentage	Rank
1.	Bank Deposits	683	91.1	2
2.	Provident Fund and PPF	750	100	1
3.	Insurance Products	750	100	1
4.	Postal Savings & Deposits	521	69.5	3
5.	NSS/NSC	83	11.1	8
6.	Pension Fund	162	21.6	7
7.	Shares, Debentures & Bonds	27	3.6	10
8.	House Property	181	24.1	5
9.	Gold & Jewellery	370	49.3	4
10.	Units in UTI	16	2.1	12
11.	Mutual Funds	27	3.6	10
12.	Chit Funds	337	4.5	9
13.	Agricultural land	163	21.7	6
	Total	**4070**	**-**	**-**

It is observed from the above table that all the sample investors know about Provident Fund (PF) and Insurance Products as a mode of savings and investment. It is followed by Bank Deposits which are known to 91.1 percent of the sample investors. 69.5 percent of the sample investors are familiar with Postal Savings and Deposits. 49.3 percent of the sample investors are aware of Gold and Jewelry investment and 24.1 percent of the sample investors have invested in House Property. 21.7 percent of the sample investors have invested in Agricultural land and 21.6 percent of the sample investors know about the Pension Fund. 11.1 percent of the sample investors know about the NSS/NSC. 4.5 percent of the sample investors have knowledge about investment in Chit Funds. Only 4.5 percent of the sample investors have knowledge about Mutual Funds and Shares Debentures and Bonds. The least level of awareness is about Units in UTI (2.1 percent).

Postal Life Insurance Plan

PLI offers 7 (Seven) types of plans:

1. Whole Life Assurance (SURAKSHA)
2. Convertible Whole Life Assurance (SUVIDHA)
3. Endowment Assurance (SANTOSH)
4. Anticipated Endowment Assurance (SUMANGAL)
5. Joint Life Assurance (YUGAL SURAKSHA)
6. Scheme for Physically handicapped persons
7. Children Policy

Whole Life Assurance

This is a scheme where the assured amount with accrued bonus is payable to the assignee, nominee or the legal heir after death of the insurant. Minimum Age at entry is 19 years and the maximum Age at entry is 55 years. The minimum Sum Assured is Rs 20,000 and the maximum Sum Assured is Rs 10 lacs. The policy can be converted into an Endowment Assurance Policy after completion of one year and before 57 years of age of the insurant. Loan facility is available after completion of four years and policy can also be surrendered after completion of three years. The policy is not eligible for bonus if surrendered or assigned for loan before completion of 5 years. Proportionate bonus on the reduced sum assured is accrued if the policy is surrendered or assigned for loan.

Endowment Assurance

Under this scheme, the proponent is given an assurance to the extent of the Sum Assured and accrued bonus till he/she attains the pre-determined age of maturity. In case of unexpected death of the insurant, the assignee, nominee or the legal heir is paid the full Sum Assured together with the accrued bonus. The minimum age at entry is 19 years and the maximum Age at entry is 55 years. The minimum Sum Assured is Rs 20,000 and the maximum Sum Assured is Rs 10 lacs. Loan facility is available and policy can also be surrendered after completion of three years. The policy is not eligible for bonus if surrendered or assigned for loan before completion of 5 years. Proportionate bonus on the reduced sum assured is accrued if the policy is surrendered or assigned for loan.

Convertible Whole Life Assurance

The features of this scheme are more or less same as Endowment assurance. Policy can be converted into Endowment Assurance after five years. Age on the date of conversion must not exceed 55 years. If option for conversion is not exercised within 6 years, the policy will be treated as Whole Life Assurance. Loan facility is available. The policy can also be surrendered after completion of three years. The policy is not eligible for bonus if surrendered or assigned for loan before completion of 5 years. Proportionate bonus on the reduced sum assured is accrued if the policy is surrendered or assigned for loan. The policy is not eligible for bonus if surrendered or assigned for loan before completion of 5 years. Proportionate bonus on the reduced sum assured is accrued if the policy is surrendered or assigned for loan.

Anticipated Endowment Assurance

It is a Money Back Policy with maximum Sum Assured of Rs 5 lacs. Best suited to those who need periodical returns. Survival benefit is paid to the insurant periodically. Two types of policies are available - 15 years term and 20 years term. For the 15 years term policy, the benefits are paid after 6 years (20%), 9 years (20%), 12 years (20%) and 15 years (40% and the accrued bonus). For the 20 years term policy, the benefits are paid after 8 years (20%), 12 years (20%), 16 years (20%) and 20 years (40% and the accrued bonus). Such payments will not be taken into consideration in the event of unexpected death of the insurant and the full sum assured with accrued bonus is payable to the assignee or legal heir.

Joint Life Assurrance

It is a joint-life Endowment Assurance in which one of the spouses should be eligible for PLI policies. Life insurance coverage is provided to both the spouses to the extent of sum assured with accrued bonus with only one premium. All other features are same as an Endowment policy. All the above schemes have compulsory medical examination. For the non-medical policy of any category (except AEA and Joint Life Assurance for which Medical Examination is compulsory), the maximum Sum Assured is Rs 1 lac.

Scheme for Physically Handicapped Persons

The maximum limit of Insurance for Physically Handicapped persons in PLI is the same as others and he/she can take any one of the plans. Medical examination is compulsory under this scheme in order to determine the exact nature and extent of their handicap and its bearing on the life being insured. Depending upon the nature and extent of handicap, normal or a slightly higher premium is charged.

Children Policy

The Department has introduced Children Policy under PLI/RPLI, with effect form 20th Jan 2006. The salient features of this scheme are as under:-

- The Scheme is envisaged to provide Insurance cover to the children of PLI/RPLI policy holders.
- Maximum two children in family will be eligible to take children policy.
- Children between the age of 5 and 20 years are eligible and maximum sum assured is Rs 1 lakh or equivalent to the sum assured of the main policy holder which ever is less.
- The main policy holder should not have attained the age of 45 years.
- No premium is required to be paid on the children policy on the death of the main policy holder and full sum assured with the accrued bonus shall be paid to the child after the completion of the term of the children policy. On the death of the child/children, full sum assured with the accrued bonus shall be payable to the main policy holder.
- Main policy holder shall be responsible for payments for the Children Policy. No loan shall be admissible on Children Policy. However, the policy shall have facility for making it paid up provided the premia are paid continuously for 5 years.
- No Medical examination of the Child is necessary. However, the child should be healthy on the day of proposal and the risk shall start from the date of acceptance of proposal.
- The policy shall attract bonus at the rate applicable to Endowment Policy. The POIF Rules amended from time to time shall be applicable to Children Policy.

Table-3

Postal Life Insurance(PLI) (in Rs. Crore)

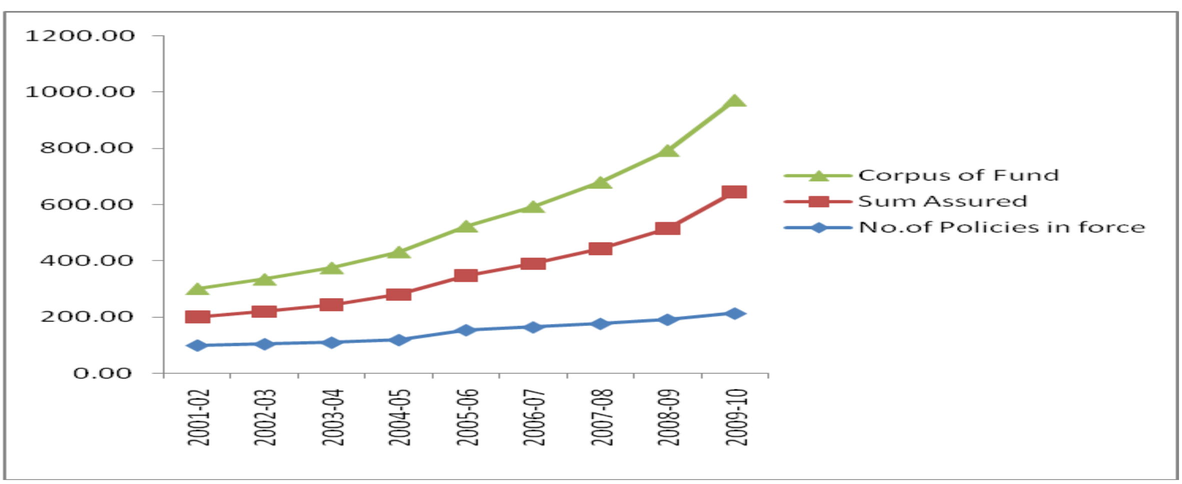
Year	No.of Policies in force	Trend Percentage	Sum Assured	Trend Percentage	Corpus of Fund	Trend Percentage
2001-02	2008575	100.00	11870.30	100.00	5090.16	100.00
2002-03	2098577	104.48	13676.80	115.22	5797.30	113.89
2003-04	2208683	109.96	15917.61	134.10	6619.81	130.05
2004-05	2391662	119.07	19105.43	160.95	7678.42	150.85
2005-06	3098248	154.25	22951.60	193.35	8933.69	175.51
2006-07	3297825	164.19	26753.17	225.38	10342.61	203.19
2007-08	3550084	176.75	31469.00	265.11	12081.71	237.35
2008-09	3841539	191.26	38403.00	323.52	14152.59	278.04
2009-10	4283302	213.25	51209.91	431.41	16656.02	327.22

(Source: Indian post)

The above table no.3 shows that postal life insurance (PLI) policies are assured. It has been simultaneously increased the table also displays in figure as under.

Chart -1

Postal Life Insurance(PLI) (in Rs. Crore)



RPLI Insurance Plans

RPLI offers following types of plans:

1. Whole Life Assurance (GRAMA SURAKSHA)
2. Convertible Whole Life Assurance (GRAMA SUVIDHA)
3. Endowment Assurance (GRAMA SANTOSH)
4. Anticipated Endowment Assurance (GRAMA SUMANGAL)
5. GRAM PRIYA
6. Scheme for Physically handicapped persons

The salient features of the Whole Life, Endowment, Convertible Whole Life and Anticipated Endowment Schemes of RPLI are same as the corresponding schemes of PLI except that the minimum Sum Assured is Rs.10,000 and the maximum Sum Assured is Rs.3 lac. The maximum age limit of entry is 55 years in case of Whole Life and Endowment Assurance but 45 years in case of other plans.

All the schemes have compulsory medical examination. For the non-medical policies, the maximum limit of Sum Assured is Rs.25,000/-, and maximum age is 35 years. In case of Non-standard age proof for Rural PLI policies, the maximum age limit is 45 years.

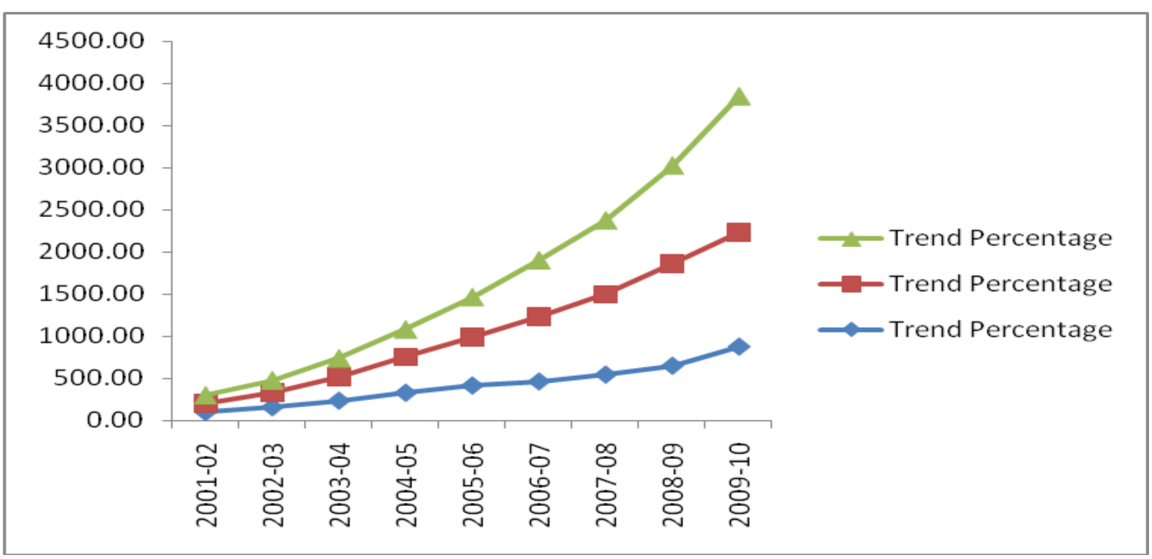
Table- 4
Rural Postal Life Insurance(RPLI) (in Rs. Crore)

Year	No.of Policies in force	Trend Percentage	Sum Assured	Trend Percentage	Corpus of Fund	Trend Percentage
2001-02	1133013	100.00	4403.92	100.00	341.05	100.00
2002-03	1795070	158.43	7464.53	169.50	510.69	149.74
2003-04	2666485	235.34	12385.11	281.23	756.48	221.81
2004-05	3738798	329.99	18520.93	420.56	1127.61	330.63
2005-06	4702776	415.07	25229.66	572.89	1624.77	476.40
2006-07	5246673	463.07	33865.65	768.99	2284.92	669.97
2007-08	6167928	544.38	41846.09	950.20	3003.78	880.74
2008-09	7356446	649.28	53072.10	1205.11	3994.36	1171.19
2009-10	9925103	875.99	59572.09	1352.71	5524.69	1619.91

(Source: Indian Post)

The above table no.4 shows that Rural Postal Life Insurance (RPLI) policies are assured and claim settled details in last ten years. It has been simultaneously increased. The table also displays in figure as under:

Chart - 2
Rural Postal Life Insurance(RPLI) (in Rs. Crore)



Findings

- Male investors dominate the investment scene as they constitute 71 percent of the sample investors and the rest is female investors.
- A majority, i.e., 41 percent of the sample investors belongs to the age group of 41-50 years and only 12 percent belong to the age group of 21-30 years.
- 79 percent of the investors are married and the rest are unmarried investors.
- 61 percent of the sample investors are in their own residence and rest are in rental houses.

- 22 percent of the sample investors have +2 level of education, 31 percent of the sample investors are degree holders, 30 percent of the sample investors are Post-Graduate degree holders, 12 percent of the sample investors are professional degree holders, and 5 percent have other levels of education.
- 29 percent of the sample investors are in clerical cadre, 8 percent are in managerial cadre, 11 percent are in professional cadre, and the remaining are in other cadres.
- 68 percent of the sample investors are employed in government sectors and 32 percent are in private sectors.
- 42.13 percent of the sample investors are in villages and the rest 57.87 percent are in towns.
- 64 percent of the sample investors are heads of the families and the rest are members of the families.
- 52.53 percent of the sample investors have one earning member in the families, 32.93 percent have 2 earning members in the families, and 14.54 percent have 2 and above earning members in the families.
- 75.07 percent of the sample investors have their spouse not employed and 24.93 percent have their spouse employed.
- 4.27 percent of the sample investors have no dependents in their families, 31.46 percent have 1-2 dependents, 50.27 percent have 3-4 dependents and 14 percent have 5 or more dependents in the families.
- 7.20 percent of the sample investors have a monthly income ranging up to Rs. 8000, 21.07 percent have a monthly income ranging from Rs. 8000-12000, 24 percent have monthly income ranging from Rs. 120000-16000, and 17.33 percent have monthly income ranging above Rs.20000.
- 34.5 percent of the sample investors have families' monthly expenses ranging up to Rs. 5000, 50.2 percent of the sample investors have families' monthly expenses ranging from Rs. 5000 to Rs. 10,000, 11.7 percent of the sample investors have families' monthly expenses ranging from Rs. 10,000 to Rs. 15,000, and 3.6 percent of the sample investors have families' monthly expenses ranging above Rs. 15,000.
- 46 percent of the sample investors have a monthly investments ranging up to Rs. 2500, 39 percent of the sample investors have monthly investments ranging from Rs.2500-5000, 12.5 percent of the sample investors have monthly investments ranging from Rs. 5000 to Rs. 7500, and only 2.5 percent have monthly investments ranging above Rs.75000.

Suggestion

❖ Computer facilities are recently introduced in the post office. So the modernized equipment are not available in most of the post office. Internet and the advanced technologies are to be required.

❖ Make an advertising in all the media and to give the knowledge about the postal life insurance schemes between the people. The post office operate the postal life insurance but it is not popular at the maximum level.

Conclusion

Government must create more awareness among the rural and urban people about the Rural Postal Life Insurance, saving Schemes and the benefits availed through it as it has not reached the People properly. Good reliable, Government authorized agents should be appointed so that people find it easy to hand over the money so that mobilization of savings could be increased. The Post Offices should be computerized and more staff members are to be appointed as majority feel that the service provided by the post offices are not good. The interest rates have to be increased as for many Investment schemes there is a gradual reduction from high percentage of interest to low percentage. There must be a change in the infrastructure facilities of Post Office and the staff should be more hospitable.

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Consumer Preferences towards Private labels- A study in Delhi

Sandeep Puri
Institute of Management Technology, Ghaziabad, India

Kalyan De
Thapar University, India

Key Words
Indian Retail industry, Private labels, Retailing, National Brands, Consumer preferences

Abstract
The perception of shoppers towards the brands has changed over the last few years. Private label brands which were introduced over 100 years ago had seen an extraordinary growth in the past few decades. Private label brands are no longer a feature primarily of retailers in the developed countries, as was the case for decades. Private label success is complex, and is not uniform across countries, FMCG categories, consumer types or retailers. The rapid proliferation of private labels in India is dramatically changing the competitive environment in the retail chains. Different private label brands enjoy different levels of customer acceptance and perceived risk. The purpose of this paper is to examine the consumer preferences towards private label brands in Delhi. This research discusses various factors affecting consumer's perception while selecting private label brands and national brands.

Introduction
The Indian retail industry is the fourth largest in the world. Comprising of organized and unorganized sectors, India retail industry is one of the fastest growing industries in India, accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment. Indian retail business values at around US$ 550 billion as of now and about four per cent of it accounts for the organized sector.With growing market demand, the industry is expected to grow at a pace of 25-30% annually. In 2010, 97% of the retail sector was being run by the unorganized retailers like corner stores and family run stores. Efforts are being made to increase the contribution of organized retailers, as this sector is the largest source of employment after agriculture. Also this sector has a deep penetration in rural India generating 10% of the Indian GDP.

According to the 11th Annual Global Retail Development Index (GRDI) of AT Kearney, Indian retail industry is the most promising emerging market for investment. India's strong growth fundamentals—9 percent real GDP growth in 2010; forecasted yearly growth of 8.7 percent through 2016; high saving and investment rates; fast labor force growth; and increased consumer spending—make for a very favorable retail environment and the 4th spot in the GRDI. Organized retail accounts for 7 percent of India's roughly $435 billion retail market and is expected to reach 20 percent by 2020. Food accounts for 70 percent of Indian retail, but it remains under-penetrated by organized retail. Organized retail has a 31 percent share in clothing and apparel and continues to see growth in this sector. The home segment shows promise, growing 20 to 30 percent per year. India's more urban consumer mindset means this sector is poised for growth.

In order to be truly successful, retailers must advance from the generic or store brand mindset of thepast to a new private label paradigm. Private-label is a growing business in India—resulting from the boom of organized retail. With consumer's focus on 'value' rather than 'cheap', there is a bigger opportunity for private labels in India. The perception of shoppers towards the brands has changed over the last few years. Private label brands are no longer a feature primarily of retailers in the developed countries, as was the case for decades. Private label success is complex, and is not uniform across countries, FMCG categories, consumer types or retailers. The rapid proliferation of private labels in India is dramatically changing the competitive environment in the retail chains. Most of the big Indian retailers are currently pursuing the "cheap" private label strategy. It is expected to evolve in the future, to become more sophisticated and segmented.Many retailers have begun to describe their private label brandsas "own" brands because there is recognition that these proprietary, exclusive offerings are tools thatrepresent momentous power and potential for the retail store.

Theoretical Framework

Private Label Brands

Kumar and Steenkamp (2007) have defined store brands to be any brand that is owned by the retailer or distributor and is sold only in its own outlets. According to the Private Label Manufacturers' Association (PLMA), Private labels encompass all merchandise sold under a retailer's brand. That brand can be the retailer's own name or a name created exclusively by that retailer. Private label products are typically manufactured or provided by one company for offer under another company's brand. In retail world it usually means a manufacturer (which can be the retailer itself) making products exclusively for a retailer, which are to be sold under retailer's own brand name. Key benefits for a retailer of having its private labels are:

The Key benefits to retailers for having their private label brands are:

Higher margins in comparison to national brands

Retailers' gross margins on private labels are usually 25 to 30 percent higher than those on national brands.

Greater leverage

Presence of private labels in the portfolio offers better negotiating power to the retailers with the manufacturers of national brands.

Opportunities to launch new innovative products

Private labels offer retailers to launch new innovative products. Private labels can help them to have a broader range of products at various price points. Retailers can also use private labels to provide variety to the customers.

Creation of strong customer loyalty

Private labels help to differentiate the products of one retailer from those of others, resulting in increased customer loyalty towards a particular retail chain.

Greater control on the supply chain

Retailers can have a greater control on the supply chain with their own private labels. They can have less stock outs and better customer satisfaction leading to improved customer loyalty.

Apart from these benefits, the retailer also gets a chance to test its product marketing capabilities, track the categories more closely and do the long term category planning. Private labels are at least 5-20% cheaper across various categories. This is because they cut out middlemen costs and pass on the benefit to the consumer. But this is not only about price anymore; private labels have come a long way over the last three decades. Among the various revamped strategies adopted by retailers, one of the most talked-about strategies is developing a strong private label range. A concentrated retail sector appears to facilitate the growth of private labels (Dobson, 1998, Steiner, 2004). Store brands give retailers a stronger bargaining position against National brand manufacturers. In particular, they serve as a competitive tool in obtaining price concessions from these manufacturers.

The marketing efforts of retailers across the globe, and their intense competition with the national brands, have introduced private labels in almost every product category, and have made them available in both developed and emerging markets. Europe and North America have maintained their position as the most significant markets for private labels, with an aggregated private label share of sales reaching 23 and 16 percent respectively, but with a moderate growth rate of 5 percent. In comparison, private labels in developing countries have achieved growth of up to 11 percent, and currently account for 6 percent of sales.

According to Kumar and Steenkamp (2007), private labels are growing faster than manufacturer brands. They are everywhere across different categories and they now compete on quality. The main USP of private labels is their customization according to the needs of customers. They are then promoted by various means including innovative packaging, promotional schemes, and placement within the retail store. It is observed that private labels work best in categories that are not technology driven. This is the rationale for strongest share of private labels in categories like milk, eggs, rice, wheat, cereals and sugar or in those with little differentiation. On the other hand share of private labels is the lowest among product categories where there is strong marketing support for national brands (e.g., toothpastes, chocolates, cold drinks) and in those which require a high-level of innovation (e.g., electronics, detergents, and cosmetics). In India there is an increasing trend towards acceptance of Private Label brands and thus their penetration is on the rise especially in the Apparel, Consumer Durables, Home Care and FMCG segments. According to India retail report 2009, the private label market in India is estimated to be around Rs 1200-1500 crores. Overall, in India, Private Label brands constitute 10-12 percent of the organized retail product mix. Retailers like Trent, Reliance and Pantaloon are having 90 percent, 80 percent and 75 percent of private label brands representation in their stores, respectively. Table 1 represents private labels of leading retailers in India.

Table 1: Leading Retailers and their private labels in India

Big Bazaar	**EasyDay**	**MORE**	**Reliance**
Tasty Treat	Great Value	More	Reliance Select
Fresh n Pure	Equate	Feasters	Reliance Value
CareMate	Mainstays	Kitchen's Promise	Dairy Life
CleanMate	Home Trends	Enriche	Good Life Moments
Sach	Mainstays	110%	Good Life
Premium Harvest			Dazzle
			Sudz

Review of Literature

Lincoln and Thomassen (2008) define private label simply as, "brands owned and sold by the retailer and distributed by the retailer." Research on private label brands has been of considerable interest to the retailers, brand managers and academicians. Many researchers have examined differences of quality perceptions for national and private label brands. One of the study done by Bellizzi et al. (1981) gathered perceptions of national, private label and generic brands through a series of Likert-type scales. Respondents showed significant perceptual differences for the three types of brands and consistently rated private label brands below the national brands on attributes related to quality, appearance, and attractiveness. Most of the research work on private label brands is done in the western countries and it is a recent phenomenon in the developing countries like India.

One stream of research in this area deals with the factors associated with the adoption of private label brands by consumers. Cunningham (1961) examined the relationship between store loyalty and the purchase of private label brands for a sample of 16 products. Using purchase history data for 50 families, Cunningham measured the percentage of grocery expenditures devoted to store brands and calculated a store loyalty index, which he defined as the proportionate number of times a housewife visited the same store consecutively to purchase a product. Regressing store brand expenditures on store loyalty, Cunningham found a significant and positive relationship between store brand expenditures and store loyalty for 13 of 16 products examined. Cunningham concluded that his results may suggest that there is a positive association between store loyalty and loyalty to the brands being sponsored by the store.

Rao (1969) questioned Cunningham's results. Rao argued that although store loyalty may increase the probability of purchasing the sponsored private labels, consumers usually do not distinguish among private labels offered by competing retail chains. Instead, Rao argued that consumers who are prone to buy private labels do so at whatever chain they happen to patronize.
Sundel (1974) used a taste test and measured whether consumers perceive differences in quality between nationally and regionally distributed store brands of bread and canned corn. No significant differences were found. These results suggest that consumers regard store brands to be largely undifferentiated in the market. Sundel noted, however, that national brands were perceived to be superior to regional or local private labels.

Also employing a taste test format, Richardson *et al.* (1994) assessed whether consumers' quality perceptions of two locally distributed store brands of five products differed. They found no difference in quality perceptions between the store brands even when real price differences were revealed and the ingredients of the competing store brands were disguised. These findings suggest that the competing store brands were perceived to be the same not only in terms of brand image but also in terms of real product quality. However, consistent with the results reported by Sundel (1974), the authors found a strong brand image effect in the case of national brands. Store brand ingredients, when disguised in national brand packaging and presented to subjects for trial, received significantly more favorable evaluations than when the same store brand ingredients were enclosed in store brand packaging and evaluated by subjects.

The other major stream of research on private label brands deals with the competition between private label brands and national label brands. This stream of research has tried to identify that how either private label brands or national brands could differentiate from each other. Initial research identified quality, pricing, and advertising as main bases of competition. Hoch and Banerjee (1993) contested the general perception that a private label's primary attraction was the significant price discount relative to the national brands, at which they were sold. They emphasized the role of quality in the private label purchase decision. They found evidence to support the notion that perceived quality of a private label brand was much more important than the level of price discount in determining the private-label category share. At equal prices, consumers preferred the national brand to a private label (Narasimhan and Wilcox, 1998). This preference asymmetry was attributed to perceived quality differences between the national brand and private label (Hoch and Banerji, 1993) as well as differences in image-building advertising support. This type of support was not present for private label brands whose competitive position lied squarely on providing an acceptable level of quality at a price that was lower than that of national brands. Even as retailers made efforts for serious quality improvements (Baltas, 1997), the poor quality perception has continued with private label brands.

"New World of Brands: The Next Wave of Private Label" studied the private-label initiatives of more than 70 retailers and interviewed several national-brand and private-label suppliers. The report identifies several key retailers that "have successfully used private label as a key differentiator and to build consumer loyalty." These retail leaders have an average private-label dollar share of 22%, well above the industry average of 16%. Moreover, these "share leaders" have posted higher levels of overall sales growth versus non-leaders: 5.3%, vs. 3.4% over the past three years. McKinsey calls the difference between industry average private-label market share and best-in-class as "value at stake." The report suggests that "if retailers do go after the value at stake," it is possible that store brands' dollar share could climb to 24% by 2016.

Quelch et al (1996) found that in the case of manufactured products being introduced under private labels, the characteristics that enable store brand introduction are: (a) inexpensive, easy, low risk purchase for customer (b) easy to make from commodity ingredients (c) perishable, therefore local supplies are favored (d) category sales are growing fast, enabling the private brand's garnering reasonably high volumes and (e) low number of national players dominating the category so the retailer feels the need to reduce dependency on them.

Chaniotakis et al (2010) showed that consumers' purchase intention is directly affected by consumers' attitudes towards private labels of olive oil, which in turn are influenced by consumers' perceived benefits, economic situation, brand loyalty and trust. Dhar et al (1997) predicted the three important key determinants of store brand share. They are consumer factors, Retailer factors and the Manufacturer factors. From this it can be deducted that both supply and demand factors determine the store brand effectiveness.
Retailers with strong Private Labels have to choose whether to maintain one store brand across all own-label products, or whether to start developing different sub-brands for particular product categories. Raju et al (1995) suggest that retailer's profits will increase more likely in product categories consisting of a large number of national brands. They explain that the profitability of a store's brand depends more on the directness of high competition between the private brand and the leading national brand, as against a high competition among national brands which is detrimental to the store brand.Raj Sethuraman et al (1999) found that perceived quality differential affects the preference towards the store brand and it accounts for about 12% of the variation in the price premiums across consumers and product categories and is the most important variable influencing price premium that a customer prefers to pay for the National brand over the store brand.

The strategic role of Private Labels to distributors and retailers has increased in importance throughout the 1990s. Once positioned on the basis of price or value for money, Private Labels are now marketed by many firms using a "quality" focus. The success of such a strategy is especially evident in Europe where retailers such as J. Sainsbury have achieved dominance over national brands (Fitzell, 1992). Research shows that the store brand market is largely depend on the degree to which retailers are successful in communicating a quality rather than a low price image to consumers (Richardson et al, 1994).Cunningham concluded that his results may suggest that there is a positive association between store loyalty and loyalty to the brands sponsored by the store. (Cunningham 1961)

Customers are more sensitive to price when it is easy to compare competitive offerings. So retailer try to store unique offerings whose prices cannot be compared and, therefore, they can charge higher prices. (Chetan Bajaj et al, 2005).Among consumers, one obvious reason for the popularity and growth of private labels is their price advantage over national brands (Batra and Sinha, 2000). However, high quality seems to be more important in determining private labels success than lower price (Hoch and Banerji, 1993; Sethuraman, 1992).

One of the interesting phenomena concerning private labels is the fact that their growth has been highly uneven across product categories (Hoch and Banerji, 1993). Though some of the studies have compared quality perceptions of private label brands with national brands (Bellizzi et al. 1981, Rosen 1984), there have been a few studies which examined the ways to improve the quality perceptions of private label brands. Thus the factors influencing the consumers to choose between National and Store branded products will be a study of high interest in India.

Thus, literature review of previous studies undertaken for private labels indicates that the research has beenmore limited on the consumer-level factors that distinguish private labels across different productcategories. Also most of the studies are conducted in developed western countries. Given the lack of research in understanding Indian customers'attitude and perception about private labels, the present study has been undertaken to gain an insight into howIndian consumers perceive private labels. The findings of this study will help the retailers in deciding the optimal strategies while launching & promoting the private labels.

Research Objectives

It is quite clear that private label is no longer a price-centric strategy. Private label is changing the way retailers view, approach and develop category management and promotion strategies.

Understanding how customers/retailers are using and will use this tool in their go-to-market strategies is essential to the future success of today's retail companies.

The present study has been undertaken to understand the perception of Indian customers towardsprivate labels. The specific objectives of this research are:

- To understand customer perception towards Private Labels
- To find out customer preference for private labels versus national brands while purchasing.
- To identify important factors affecting customer's decision to buyPrivate Labels.

The research will help the marketers in deciding the optimal strategies while launching & promoting the private labels. This can also help the marketers of National brands in formulating their strategies to tackle the growing threat of private labels.
Success of this information will be very much useful for the retail industry as it can formulate its further operations using the key findings of the research and to align the activities according the consumers and retailers.
This research will also fill the gap as there is no study related to the above issues with reference to Indian Retail marketing environment is currently available.

Research Design and Methodology

This research is of exploratory nature, based on the primary data but review of literature is done from the secondary data. Stratified random sampling method (disproportionate method) was used to collect the primary data. A structured questionnaire was formulated to obtain the necessary information. Data was systematically collected from 212 respondents visiting the retail stores of Big Bazaar, EasyDay, MORE and Reliance in Delhi, India. Apreliminary pilot check was done to identify any inconsistencies, omissions orobvious mistakes with the questionnaire.The data from these questionnaires was then captured, cleaned, coded and analyzed. The data was also tested for normality and this was confirmed to be in order.

Empirical Findings

Sample Profile

In terms of gender, slightly more females (55.7%) completed the questionnaire than males (44.3%). The majority of the sample falls into age group of 20 to 30 year, reflecting 47.9% of respondents. 61.3% of the respondents are married, whilst approximately 38.7% are single.

Table 2: Sample Profile

Age	< 20	20-30	31-40	41-50	51-60	> 60
	4.7%	47.9%	21.8%	14.2%	7.9%	3.6%
Gender	Male	Female	**Marital Status**	Single	Married	
	44.3%	55.7%		38.7%	61.3%	
Profession	Student	Employed	Self Employed	Housewife	Retired	
	12.3%	31.1%	19.8%	34.9%	1.9%	
Monthly Household Income	<25000	25000-50K	50001-75K	75001-100K	> 100K	
	2.8%	26.4%	29.2%	17.9%	23.6%	

Majority of the respondents were housewife (34.9%) and self-employed (31.1%). The sample is slightly biased towards higher income earners, only 2.8% are earning less than Rs. 25000 per month whereas 71.8% of respondents are earning more than Rs. 50,000 per month. The sample profile is depicted in Table 2.

Consumer's preference for National brands and Private Labels

On the basis of age, majority of the respondents (68.9%) prefer National brands while 31.1% of the respondents prefer private labels. It is also found that majority of the customers preferring private labels (40%) are in the age group of 41-50 whereas only 20% of customers in the age group of less than 20 prefer private labels. Table 3 presents consumer's preference for National brands and Private Labels on the basis of their age.

Table 3: Consumer's preference for National brands and Private Labels on the basis of age

Age	< 20	20-30	31-40	41-50	51-60	> 60	Overall
National Brands	80.0%	71.2%	65.2%	60.0%	75.0%	75.0%	68.90%
Private labels	20.0%	28.8%	34.8%	40.0%	25.0%	25.0%	31.10%

On the basis of profession, majority of the student respondents (84.6%) prefer National brands while 40.5% of housewives and 50% of retired prefer private labels. Table 4 presents consumer's preference for National brands and Private Labels on the basis of their profession.

Table 4: Consumer's preference for National brands and Private Labels on the basis of profession

Profession	**Student**	**Employed**	**Self Employed**	**Housewife**	**Retired**
National Brands	84.6%	75.8%	76.2%	59.5%	50.0%
Private labels	15.4%	24.2%	23.8%	40.5%	50.0%

The proportion of customers purchasing Private labels is quite high as 84% of respondents have purchased private labels in Food and Beverages category and 77.4% of respondents have used and tried private labels in FMCG category. This indicates that there is a huge potential market for Private labels in Indian retail. The frequency of purchase of Private labels is shown in Table 5.

Table 5: Frequency of purchase of Private Labels

Product Categories	**Frequency Percentage**					
	Never	Seldom	Occasionally	Fairly often	Always	Total
FMCG	22.6%	31.1%	27.4%	17.0%	1.9%	100%
Food and Beverages	16.0%	22.6%	17.0%	31.1%	13.3%	100%

If we look at the frequency of purchase of private labels in different product categories by customers on the basis of their age than it is found that for "FMCG goods", 86.9% of respondents in the age group of 31-40 and 86.7% of respondents in the age group of 41-50 have purchased private labels. Whereas only 40% of respondents in the age group of less than 20 have tried private labels in this category in the past. Whereas in case of "Food and Beverages" category, 80% of respondents in the age group of less than 20, 84.3% of respondents in the age group of 21-30, 82.6% of respondents in the age group of 31-40, 86.7% of respondents in the age group of 41-50 and 87.5% of respondents in the age group of 51-60 have purchased private labels in the past. Table 6 represents the frequency of purchase of private label brands in different categories by customers on the basis of their age.

Table 6: Frequency of purchase of private label brands in different categories by customers on the basis of their age

	Frequency	**Percentage within age**					
		< 20	21-30	31-40	41-50	51-60	> 60
FMCG Goods	Never	60.0%	23.5%	13.10%	13.3%	25%	50%
	Seldom	20.0%	35.3%	17.40%	33.3%	25%	25%
	Occasionally	0.0%	31.4%	26.10%	33.3%	25%	0.0%
	Fairly often	20.0%	9.8%	39.10%	13.3%	12.5%	25%
	Always	0.0%	0.0%	4.30%	6.7%	12.5%	0.0%
	Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

	Frequency	Percentage within age					
		< 20	21-30	31-40	41-50	51-60	> 60
Food and Beverages	Never	20.0%	15.7%	17.4%	13.3%	12.5%	25.0%
	Seldom	20.0%	29.4%	13.1%	6.7%	25.0%	25.0%
	Occasionally	40.0%	15.7%	21.7%	20.0%	25.0%	0.0%
	Fairly often	20.0%	27.5%	39.1%	33.3%	25.0%	25.0%
	Always	0.0%	11.7%	8.7%	26.7%	12.5%	25.0%
	Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

On the basis of the profession of the customers, it is found that for "FMCG goods", 72.8% of employed,85.7% of self-employed, 86.5% of housewives and 100 % of retired respondents have purchased private labels in the past whereas only 46.2% of student respondents have tried private labels in this category in the past. In case of "Food and Beverages" category, 92.3% of students, 84.8% of employed, 85.7% of self-employed, 81.1% of housewives have purchased private labels in the past whereas only 50% of retired respondents have tried private labels in this category in the past. Table 7 represents the frequency of purchase of private label brands in different categories by customers on the basis of their profession.

Table 7: Frequency of purchase of private label brands in different categories by customers on the basis of their profession

	Frequency	Percentage within Profession				
		Student	Employed	Self Employed	Housewife	Retired
FMCG Goods	Never	53.8%	27.2%	14.3%	13.5%	0.0%
	Seldom	7.7%	15.2%	42.9%	45.9%	50.0%
	Occasionally	7.7%	30.3%	33.3%	29.8%	0.0%
	Fairly often	30.8%	27.3%	9.5%	5.4%	50.0%
	Always	0.0%	0.0%	0.0%	5.4%	0.0%
	Total	100.0%	100.0%	100.0%	100.0%	100.0%
	Frequency	**Percentage within Profession**				
		Student	Employed	Self Employed	Housewife	Retired
Food and Beverages	Never	7.7%	15.20%	14.30%	18.90%	50%
	Seldom	23.1%	18.20%	33.30%	21.60%	0.0%
	Occasionally	46.1%	21.20%	9.55%	8.10%	0.0%
	Fairly often	23.1%	33.30%	33.30%	29.80%	50%
	Always	0.0%	12.10%	9.55%	21.60%	0.0%
	Total	100.0%	100.0%	100.0%	100.0%	100.0%

Consumers' perceptions towards quality and price of private labels

Majority of consumers (59%) were neutral in their attitudetowards quality levels of private labels. 23% of the respondents conveyed a positive about theirperceptions of private labels and 18% of the respondents conveyed a negative attitude towards private labels. Consumers' perceptions towards quality of private labels are depicted in Table 8.

Table 8: Quality perceptions of private labels

S. No	Response	% of Respondents
1	Positive	23
2	Neutral	59
3	Negative	18

In terms of price perception of private labels, majority of the respondents (51%) had a positive attitude towards price of private labels whereas 38% of the respondents were having a neutral attitude towards price of private labels and only 11% of the respondents were having a negative attitude towards price of private labels. Consumers' perceptions towards price of private labels are depicted in Table 9.

Table 9: Price perceptions of private labels

S. No	Response	% of Respondents
1	Positive	51
2	Neutral	38
3	Negative	11

One obvious reason for the popularity and growth of private labels among consumers is their price advantage over national brands (Batra and Sinha, 2000). However, high quality seems to be more important in determining private labels success than lower price (Hoch and Banerji, 1993; Sethuraman, 1992).

Consumers' perceptions about packaging of private labels

Packaging is considered as an important element to convey quality to consumers. Majority of the respondents (45%) had a neutral attitude towards packaging of private labels whereas 32% of the respondents were having a positive attitude towards packaging of private labels and 23% of the respondents were having a negative attitude towards packaging of private labels. Consumers' perceptions towards packaging of private labels are depicted in Table 10.

Table 10: Packaging perceptions of private labels

S. No	Response	% of Respondents
1	Positive	32
2	Neutral	45
3	Negative	23

Factors influencing the purchase of private label brands

As far as the factors influencing the purchase of private labels were concerned, respondents (28%) have given the highest rankto PerceivedQuality followed by Price, Trust, Packaging, Accessibility of products, Taste, Freshness, Sales promotion, Availability of Alternatives, & Advertising.

Table 11: Factors influencing in the purchase of private label brands

Rank	Factors	% of Respondents
1	Perceived Quality	28
2	Price	21
3	Trust	12
4	Packaging	10
5	Accessibility of products	9
6	Taste	6
7	Freshness	5
8	Sales Promotion	5
9	Availability of Alternatives	3
10	Advertising	1

Major Findings

On the basis of age, majority of the respondents (68.9%) prefer National brands while 31.1% of the respondents prefer private labels.

Customers preferring private labels (40%) are in the age group of 41-50 whereas only 20% of customers in the age group of less than 20 prefer private labels.

On the basis of profession, majority of the student respondents (84.6%) prefer National brands while 40.5% of housewives and 50% of retired prefer private labels.

84% of respondents have purchased private labels in Food and Beverages category and 77.4% of respondents have used and tried private labels in FMCG category.
For “FMCG goods”, 86.9% of respondents in the age group of 31-40 and 86.7% of respondents in the age group of 41-50 have purchased private labels.
In case of “Food and Beverages” category, 86.7% of respondents in the age group of 41-50 and 87.5% of respondents in the age group of 51-60 have purchased private labels in the past.
For “FMCG goods”, 72.8% of employed, 85.7% of self-employed, 86.5% of housewives and 100 % of retired respondents have purchased private labels in the past.
In case of “Food and Beverages” category, 92.3% of students, 84.8% of employed, 85.7% of self-employed, 81.1% of housewives have purchased private labels in the past.
Majority of consumers (59%) were neutral in their attitude towards quality levels of private labels.
Majority of the respondents (51%) had a positive attitude towards price of private labels
Majority of the respondents (45%) had a neutral attitude towards packaging of private labels whereas 32% of the respondents were having a positive attitude towards packaging of private labels
In terms of factors influencing the purchase of private labels, 28% respondents have given the highest rank to Perceived Quality followed by Price, Trust, Packaging, Accessibility of products, Taste, Freshness, Sales promotion, Availability of Alternatives, & Advertising.

Conclusion and Implications

In this study, the researchers studied the consumer preferences towards private labels in Delhi. The research will help the retailers in deciding the optimal strategies while launching & promoting the private labels. This can also help the marketers of National brands in formulating their strategies to tackle the growing threat of private labels. The results of this studyprovide important insights to private label manufactures in India to increase their foothold andsuccessfully compete in the Indian retail market.
Furthermore, this study showed a direct effect of age and profession on consumer purchase intentions of private labels. This logical finding suggests that retailers can be more efficient in their efforts to sell their brands by clear targeting and segmentation of their customers. Understanding customers’ intentions in terms of what they expect/associate with private labels is quite important from the view point of making these brands acceptable in the market.

Perception of quality is a significant element relating to private-label; if all brands in a category are seen as sharing a similar quality, then private-label brand use is often observed to increase. As observed in this study and other earlier studies, one constant finding of private-label research had been that quality is more important than price to consumers.

Another significant practical implication of the study refers to the role of consumer attitudes towards private labels. Retailers should take into account that consumers would be willing to buy private labels if they were positive towards it. Therefore, retail marketers should try to influence consumers by providing them with detailed information about the benefits that they get from private labels, in terms of quality, price, packaging and taste, so that they form positive attitudes towards the product. This means that retailers have to maintain a good quality for all the private labels, emphasizing on the selection and quality control processes.

Thus, in conclusion it can be said that if private label marketers can provide value tocustomers on factors rated high by customers, there is a highpossibility for them to establish private label as acceptable in the minds of customers and to improvecustomers’ perception regarding the same. Though this perception may not be as high as national brands enjoy but it could still be high enough for retailers to increase the sales of private labels and thereby raise their profit margin considerably.

Limitations and further research

However, as any other field research, this study has certain limitations. First of all, the field research was carried out only in Delhi. The results could have been different if the sample was drawn from other areas of NCR in India, as outside Delhi consumers may have different attitudes towards private label products. In the same frame, the results may vary when the research is carried out in other states of the country, where private label consumption is relatively low. Furthermore, the sample size of 212 consumers is quite small in order to get more precise information, it should be more. Some of the respondents were not responding freely due to constraint of time and knowledge about private labels. It is also not a representation of the all the retail consumers in food and grocery segment.

Further research could be carried out in order to study the factors influencing consumer perceptions towards private labels. Moreover, additional variables could enrich themodel and lead to better predictions of consumers' purchaseintention.

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A study of the CRM implementation process, its antecedents and impact on marketing effectiveness: The case of the Hotel Industry in Mauritius

Vanisha Oogarah-Hanuman
University of Mauritius

Key Words
Customer Relationship Management, marketing effectiveness, repeat purchase,organisational strategies, hotel industry, antecedents, global competition

Abstract
Customer Relationship Management (CRM) is to enhance long term relationship between partices and in todays intense competition where market is fragmented where consumers' needs and purchase patterns have changed dramatically. To meet various needs, companies tend to adopt differentiated and customer-oriented marketing strategies to gain competitive advantage. CRM is one specific example, adopted to create and manage relationships with customers more effectively through the detailed and accurate analysis of consumer data using various information technologies (Anderson Consulting, 1998; Buttle, 1996; and Ngai, 2005). Improved relationships with consumers can lead to greater customer loyalty, retention, and profitability. In the hotel industry, customer relationship management (CRM) becomes a strategic imperative for attracting and increasing guests' patronage (Sigala, 2005).

Thus, this studey seeks to investigate the CRM implementation process in the Hotel industry in Mauritius and ascertain the antecedents leading to CRM implementation.

Introduction

The world's economic activity is today being dominated by the services sector. Mauritius, too, is continuing its progress towards a service-based economy as a result of its narrow resource base and with people constituting its most valuable asset. In recent years, many organisations have identified the need to become more customer centric with increased global competition. As a consequence, customer relationship management (CRM) has risen to the agenda of many organisational strategies.

No doubt, Mauritius aims at establishing itself as one of the leading countries in the region in terms of human resource know-how and expertise as well as promoting a dynamic hospitality sector. The tourism sector is one of the main pillars of the Mauritian Economy where customer oriented strategy is of utmost importance to gain competitive edge. Tourism, third pillar of the economy contributes significantly to economic growth and has been a key factor in the overall development of Mauritius. In the past two decades tourist arrivals had increased at an average annual rate of 9% with a corresponding increase of about 21% in tourism receipts[1]. The tourism industry is continuously growing. Travellers are becoming more price sensitive, less brand loyal and more sophisticated. To enhance guest loyalty, hotels must focus on developing CRM strategies that aim to seek, gather, store and share guest information throughout the entire organisation for creating personalised and unique guests experiences. Although CRM in the hospitality industry has been defined by the myriad of Information and Communication Technologies (ICT) suppliers that highlight and overstate the importance of ICT capabilities and tools, it is now being widely recognized that successful CRM strategies should effectively combine and align ICT functionality with business operations and strategy.

The reasons behind the emphasis on CRM in many sectors can be traced back to the reference point that there seems to be a strong link between customer loyalty and corporate profitability (Reichheld and Sasser, 1990; Reichheld, 1996). Ever since the days of these landmark works by Reichheld, numerous studies have researched the basic antecedents of loyalty, such as affective commitment and guest orientation (Mattila, 2006; Tideswell and Fredline, 2004), handling of Complaints (Karatepe, 2006), service quality (McCain *et al*., 2005), and satisfaction and image (Back, 2005; Bowen and Chen, 2001; Kandampully *et al.,* 2000). All of these antecedents have been addressed in great detail in literature dedicated to loyalty and the broader perspective of CRM. The fact that a number of those studies originate from the hotel industry is not surprising. Services, repeat business, high interactivity and the importance of word-of-mouth are key aspects to consider in both CRM as a discipline and the hotel industry as a sector. However, this strong link does not mean that CRM has now been implemented successfully in hotels throughout the world. In fact, only a few years ago, Reichheld (2003) has published a paper on this topic, indicating that not much could be learnt from complex measurements, such as the ones discussed in many of the above-mentioned studies. His observation is a follow-up to the message sent by him and Rigby and Schefter (2002) on the reasons why so many CRM initiatives fail to deliver. The preliminary conclusion can only be that even though CRM is such a crucial topic for many industries, in particular, the hotel industry, "it is a powerful idea, albeit a difficult one to implement" (Rigby *et al.,* 2002; Reinartz and Kumar, 2002). In fact, other studies (Zablah *et al.,* 2004) have shown that "the somewhat casual demarcation of CRM's domain has resulted in a highly fragmented body of knowledge that fails to address many of the issues related to this topic of growing importance".

Successful CRM, from the perspective of addressing it as a philosophy at the (tactical) process level, requires more than assessing and prioritising. It is certainly more than simply a technological tool that enables firms to build and maintain customer relationships. In fact, the philosophy, or capability, perspective on CRM "suggests that to build long-term, profitable relationships, it is critical that firms' day-to-day activities be driven by an understanding of customers' evolving needs" (Zablah *et al.,* 2004). The consensus in recent literature clearly is that you cannot do that only with technology (Day and Van den Bulte, 2002; Reinartz *et al.,* 2003; Chen and Popovich, 2003). Key concepts from relationship marketing, such as trust, mutuality, promise keeping and dialogue (Grönroos, 1994) cannot be handled completely and incorporated in CRM programs with only databases and smart manipulation of the data as your tools (O'Malley and Mitussis, 2002).

Statement of the Problem

Recently, consumers' needs and purchase patterns have changed dramatically. To meet various needs, companies tend to adopt differentiated and customer-oriented marketing strategies to gain competitive advantage. CRM is one specific example, adopted to create and manage relationships with customers more effectively through the detailed and accurate analysis of consumer data using various information technologies (Anderson Consulting, 1998; Buttle, 1996; and Ngai, 2005). Improved relationships with consumers can lead to greater customer loyalty, retention, and profitability. In the hotel industry, customer relationship management (CRM) becomes a strategic imperative for attracting and increasing guests' patronage (Sigala, 2005). The hotel industry is facing an increasingly competitive market which signifies the greater need for the hotels to differentiate their customers. Since the hotels can collect and integrate a significant amount of their guests' information, CRM is viewed as an opportunity for the hotels to use the information about their customers to improve the relationship for improving customers' satisfaction and loyalty, and consequently, for increasing the hotels' profitability (Aziah, 2009).

Many hotels in Mauritius have adopted the CRM strategy to survive the new dynamics of the global competition. Claiming to have a CRM strategy is not enough, more important is how effective the strategy has been for the hotel. A good strategy without proper execution is bound to fail. So, implementation is a major phase within the adoption process. Conceptually, CRM has been widely embraced by businesses. In practice, however, examples of success contrast with anecdotes where the diffusion of CRM into organizations continues to be a slow process and/or where CRM implementation outcomes have fallen short of expectations. Successful implementation depends on a number of factors such as fit between of a firm's CRM strategy and programs and its broader marketing strategy, and intra-organisational and inter-organisational cooperation and coordination among entities involved in implementation. This particular study will be addressing this particular issue. Also, it intends to see whether hotels in Mauritius are really benefiting from greater profitability from the adoption and implementation of CRM.

Rationale of the Study

We are now living in a world where all companies are placing strategic importance on customer satisfaction and retention. From a European perspective (Mack, Mayo and Khare, 2005), two important changes have occurred that demonstrate the need for CRM. The first change is in the nature of the business environment, and second is a change in terms of embracing a strategic orientation.

Within the business environment, three phenomena are observed:

1. Changed behavior of customers;
2. Increasing complexity of the markets: Growing globalization is leading to new competitors with completely new goods, service and cost structures;
3. Broad acceptance of the value management concept: Increasing shareholder value is now visible in Europe as well as in North America.

The second important change concerns the evolution toward a strategic orientation. The two major reasons identified for the failure of CRM-projects in the European experience are:

1. No, or only vague objective targets: Lack of targeting has resulted in missing the opportunity to measure and control;
2. Lack of implementation and missing commitment of top management: Often in CRM projects the problems of implementation are underestimated.

These same changes mentioned above apply to the developing economies as well leading to a need to study the different processes adopted by hotels for implementing CRM strategies. The tourism sector is undergoing remarkable developments. Marketing strategies shift from acquisition to customer retention; the internal organisation is reengineered around customer focused processes; and ICT is applied to gain customer insight, build relationships, enable customisation and provide new opportunities for service distribution. CRM is a crucial strategy for sustaining competitive advantage in the current marketplace. However, theory has been unsuccessful so far to provide an overall framework on how businesses can better adopt and implement CRM (Sigala, 2005).

Efforts made in extant literature to link the components of CRM strategy to its implementation are insufficient. Although a huge debate has been initiated regarding the identification and the implementation of different elements of CRM there is still no agreed framework as to how CRM can be best applied and adopted within organisations. The role of the present research is to gain a greater understanding of CRM practices, by means of in-depth examination of such practices within the Hotel Industry where customer relationships are a notable part of developing a competitive advantage. It is against this background that researcher believes more emphasis should be laid on the implementation process of CRM strategies within organisations. Therefore this study aims at providing insights on the core components of CRM and the implementation of CRM strategy in the Mauritian Hotel Sector. Furthermore the study explores how to measure the effectiveness of the CRM strategy.

Objectives of the study

The research objectives of this study are to:

1. To investigate the CRM implementation process in the Hotel industry in Mauritius;
   a. To ascertain the antecedents leading to CRM implementation;
   b. To identify the problems encountered in CRM implementation;
   c. To identify the critical success factors in CRM implementation.

2. To study the impact of CRM on marketing effectiveness;

a. To measure the actual impact of CRM from internal data;
b. To assess the perceived impact of CRM from customers;
c. To undertake a gap analysis between the actual and perceived impact of CRM.

3. To develop a model for successful implementation of CRM for the Hotel industry in the context of the Mauritian economy.

Brief Literature Review

Management is a field which is known for the constant emergence of new concepts gaining quick popularity by promising to fundamentally change the operations of the organisation for improved efficiency and bottom-line. However, as fast as they crop up, many of them fade into obscurity for failing to fulfill the expectations they brought by claiming to change the face of management and die as mere buzzwords. As much as some can be touted as fads, others are said to be the re-invention of old concepts, that "old wine in new bottles". In the last two decades, relationship marketing and its off-spring CRM have gained much foothold in the management and marketing disciplines as being a revolutionary concept fostering a customer-driven business model. CRM, in particular, has generated an unparalleled buzz for being the flavour of the season with many articles and books being written on it. However, the last few years have shifted the concern from the theoretical concept of CRM, its advantages and disadvantages and the ways it can benefit organisations to the way it is implemented and should be implemented in industries and organisations with due consideration given to the metrics, that is, the return on investment. The statistical take on the implementation of CRM concept has arisen due to many factors including the intangibility of evaluating the extent to which investment in setting up a CRM system, having a customer database or using the customer profiling system to increase up-selling and cross-selling opportunities are really yielding higher returns.

Marketing literature has, over the recent two decades argued about the paradigm shift that all business have gone through, moving from traditional transaction-based marketing to a more relational marketing approach with a focus on relationships, networks and close interactions (Day, 2000; Grönroos, 2000; Gummesson, 1999; Hunt, 2000; Peck *et al.*, 1999; Webster, 2000; Light, 2003). What has brought about the emergence of the relationship paradigm are new forms of competition and structural modifications of exchange processes, for which it has become necessary to create long-term relationships among customers and suppliers (Osarenkhoe and Bennani, 2007). This occurrence can be partly accredited to the globalisation of business, internationalisation, deregulation, information technology advances, shorter product life cycles, and the evolving recognition of the relationship between customer retention and profitability (Morgan and Hunt, 1994; Zineldin and Jonsson, 2000; Chandra and Kumar, 2000; Sahay, 2003; Stefanou *et al.,* 2003). "Relationship paradigm" refers to all activities directed towards establishing, developing and maintaining successful relational exchanges (Grönroos, 1990, 1995, 1996, 1997; Gummesson, 1994; Donaldson and O'Toole, 2002; Sahay, 2003). While enterprise resource planning (ERP) packages dominated the transaction management era, CRM packages lead the ongoing relational marketing era.

This marketing approach differs greatly from the conventional marketing mix comprising the 4Ps (product, price, place, promotion) by focusing more on the customer market which is one of the many different markets that businesses need to consider (Christopher *et al.,* 1993) as research suggests that good customer relationship management entails customer retention and customer loyalty which then leads to increased market share and bigger profits and secures the company's foothold in the market by dissuading customers from churning (Buttle, 1996; Fornell, 1992; Hillier, 1999; Rust *et al.,* 1996). However, as discussed in the problem statement, it is not what CRM claims to do which matters, it is rather the ability to deliver the strategy successfully; in other words, CRM strategies are effective only when they are properly implemented and when they deliver positive outcomes (Newell, 2000; Kotorov, 2003).

CRM is a marketing approach that works through relationships, networks, and interactions (Gummesson, 1999; Parvatiyar and Sheth, 2000) and is often supported by information technology (IT) that allows for increased interactivity between a firm and its customers. CRM is a highly hyped concept which has gained much popularity and has been controversially been debated as being a mere buzzword versus being a concept which has more to offer to marketing and business management in terms of its customer-oriented philosophy, better customer management system and claiming to reap higher ROI and has come to mean different things to different people (McKie, 2000). One view of CRM is the utilisation of customer related information or knowledge to deliver relevant products or services to customers (Levine, 2000). While such definitions are widespread, they tend to offer a narrow insight into the goals or basic characteristics of CRM. As CRM evolves, richer definitions are emerging, with an emphasis on the goals, logistics and complex character of CRM. According to Light (2001), CRM evolved from business processes such as relationship marketing and the increased emphasis on improved customer retention through the effective management of customer relationships. Relationship marketing emphasises that customer retention affects company profitability in that it is more efficient to maintain an existing relationship with a customer than create a new one (Payne *et al*., 1999; Reichheld, 1996). The idea of relationship marketing within CRM is fairly strong and has led others such as Newell (2000) to explore strategic methods for maintaining or improving customer retention. Another view of CRM is that it is technologically orientated. Sandoe *et al.* (2001) argue that advances in database technologies such as data warehousing and data mining, are crucial to the functionality and effectiveness of CRM systems.

Although CRM has been defined in a multitude of ways, it is essentially based on the belief that developing a relationship with customers is the best way to get them to become loyal and that loyal customers are more profitable than non-loyal customers (Dowling, 2002). According to Dowling (2002), CRM is a strategic concept which integrates the strategic outcomes of satisfaction, loyalty, customer retention and profitability while making use of technology to harness market relevant data and guide decision making. Consequently, CRM systems include call centers, web sites, customer service and support initiatives, and loyalty programs which are all tailored to help understand and manage the relationship between the organization and its customers (Dowling, 2002). Obviously, the inter-relationships among satisfaction, loyalty, retention and profitability are the result of a market orientation which, in turn, is the end result of developing and integrating information through the effective use of marketing research; thus, technology and marketing research information often work in tandem to create enduring customer relationships (Javalgi *et al.,* 2006).

CRM implementation and metrics

According to Bose (2002), CRM is an integration of technologies and business processes used to satisfy the needs of a customer during any given interaction which has increased the interaction of customers with the organizations. The ultimate goal of the organization being to make customers happy because they are the ones who keep the business running (Nguyen *et al.,* 2007) has been made more than ever possible with CRM systems which has helped in creating customer databases with maximum information about customer background and preferences being fed into the system and regularly updated to offer the best suited product to the customer while simultaneously creating opportunities to cross-sell and up-sell. The growth in IT has enabled the organizations to keep records of customer data to ensure that firms know their customer fully and then act according to their needs and interests (Ranjan and Bhatnagar, 2009) and CRM can be assumed to be a revolving process in which firms interact with their customers, thereby generating, aggregating, and analyzing customer data, and employing the results for service and marketing activities (Schoder and Madeja, 2004).

Nguyen *et al.* (2007) argues that CRM can be interpreted as a process of digitizing a staff's knowledge about his or her customers while Rigby *et al.* (2002) make the case that CRM is a process/application that permits organizations to gather and analyze customer data rapidly while seeking to improve customer loyalty via targeted products and services. CRM indicates a customer-centric approach in any organization and Bradshaw and Brash (2001) suggest that CRM status can be compared to triangle of sales, service and marketing which collects customer related information from every department of the organization. More simply explained by Swift (2001), CRM is defined as a process designed to collect data related to customers, to grasp features of customers, and to apply those features in particular marketing activities. Customer assessments of overall relationship quality are based on the gap between their expectations and reality (Parasuraman *et al*., 1994) and the subsequent analysis of the customer data helps the organization to find the hidden patterns.

Bose (2002) rightly describes CRM as a course of action involving the acquisition, analysis and use of knowledge about customers in order to sell more goods or services and to do it more effectively. This type of CRM is categorised as analytical CRM (aCRM); Greenberg (2004) defined analytical CRM as capture, storage, extraction, processing, interpretation, and reporting of customer data to a user. Kotorov (2002) refers to analytical CRM as a 360-degrees view of the customer as it provides the complete details about customers which are relevant for sales, marketing and service for the organizations. This type of CRM as suggested by Rowley (2004) gives an added edge to business, especially in online order, as knowledge bases can be used to generate customer profiles which could be updated, refined and tailored to suggest products and services to customers based on their preferences. Analytical CRM involves understanding of the customer by evaluating the knowledge extracted from the customer data which helps in understanding the behavior of the customers and the implementation of analytical CRM in a firm boosts the production and profit of the organizations (Ranjan and Bhatnagar, 2009). Ranjan and Bhatnagar (2009) advocate that the successful implementation of a CRM in firms depends on some basic principles which need to be considered during the implementation phase so that firms can understand the significance of analytical CRM and help them achieve better results out of putting in place a CRM system:

1. Assess the existing or current systems;
2. Communication of CRM strategy to all business processes;
3. Customers view- point;
4. Organisational perspective and effective results from external customer data analysis;
5. Feasibility of analytical CRM software in term of cost;
6. Focus on high value customer and low value customers;
7. Availability of latest IT infrastructure in the organization;
8. Cross-selling and up-selling in firms;
9. Motivational factors of personnel regarding CRM analytics;
10. Power of analysis tools or modeling tools in analytical CRM;
11. Flexibility in software;
12. The CRM analytics software should be simple, maintainable and extensible;
13. CRM analytics should be reliable;
14. CRM analytics should be transparent;
15. CRM analytics should provide consistent metric in terms of results generated through it;
16. CRM analytics should provide quick response to market change.

According to Ranjan and Bhatnagar (2009), customer data is collected from various sources that include:

- Data of the customers collected through marketing policies of firms;
- Data of customer collected through the promotion schemes or campaign management;
- Data of customer collected from various transactions performed by the customers with various organizations;
- Data of the customer on demographics; and
- Data collected from various tools and applications like data mining (DM).

The results generated through the analysis of the data by CRM analytics helps the business processes in two ways:

(i) It helps to predict the future behavior of customers and to scope the implementing of policies from a future perspective.
(ii) It also helps firms to streamline the existing setup of the organizations by guiding some fundamental changes that are required for competitive advantages.

One major objective of CRM is increasing the profitability of the organisation. Therefore, a successful implementation of CRM should contribute to the profit gained by the organisation. Among different approaches to assess the financial measures for CRM, return on investment (ROI) was highlighted in many studies in the field of CRM (Bohling, 2006; Buttle, 2004; Kraeuter, 2007; Payne and Frow, 2006; Peelen, 2006). Clearly, an increasing number of diverse organisations are adopting CRM. Yet surveys are beginning to highlight the potential risks. Even though CRM systems are proving an incredibly popular choice for implementation, success is proving illusive (Dickie, 2000). Although the promises of how CRM can improve the performance of a business are many, the practical guidelines on how to design and implement CRM successfully are few, and practitioners have been struggling because of that.

CRM has been increasingly adopted because of its benefits of greater customer satisfaction and loyalty, which in turn, leads to enhanced financial and competitive performance. To retain customers, the relationship with customers has to be managed in a long-term and trusting manner for mutual benefits. Thus, the adoption of CRM should enhance the hotels' performance through increasing customer satisfaction and loyalty, declining customer acquisition costs and increasing profitability by customers who are willing to pay a premium for better services (Piccoli *et al*., 2003). Although CRM is imperative for organizational survival, its implementation has resulted in mixed outcomes (King and Burgess, 2008).

Several empirical studies have shown that CRM brings benefit in terms of improved performance (e.g. see Zablah *et al*., 2004; Coltman, 2007). This positive relationship between CRM and performance is due to the use of CRM as a business strategy not only to acquire new customers but also to retain existing customers for competitive advantage. CRM can enhance organizational performance through improving customer satisfaction and loyalty, reducing customer acquisition costs and increasing profitability by customers (Piccoli *et al*., 2003).

Performance is improved since CRM involves the ongoing process development of market intelligence for building and maintaining a profit-maximising portfolio of customer relationship (see Zablah *et al*., 2004). Its customer-centric rather than product-centric should enhance interaction with customers, add value to the products and services and generate customers' loyalty and profitability. Although not all CRM strategy implementation brings about these desired benefits (Richards and Jones, 2008), effective management of customer relationships through the use of CRM strategy is expected to have a positive relationship with performance. Through its customer differentiation and retention, CRM aims to retain and engage in long-term relationships with profitable customers in order to enhance profits.

The measures on customers which should affect performance are percentage of repeat customers, ratings from customer surveys, percentage of market share, percentage growth of existing customers, number of new customers, total sales to new customers, customer profitability and customer lifetime value. Thus, performance-driven CRM emphasizes the use of customer measures such as the percentage of customer retention to indicate loyalty, ratings of surveys to indicate customers' satisfaction, customer accounting to measure profitability by customers, and new businesses by measures of number of new customers, total sales to new customers.

CRM implementation concerns

The adoption of CRM usually involves business process change and the introduction of new information technology which requires effective leadership for the transition to occur smoothly and for changes to be accepted by the employees and other stakeholders (Galbreath and Rogers, 1999). Since leaders normally monitor the external environment of an organisation and they have influential power in the authorisation and control of expenditure, the setting and monitoring of performance and the empowerment and motivation of key personnel, they are often the best placed to set the vision or strategic direction for CRM projects (Pinto and Slevin, 1987).

As CRM permeates through various operations of a business, it has been suggested that organisations should adopt a holistic approach (Girishankar, 2000) so as to place CRM at the heart of the organisation with customer orientated business processes and the integration of CRM systems. Ciborra and Failla (2000) conceptualise CRM well beyond a front office contact management system and having a broader scope. According to Trepper (2000), CRM constitutes operational, analytical and collaborative elements which make a holistic approach to CRM; which as Bull (2003) affirms can help organisations co-ordinate and effectively maintain the growth of disparate customer contact points and channels of communication. However, problems of channel conflict have been identified whereby customer experiences differ depending on the sales channel (Peppard, 2000).

Another implementation issue is that of sourcing; many corporate organisations have few alternatives other than outsourcing a significant proportion of their CRM solution as they lack the resources required to develop CRM software (Bull, 2003). According to MacSweeney (2000), 60% of in-house CRM systems fail to deliver the goods. Timing is another important consideration, as developing CRM software in-house can be quite a lengthy process and there are rewards to those that can respond rapidly and appropriately (Howle, 2000). CRM is also famous to be the facilitating factor to outsource more of business operations directly to the customer in the case of courier tracking services (Hamm and Hof, 2000) and by the massive savings in Internet banking (Downes and Mui, 1998).

Newell (2000) argues that CRM is a useful tool in terms of identifying the right customer groups and helping to decide which unprofitable customers to discard while Clemons (2000) suggests that there may be a tenfold difference between the most profitable customers and the average. The notion that a business cannot have a profitable relationship with all customers and the practice of targeting customers with a differentiated product or service is already widespread in many financial services, e.g. banking, insurance, credit cards etc., it is less established in many other business sectors such as manufacturing (Bull, 2003). One method for identifying customer groups is the concept of distinguishing between transaction and relationship customers; transaction customers are highly volatile and have little loyalty towards the organisation, other than that related to obtaining the best price whereas relationship customers are far more loyal as they are often willing to pay a premium price for reliable goods or services (Newell, 2000). Once relationship customers are identified and secured, they are less likely to defect, given that they continue to receive level of service quality (Bull, 2003). Peck *et al.* (1999) advocates that it is in a company's best interest that it identifies the two types of customers and focus on relationship customers are since they are more cost effective than new customers because they are already familiar with, and require far less persuasion to buy the company's products or services. According to Newell (2000), there are often three distinct categories of relationship customers: the top, middle and lower groups:

- Top group (top 10%) consists of customers with excellent loyalty and of high profitability for the organisation and CRM is needed to retain and offer them the best possible services in order to avoid them defecting to hungry competitors.
- Middle group customers (next 40-50%) are ones delivering good profits and who show good potential for future growth and loyalty. These are the customers who are probably giving some of their business to competitors. The idea is to use CRM to target middle group customers effectively as they are the greatest source of potential growth.
- Lower group relational (bottom 40-50%) customers are those who are only marginally profitable. Some may have potential for growth but the expense and effort involved in targeting such numbers, hinders the effectiveness of servicing existing relational customers in the top and middle groups. CRM should be used to identify this group and seriously consider the response required.

Transactional customers are said to contribute either nothing or have an adverse effect on profitability; the consensus therefore is that CRM needs to identify transactional customers to help organisations respond appropriately (Bull, 2003).

An additional issue of concern is the ability to deliver the strategy successfully; CRM strategies are only effective if they deliver positive outcomes. It is no longer good enough just to say that you are customer focused, but it matters what you do (Bull, 2003). According to Bull (2003), if a CRM strategy is proved to enhance profitability, then the organisation is clearly on the right track and succeeding in its endeavour; such companies should avoid complacency and should wisely devote adequate resources and time to CRM and recognise that effective CRM strategies are iterative and continually evolving.

CRM in the Hotel Industry

Hotels have always tried to establish and maintain a close relationship with their customers but their focus was always more on the local relationship between one hotel and the client (Emperger, 2004). The characteristics of a loyal hotel customer are that he/she stays with a hotel more often and spends more money (Dowling, 2002). When the value of customer loyalty was identified as a profit-increasing factor, hotel chains introduced frequent traveler programs; as such, CRM seemed to be the next logical step (Reinartz and Kumar, 2002). As the growing use of the Internet makes it easy for consumers to find and compare prices and read customer reviews, for hotels price competition becomes unattractive (O'Connor, 2003). Subsequently, CRM becomes a good strategy for hotel companies to differentiate themselves from their competitors (Francese and Renaghan, 1990).

This trend was on its way to become the rage in the hotel industry as far as the 1990's; already one-third of hotel corporations had a structured data warehouse (Andersen, 1999 in Emperger, 2004) and 50 % of the rest were in the planning stage or intended to implement a data warehouse in the near future (Cline, 1999). However a centralized collection of data does not automatically deliver a comprehensive view of the guest; CRM can only be achieved through highly personalised service at each customer touch-point and only few companies in the hospitality industry appear to have reached this stage (Magnini et al., 2003). Also, many hotels perceive CRM implementation as being very troublesome; creating and maintaining a high-quality customer database is very costly and the benefits are not guaranteed. A necessary change of the organisation's philosophy is very challenging, as people are reluctant to change (Piccoli *et al.*, 2003).

The success of relationship marketing heavily depends on the collection and analysis of customer information for developing highly-personalised offerings and Buttle (1996) highlights that marketing problems are by nature information handling problems. However, information should not be confused with knowledge, knowledge is produced when information is analysed and used to enable and leverage strategic actions. Sigala (2002) argues that this misunderstanding has led several businesses to make colossal investments on ICT projects which have not yielded tangible results and to overcome the ICT productivity paradox, hotel management needs to embed ICT generated information into decision-making processes. These decision making processes require three broad phases that run in parallel (Tiwana, 2001): acquisition; sharing; utilisation. Development and creation of insights, skills, and relationships (knowledge acquisition), when disseminated and shared (knowledge sharing) are followed by integration of learning, insights and experiential knowledge and bringing it to bear upon current decisions (knowledge utilisation).

Davenport and Prusak (1988) recognises the critical success factors for knowledge management: ICT and organisational infrastructure; knowledge friendly culture; change in motivational practices for encouraging and rewarding staff when information is collected, shared and used; knowledge management culture; and open organisational structure. Malhotra (1998, p.58) underlines the inextricable link between ICT and knowledge management: "…ICT embodies organisational processes that seek synergistic combination of data and information processing capacity of information technologies, and the creative and innovative capacity of human beings". The importance of a customer knowledge management strategy and the crucial leadership role that visionary knowledge officers should play have always been stressed upon (Earl and Scott, 1999; Zack, 1999); CRM implementation in environments like hotels involves a proper synchronization of all functions like frontline, finance, ICT and other staff to share a common platform of beliefs, expectations and commitment so that optimum results can be derived (Sigala, *2003*). A knowledge-based CRM strategy requires the development of boundary spanning communities of practice whose members are empowered and inspired by a culture of trust that in turn fosters cross-functional collaboration, sharing of expertise and creation of new knowledge (Tiwana, 2001).

However, Dev and Olsen (2000) report that although hotels capture considerable amount of important customer data, those data are rarely assembled to generate useful knowledge about customers and additionally, the collection and use of customer information are frequently intermittent, delayed and fragmented (Cline and Warner, 1999). The lack of ICT and CRM applications integration and legacy systems designed along functional lines that create fragmented guests' profile have been reported as the major reason of duplication, inconsistencies, incompleteness and inaccuracies of customer data in hotels (Sigala, 2003). Thus, knowledge based CRM requires for the hotel industry requires a hotel culture whereby every customer interaction is perceived as a learning experience and each customer contact as a knowledge-building opportunity and a chance to collect new information about hotels' guest (Olsen and Connolly, 2000).

There are two main challenges for implementing CRM in the hotel industry: one is the lack of standardisation and IT-system integration within each hotel group or even within individual hotels; this requires heavy focus on interfacing possibility of the CRM software and the analysis of different processes within each local system; and secondly, there may be up to three parties holding a stake in an individual property: the owner, the local management company and the brand (Emperger, 2004). The difficulty is the financial responsibility of the implementation, data-ownership and availability (Piccoli *et al*., 2003).

With regards to all the concerns of implementing CRM in the hospitality industry, Hermans and Melissen (*2008*) have conceived a model for a better implementation of CRM in hotels called the CRM-7-18 model; '7' indicating seven roles that the hotel has towards its relationship with its guests and '18' for the eighteen steps that model proposes to follow for an adequate application of CRM in hotels. The model purports that there ought to be a shift from the conventional application of CRM to a more sophisticated one which will account for the needs of the environment to yield better results (*see Figure 1 overleaf*).

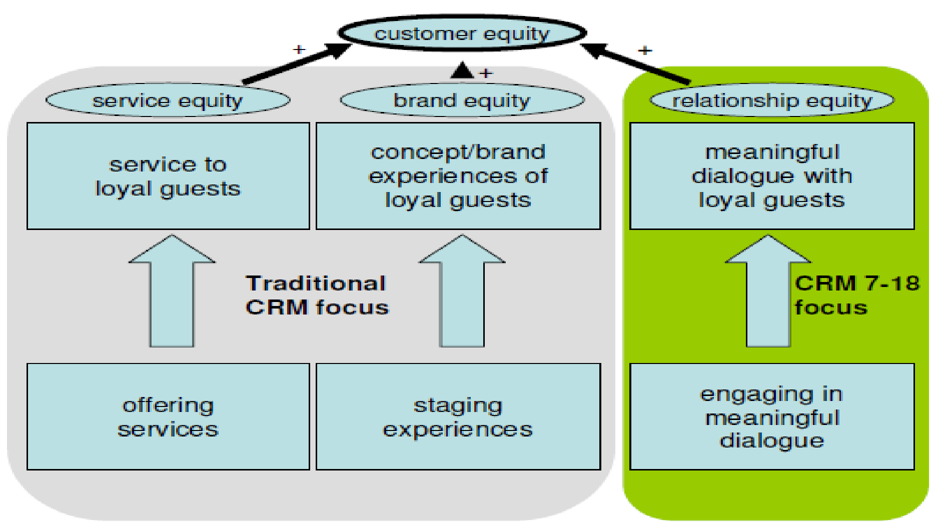

Figure 1: Illustration of the focus shift incorporated in the CRM 7-18 model

Source: Model by Hermans and Melissen (2008);
http://nhtv.academia.edu/FransMelissen/Papers/187778

The 7 relationship roles / drivers

As indicated by Tanner (2005), building a relationship needs to take into account "the seller's propensity to relate" and "that of the buyer." The initiative for a CRM program clearly lies with the organisation. That means that it is the organisation's responsibility to take into account that guests with a certain degree of susceptibility to engage in meaningful dialogue with the organisation will seek answers, mostly likely unique answers, to the following questions:

1) How does the organisation see our relationship develop? What (more) does it need to know about me to build the relationship?
2) How do I want the organisation to adjust what it offers to me? What does the organisation do to make me truly connect to the hotel?
3) Which information, communication and technology platform will be used to maintain our dialogue and to manage my transactions?
4) Is every staff member in the organisation committed, informed, trained and motivated to maintain and build on our relationship?
5) What can I bring to the organization?
6) Are my personal rights and my privacy being respected? Can I quit the relationship or program at any time?
7) Will my complaints be listened to at the level in the organisation needed to deal with them? Which values constitute the basis for our relationship?
8) Do the organisation's values match my values? Do the organisation's core competencies and capabilities match my needs and wants? Can I trust the organisation to reinvest the benefits of our relationship in a continuous improvement of what it offers to me?

The answers to these questions are in line with what was referred to above as customer-centered thinking and processes. Therefore, the answers to the questions need to be the basis for the process of CRM and the day-to-day activities that form the core of that process (Zablah *et al*., 2004; Kamakura *et al*., 2005; Mitussis *et al*., 2006). In other words, these answers make up the "unwritten contract" between each guest and the organisation.

Once the CRM-7-18 team has been formed, the following 18 steps can be used to assist the participants towards building and maintaining the relationship with the guest and addressing CRM as a philosophy. Step 1 through 6 are referred to as the investment or content oriented phase, with a focus on creating relationships with guests on a (business) unit level and based on proactivity from the organisation. Steps 7 through 12 are referred to as the growth or market oriented phase, with a focus on defining the business contribution of relationship development on a regional group level. Steps 13 through 18 are referred to as the maturity or corporate strategy phase, with a focus on optimizing return on relationship expertise beyond the boundaries of functional management. As such, this phase is typically most relevant / applicable for globally operating chains.

Hermans and Melissen's (*2008*) research shows that the CRM-7-18 model implies a different management style which considers all stakeholders of the company as equal participants in the CRM implementation and works in a systematic manner to integrate the functions of all departments to enhance the overall management system and the CRM systems as well so that information is synchronised and the hotel's various units operate in harmonious coordination to yield optimum outcomes. Interestingly, as per the research, all managers interviewed affirm that they foresee a different use of CRM functionalities in their IT systems based on completing the CRM-7-18 project; which implies that the model is constructive and can be used as a framework to sustain further investigation in this field.

Methodology

The following methodology is being proposed to achieve the objectives of this study. The research approach to be used will be deductive, because an existing model will be adapted for the Mauritian Hotel Industry based on the CRM-7-18 model by Hermans and Melissen's (*2008*). The model purports that there ought to be a shift from the conventional application of CRM to a more sophisticated one which will account for the needs of the environment to yield better results. The same research shows that the CRM-7-18 model implies a different management style which considers all stakeholders of the company as equal participants in the CRM implementation and works in a systematic manner to integrate the functions of all departments to enhance the overall management system. This model has proved to be constructive and can be used as a framework to sustain further investigation in this field.

Both descriptive and explanatory (causal) research will be used. Different relationships between variables will be considered and tested, for example, how the structure / processes of an organisation influence implementation of the CRM strategy?

All the relevant stakeholders (Customers, employees at all levels, employers and relevant authorities) of the hotel industry will be targeted. Both primary and secondary data will be used. This study will be using mainly primary data since very little secondary data is available. A survey methodology will be adopted whereby both face to face interviews and online questionnaires will be considered. The structured interview will be carried out among hotel managers of the 115 registered and operational hotels[2] (Census survey) while the quantitative survey will be conducted among a representative sample of hotel customers.

For the online survey, a stratified sampling method will be used and appropriate sample sizes will be calculated using statistical tables (Israel, 2009). A structured questionnaire will be designed to collect data from customers. The questionnaire will be pilot tested first and changes will then be made if needed prior to conducting the field work.

In addition, reliability analysis tests (Cronbach Alpha) will be carried out. The administered questionnaire will be coded and input in the statistical software SPSS for analysis. Both descriptive and inferential statistics will be used. Charts, tables, cross tabulations will be used to summarise quantitative data and statistical tests such as chi square test, regression, and factor analysis amongst others will be considered.

Confidentiality of collected data and anonymity of respondents will be taken care of throughout the study.

Expected Output

The expected output will be an adapted model for successful implementation of CRM for the Hotel Industry. This study will contribute to existing literature on implementation of the CRM strategy in a developing economy. Furthermore, the study will highlight critical success factors for successful implementation in the Hotel industry and the contribution of CRM strategy towards marketing effectiveness.

Research Plan /Activity Chart (Gantt)

It is expected to submit the MPhil/PhD upgrade report after 2 years and the final thesis after a further period of 2 years. A detailed schedule is shown on the next page.

Cost of Research Work

In my opinion, the budgeted costs for completion of the programme shall be around as per table below:

Expenses	Amount (Rs)	Remarks
Equipment and consumables / Specific instruments (Software, journals, articles and magazines)	45,000	
Surveys / data collection / experiments / fieldwork	85,000	
Total	**130,000**	
Proposed Source of Funding	University of Mauritius	

Table 1.10.1: Cost of Research Work

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Foote note

[1] http://www.gov.mu/portal/site/tourist/
[2]http://www.gov.mu/portal/goc/cso/ei935/toc.htm)

Potential Opportunity in the Retail Marketing

Sanjay Aswale
SCS College, Omerga. Maharashtra, India

Key Words
Indian economy, GDP, Retail market, FDI, Domestic & International players

Abstract
India has approximately 222 million households, with more than 30 per cent of the population living in 5,000 cities and towns. Food and grocery with 60 percent forms a lion's share of Indian household consumption, followed by clothing and fashion, which is 20 percent of the total, spends. The consumer market, was US$ 220 billion in 2005-06 which doubled (US$ 425 billion) in 2010-11. India is among the world's youngest nations with a median age of 25 years as compared to 43 in Japan and 36 in the US. In 2025, more than 55 per cent of the population of India would be of working age. With a large working population, India can continue to be competitive globally. These unorganized sector accounts for 95 per cent (only 5 percent account for organized sector) of the retail market in India. This is indicating a huge potential market opportunity in India. The statement of the problem of study is defined by author as "Is their potential opportunity in the Retail Marketing?" This paper investigates the opportunities of retail marketing in India. In this view the bjectives are to review the retail marketing in India, to examine the potentialities and opportunities to domestic and international players in the Indian retail market'. The present study based on secondary data. Simple statistical techniques are used to analyze the data. The study concludes that the retail market in India today remains largely an untapped market. India is the second popular country in the world after China. With increasing income, consumption, The Indian retail market attracts international players to invest in the retail market. The role played by domestic retailers is not satisfactory. Hence there is a potential need of international players in the Indian retail market in the form of FDI. The author feels that this study will be useful to the retailers of the world to invest in the emerging Indian retail market.

Introduction:

The retail market is the largest sector in India, comprised in organized and unorganized sector. Organized retailing refers to trading activities undertaken by licensed retailers, whereas unorganized retailing refers to the traditional format like Kirana shops, hawkers, Panpatti, etc. These unorganized sector accounts for 95 per cent (only 5 percent account for organized sector) of the retail market in India. This is indicating a huge potential market opportunity in India. India has approximately 222 million households, with more than 30 per cent of the population living in 5,000 cities and towns. (***World Population Prospects, 2010, UN***)` Food and grocery with 60 percent forms a lion's share of Indian household consumption, followed by clothing and fashion, which is 20 percent of the total, spends. The consumer market, was US$ 220 billion in 2005-06 which doubled (US$ 425 billion) in 2010-11. India is among the world's youngest nations with a median age of 25 years as compared to 43 in Japan and 36 in the US. In 2025, more than 55 per cent of the population of India would be of working age. With a large working population, India can continue to be competitive globally. (***India-Economy and Trends August 2011***).

Significance of the Study:

Share of Indian retail was $ 210 bn. in 2005, $ 243 bn. in 2009, and $ 246 bn. in 2010, which expected twice i.e. $ 452 bn. in 2015. Increase in disposable income of consumers Increase in consuming desire, Low share of organized retailing etc. are the reasons of growth of retail marketing in India. Purchasing power of Indian urban consumer is growing and branded merchandise in categories like Apparels, Accessories, Food, and even Jewellery, are slowly becoming lifestyle products. Retailers are taking benefit of this growth and accordingly are aiming to expand. Indian retail is expanding at a fast pace. Thus India is being seen as most attractive market by retail investors from all over the world.

Review of the Study:

Proposed FDI norms expected to provide strategic investment opportunity for global retailers, growing consumer class population substantial, expansion and retailer investment plans etc. are the Indian retail growth drivers. In 1991 Indian economy opened FDI up to 51 per cent allowed under the automatic route in select priority sectors. Then in 1997 – FDI up to 100 per cent allowed under the automatic route in Cash and Carry (wholesale). Next step was FDI up to 51 per cent allowed with prior Government approval in 'Single Brand Retail' in 2006. Government mulled over the idea of allowing 100 per cent FDI in single-brand retail and 50 per cent in multi-brand retail in 2008 and recently in 2011, Government considering allowing FDI in multi-brand retailing. ***(India-Economy and Trends August 2011)*** **India's National Council for Applied Economic Research (2011)-** stated that the size of India's middle class households with an annual income of at least US$4,000 increased from 13.8 million households in 2001-02 to 46.7 million households in 2009-10. The latter figure for households translates into a total of about 200 million people. With economic growth projected to expand at 8% annually and the middle class set to treble in number over the next 15 years.

Oxford Analytical Daily Brief (2011) - Domestic demand in India could grow at a compound rate of 9.2% a year between 2010 and 2030. About 55% of respondents highlight the high potential of the domestic market as the most important characteristics of the Indian market.

Malyadri1 & Rao (2011) – in their article entitled "Indian Retail Marketing Scenario A Pivotal Role Towards Economic Growth" concluded that if challenges before the retail market are tackled prudently there is a great potential that retail may offer employment opportunities to millions living in small town and cities and in the process distributing the benefits of economic boom and resulting in equitable and inclusive growth.

Krearny (2003) – studied on global trend and found that India is the least competitive as well as least saturated of all major global market.

Mitra Amit (2011), Secretary General, Federation of Indian Chambers, of Commerce and Industry (FICCI) has mentioned that the huge size of the domestic market, strong growth potential, availability of skilled manpower and relatively stable legal framework are the key strengths of the Indian market.

Registrar of Census GOI (2001) - Imagine if Wal-Mart, the world's biggest retailer sets up operations in India at prime locations in the 35 large cities and towns that house more than one million people. The supermarket will typically sell everything, from vegetables to the latest electronic gadgets **Chengappa , Achoth, Mukharji & Reddy (2003)-** concluded that with 3.6 million shops retailing food and employing 4% of total workforce and contributing 10.9% to GDP, the food-retailing segment presents a focused opportunity to the Government to catalyze growth & employment.

Ernst and Young's (2011) in the survey, found that the number of FDI projects increased by 7% and the number of jobs created by FDI increased by 4% annually between 2003 and 2010,

Touche Tohmatsu (2003) - .In the *Global Retail Report has mentioned t*he global retail industry has traveled a long way from a small beginning to an industry where the world wide retail sales alone is valued at $ 7 trillion.

Thus the above reviews show that the Indian market is the high potential to attract the domestic as well as international market players.

Statement of Problem of the Study:

The statement of the problem of study is defined by author as "Is their potential opportunity in the Retail Marketing?"

This paper investigates the opportunities of retail marketing in India.

Objectives of Study:

After review of the various research works and reports, researcher has set the following objectives

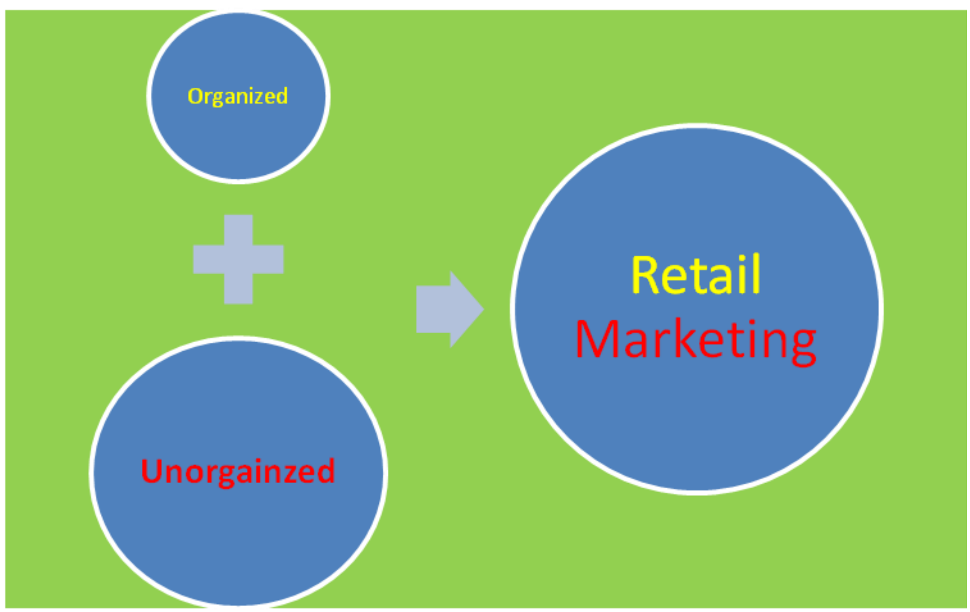
1. To review the retail marketing in India
2. To examine the potentialities and opportunities to domestic and international players in the Indian retail market'.

Methodology and Techniques:

The present study based on secondary data. Simple statistical techniques are used to analyze the data.

The Concept of Retail

The term 'Retail' is defined by the High Court of Delhi as a sale for final consumption in contrast to a sale for further sale or processing i.e. wholesale.(Association of Traders of Maharashtra v. Union of India, 2005 (79) DRJ 426) Thus, retailing can be said as a *sale to the ultimate consumer.* It is the last link that connects the individual consumer with the manufacturing and distribution chain. A retailer is involved in the act of selling goods to the individual consumer at a margin of profit. The retail industry is classified in to two groups i.e. Organized Retailing and Unorganized Retailing.



Organized Retailing

It refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses.

Unorganized Retailing

It refers to the traditional formats of low-cost retailing like the local *kirana* shops, owner manned general stores, *paan/beedi* shops, convenience stores, hand cart and pavement vendors, etc. The Indian retail sector is highly fragmented with 97 per cent of its business being run by the unorganized retailers. The organized retail however is at a very nascent stage. The sector is the largest source of employment after agriculture, and has deep penetration into rural India generating more than 10 per cent of India's GDP.

FDI Policy and Retail Market in India:

As we know that India has signed World Trade Organization's General Agreement on Trade in Services, which include wholesale and retailing services, had to open up the retail trade sector to foreign investment. There were initial reservations towards opening up of retail sector arising from fear of job losses, procurement from international market, competition and loss of entrepreneurial opportunities. However, the government in a series of moves has opened up the retail sector slowly to Foreign Direct Investment ("FDI").

- **Cash and carry (wholesale) -** In 1997, FDI in cash and carry (wholesale) with 100 percent ownership was allowed under the Government approval route.
- It was brought under the automatic route in 2006. 51 percent investment in a single brand retail outlet was also permitted in 2006. FDI in Multi-Brand retailing is prohibited in India.
- FDI up to 100% for cash and carry wholesale trading and export trading allowed under the automatic route.
- FDI up to 51 % with prior Government approval for retail trade of 'Single Brand' products,
- FDI is not permitted in Multi Brand Retailing in India.

Retail Sector Growth in India in Future:

Inspite of the major restriction on FDI the various sources of data suggest that growth in the retail market has been rapid.

In the third-quarter report of 2010, the BMI India Retail Report forecasts that the total retail sales will grow from US$ 353 billion in 2010 to US$ 543.2 billion by 2014. An important consideration, the report suggests, is the fast-growing middle and upper class consumer base. The analysis also suggests that in the next few years there will be major opportunities in India's smaller cities. AT Kearney, a global management consulting firm, rates India as the most attractive nation for retail investment. The study, presented in the Global Retail Development Index of 2009, is carried out annually for 30 emerging markets, and has rated India highest four times in the last five years. This report expresses even more optimism, and estimates that suggest that India's retail market is expected to be about US$535 billion by 2013, with around 10 per cent coming from organized retail. Other estimates are more conservative, though still impressive. According to McKinsey, a research and consulting firm, organized retail in India is expected to increase from 5 per cent of the total market in 2008 to 14-18 per cent of the total retail market and reach US$ 450 billion by 2015.3 Even if growth is more conservative than estimated, the spill-over effects of this rapid expansion could be felt by many other sectors of the economy. A report published by Knight Frank India in May 2010 looks at the question of land and available retail space. It estimates that, during 2010-12, around 55 million square feet of retail space will be ready in the major cities like Mumbai,

Potential of Retail Marketing:

- 55% of the Indian population will be under 20 years of age by 2015
- 10% annual growth in Retail market since 2000
- 7% of the population is engaged in retailing
- A booming US$ 300 billion retail market in India
- 5.5 retail outlets per 1000 population, highest in the world
- 25-30% annual growth in retail loans and credit cards
- Organized Retail is predicted to capture 15 – 20% market share.
- Though it is one of the l east developed sectors, the Retail industry accounts for 10% of the GDP India is the hottest Retail destination. It was ranked as the most attractive retail destination among 30 emerging markets by the Annual Global Retail Development Index (GRDI) for two years consecutively (AT Kearney)

Limitations of the Present Retail Marketing

- There has been a lack of investment in the logistics of the retail chain, leading to an inefficient market mechanism. Though India is the second largest producer of fruits and vegetables (about 180 million MT), it has a very limited integrated cold-chain infrastructure, with only 5386 stand-alone cold storages, having a total capacity of 23.6 million MT. , 80% of this is used only for potatoes.

- Intermediaries often flout *mandi* norms and their pricing lacks transparency. According to some reports, Indian farmers realize only 1/3rd of the total price paid by the final consumer, as against 2/3rd by farmers in nations with a higher share of organized retail.
- There is a big question mark on the efficacy of the public procurement and PDS set-up and the bill on food subsidies is rising.
- The Micro Small & Medium Enterprises ("MSME") sector has also suffered due to lack of branding and lack of avenues to reach out to the vast world markets. While India has continued to provide emphasis on the development of MSME sector, the share of unorganised sector in overall manufacturing has declined from 34.5% in 1999-2000 to 30.3% in 2007-08[12].
- FDI can be a powerful catalyst to spur competition in the retail industry, due to the current scenario of low competition and poor productivity.

Benefits of FDI in Retail Marketing:

A number of concerns have been raised about opening up the retail sector for FDI in India.

- The first concern is the potential impact of large foreign firms on employment. Following agriculture. The retail sector is the second largest employer in India (National Sample Survey Organization, 64th round).
- Retail trade employed 7.2% of the total workforce which translates to 33.1 million jobs (DIPP Report, 2010).
- By allowing 100% FDI in single brand retail can benefit both the foreign retailer and the Indian partner – foreign players get local market knowledge, while Indian companies can access global best management practices, designs and technological knowhow.
- By partially opening this sector, the government was able to reduce the pressure from its trading partners in bilateral/ multilateral negotiations and could demonstrate India's intentions in liberalizing this sector in a phased manner.
- Permitting foreign investment in food-based retailing is likely to ensure adequate flow of capital into the country & its productive use, in a manner likely to promote the welfare of all sections of society, particularly farmers and consumers.
- It would also help bring about improvements in farmer income & agricultural growth and assist in lowering consumer prices inflation.
- Apart from this, by allowing FDI in retail trade, India will significantly flourish in terms of quality standards and consumer expectations, since the inflow of FDI in retail sector is bound to pull up the quality standards and cost-competitiveness of Indian producers in all the segments. It is therefore obvious that we should not only permit but encourage FDI in retail trade.

To Conclude:

There is need of investment in retail marketing by domestic as well as international players. Thus available data shows that the retail market in India today remains largely an untapped market. India is the second popular country in the world after China. With increasing income, consumption, The Indian retail market attracts international players to invest in the retail market. The role played by domestic retailers is not satisfactory. Hence there is a potential need of international players in the Indian retail market in the form of FDI. The author feels that this study will be useful to the retailers of the world to invest in the emerging Indian retail market.

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Secure User Authentication Using Biometrics in Mobile Banking

M.Suganya, S.Sujatha
Alpha College of Engineering, Tamil Nadu
M.Edington Alex
Alpha College of Engineering, Tamil Nadu

Key Words
M-Banking, User Authentication, WAP Technology, Biometrics.

Abstract
Mobile banking or M-Banking makes a revolutionary change in banking services. Mobile phones become a part in the life of a common man. Mobile banking is attractive because it is a convenient approach to perform remote banking (i.e. Anytime Anywhere banking). M-Banking permits everyone in the country to access the banks or various transactions at their own place with the minimum requirement of mobile phone with supported technology. Current M-banking applications used by banks are facing various security shortfalls, In that, one of the important aspect is user authentication (i.e.) the user account number and password is considered. Current M-banking uses SMS technology as the mode of communication, even though it is cheap, the image files and biometric information cannot be embedded. In this paper, to overcome the disadvantages, we have presented WAP/GPRS based banking along with combination of biometric parameters which enhances the user authentication in a secure way. In this approach, along with user account number and MPIN number, combination of biometrics like fingerprint and iris recognition is implemented. Our solution conforms all major security parameters like confidentiality, authentication, non-repudiation.

Introduction
The network security can be implemented in any domain, wherever secure data transmission is needed. Mobile Banking is a way for the customer to perform banking action on his/her cell phone or other mobile devices [7]. To overcome the drawbacks of internet banking (i.e. need of computer machine and internet connection) the concept of M-Banking is introduced.

Mobile Banking
Mobile Banking provides “anywhere” “anytime” service. The types of services that can be provided by mobile banking are, Transaction based and Enquiry Based. A request for your bank statement is an enquiry based service and a request for your fund's transfer to some other account is a transaction-based service. Transaction based services are also differentiated from enquiry based services in the sense that they require additional security across the channel from the mobile phone to the banks data servers. Enquiry based involves Credit/Debit Alerts, Minimum Balance Alerts, etc. Transaction based involves Fund Transfer, Bill Payment Other financial Services.

B.Tecnologies in M-Banking
Currently, Mobile Banking is being deployed using mobile applications developed on one of the following channels such as IVR-based Banking, SMS-banking, and WAP Banking etc. Of Which SMS-banking, WAP Banking are widely used and considered as secure [3].

1) SMS Banking (Short Message Service)

SMS banking, allows users to send and receive text message on a mobile phones to perform banking operations [8]. SMS Banking can be performed in two ways,

- PUSH Message
- PULL Message

PUSH Messages are those that the bank chooses to send out to customer mobile phones, without the customer initiating a request for information.

PULL Messages are those that are initiated by the customer using mobile phones for obtaining information or performing a transaction in the bank account. SMS based service is hosted on a "SMS gateway" that further connects to the mobile service that are provided by SMS center (SMSC) [5].SMS uses the popular text-messaging standard to enable application based on banking is shown in Fig .1.

The way how this works is that the customer requests for information by sending an SMS containing a service command to a predefined number. The server in turn replies with the message only when the username and MPIN number is
verified with the user database. If the match is found, then only the message is delivered to the client. Thus the whole process is through SMS [2].
The SMS banking has some security shortfalls due to store and transmit format of messages [12].

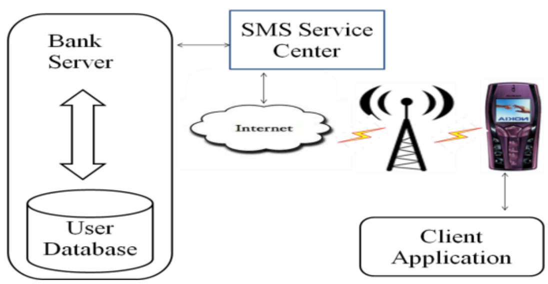

Fig 1.SMS Architecture

WAP (Wireless Access Protocol)

WAP uses a concept similar to that used in Internet banking. Banks maintain WAP sites with which customer can access using a WAP compatible browser on their mobile phones [1]. WAP sites offer the familiar form based interface and can also implement security quite effectively.

A WAP based service requires hosting a WAP gateway. Mobile Application users access the bank's site through the WAP gateway to carry out transactions, much like internet users access a web portal for accessing the banks services [3].

The following Fig.2 demonstrates the framework for enabling mobile applications over WAP. The WAP Gateway forms an access point to the internet from mobile network.

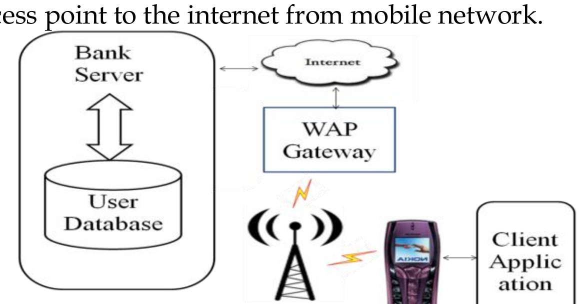

Fig 2.WAP Architecture

C. Biometrics in Mobile Banking

Biometric security is a security mechanism provided in a given application environment, identifies the individuals and they have accesses to the system by measuring physical or behavioral attributes [4]. Biometrics hold the promise of fast and easy to use, accurate, reliable and less expensive authentication for a variety of application [6].

Some of the Biometric technologies or parameters that can be used for user authentication are listed below,

- Fingerprint Recognition
- Iris Recognition
- Retina Scanning
- Face Recognition etc.

Of which the first two biometric techniques are considered as effective because the percentage of security offered is high with the combination. They are explained below.

Fingerprint Recognition

The patterns of friction ridges and valleys on a individual fingerprint are unique to that individuals. Fingerprint is unique for each finger of a person including identical twins. The location on a fingerprint where ridges begin, stop, fork or intersect is called minutias. By extracting minutiae it is possible to retrieve key features of a live finger print authentication, the mobile phones matches feature of a live fingerprint against template stored in a phone [11]. The sample fingerprint of thumb is shown in Fig.3.

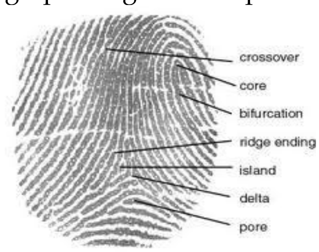

Fig. 3 Fingerprint Sample.

Iris Recognition

Iris recognition is an automated method of biometric identification that uses mathematical pattern-recognition techniques on video images of the irises of an individual's eyes, whose complex random patterns are unique and can be seen from some distance. The following Fig.4 illustrates the patterns found in iris [11].

Fig. 4 Iris recognition

Literature Survey

In Public Key Infrastructure paper, there is a proposed WAP technology and Mobile Information Device Profile (MIDP)-enabled devices are used. The gateway represents a single-point of failure and a major performance bottleneck by being the only entry point to the internet for a large number of wireless clients. The shortfall addressed in this is, the cost of providing feasible and cost effective banking. In Security of mobile banking paper, there is a proposed solution overcoming the disadvantages of the current banking solutions are addressed. Proposed GSM and SMS /GPRS Secure SMS protocol are used. Security shortfalls security problems with GSM network, SMS/GPRS protocols and security problems with current banks related to mobile banking solutions.

In Cost Effective and Secured mobile banking paper, there is a proposed framework for a Bluetooth based M-banking. Customer Mobile application, Bank Server application, Bank side mobile / GSM Modem, Bank database and AES algorithm are used. This system following issues like, *Device constraints, Lack of Standards*, *Security Issues*. And, also the Current SMS Architecture allows hiding original sender's address by altering respective field in original SMS header. Also SMS has encryption only during path from base Transceiver station and mobile station. Then End-to-end Encryption is not available.

Existing System

The current M-Banking is performed using Username and MPIN number through SMS technology. In this approach the customer send his transaction query in secure SMS message to server using AES cryptographic and MD5 hash algorithm. Server will decrypt a message and process query to resend secure sms to client mobile. Here, along with username and password, the MPIN number is generated for user authentication.

MPIN number is a number that is given to the user during registration phase. Based on the MPIN number the particular session is created for the user. The client in the server side application performs symmetric encryption and decryption using 256 bit AES symmetric encryption. In the server side the decryption is performed in the sameway [1].

In the current system only device authentication is provided, the user authentication is provided in the form of username and password. This concept is vulnerable to many cryptography attacks [3].

Proposed System

In this proposed system we are going to overcome the difficulties in the existing system. So, we are going to implement the combination of biometrics. It is done by including the combination of Fingerprint and Iris Recognition along with Username and MPIN number [9]. AES cryptography is used for encrypting and decrypting the information and Stenography is used to hide the user details from hacker while transferring over network [10]. The Timestamp (T) is provided for each message. This helps the server to authenticate the user in a more secure way.

Implementation

The client must be equipped with the mobile phone with the camera and the capability of browsing the internet through WAP (Wireless Access Protocol) technology. The authentication process [6] is shown in Fig5.

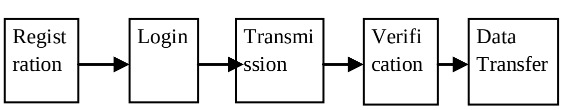

Fig 5 Authentication Process

The Authentication Process contains the following phases,

Registration Phase

The registration is performed by the following steps [4],

- The biometrics data of a user is captured preprocessed and features are extracted and then forwarded.
- The user is given the USERID during this phase.
- Using this bank server will generate a secret MPIN of 6 digits for additional authentication [4].

Login/Handshake Phase

When user wants to login into an account he/she is requested to enter USERID, MPIN and biometric identifications.

The server performs the following steps:

1. Checks T is a current timestamp of users machine.
2. Verifies initial logic details.
3. Extracts the biometric details and verifies.

Transmission Phase

This phase involves transmitting the client request to server through the network. Even if the transmitting data is suspected by the hacker he cannot extract the secret data because of stenography technique.

Verification Phase

Upon receiving the user information the authentication server performs the following steps:

1. The user and device details are gathered and then compared with the database
2. If it is a valid one then the biometrics details are gathered and verified with the database [4].

Data Transfer

If all the above phases are completed successfully then the data can be transferred from user to bank server.

Whenever the user wants to perform banking, he/she has to pass through all the phases mentioned above. In order to avoid intruder hacking the information timestamp t is provided for each and every message. This is verified by the server every time. The message is encrypted for security purpose using AES encryption technique. The biometric information and all other user details are hided using stenography technique.

Conclusion and Future work

This paper proposes, a secure user authentication mobile banking using combination of biometrics. This system allows the user to carry out all banking transactions securely from anywhere anytime. This solution conforms all major security parameters like confidentiality, authentication, non- repudiation.

In future, various combination of biometrics can be tried out. Also, other technologies can be implemented to meet the future advancements.

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Introduce a model to develop of applying the E-Commerce in commercial agencies

Ali Sorayaei &
Ramzan mehdizadeh
Azad Islamic University, Iran.

Masoumeh Seifi Divkolaii
Young Researchers Club of Qaemshahr,Iran.

Keyword
Business, E-Commerce, Business Company.

Abstract
The structure of the world economy has been fundamentally subjected to change in information technology Age. The traditional form of trade lost its efficiency, and not only is the speed of the transactions increased by information technology and E-Commerce but also facilitation in business is become as a competitive factor. The development of E-Commerce in the area of economy and business lead to change in trade methods, purchasing, and even in our attitude. Similarly, the expanding of the E-Commerce developed countries and its advantages means that the developing countries should quickly reconsider fundamentally in trade and commercial strategies. It need to be concerned that the establishment of the E-Commerce in national economy of developing countries (specially Iran) in encountered by limitations and obstacles. The infrastructure of the technology, security, laws, economic financial and administrative institutions, culture and the awareness of the merchants of E-Commerce and in-organizational infrastructure of commercial agencies are the requirements of expanding the E-Commerce. It is tried in this paper to review the topical literature related to E-Commerce and its pre-requirements of establishing, whilst the short descriptions, its importance, dimensions, and the related topics, a conceptual model is to be shown to develop of applying the E-Commerce in commercial agencies as a basis for further topical investigation and studies in real word. Finally it is reintroduced the aim of this paper and its results and establishing the suggestions for future topical research to continue the work by other interested researcher.

Introduction

It lead to from a revolution called E-Commerce by entrance of information & technology to economy and trade setting that changing the trade methods, purchasing, and even our attitude E-commerce by establishing some advantages such as improving utilization decreasing the price, saving in expenditure, changing the size and structure of the market and the deletion of dealers, the opportunity of accessing the suppliers to marginal consumers, encountered fundamental changes in the competitive atmosphere of business. In such situation, commercial agencies to reach the competitive advantage has no way except changing the traditional trade policies to adjust with the modern economy and reach to its trade goals. To be successful in electronic world and E-Commerce, the first and most important step is planning to identify the factors and components of applying the E-Commerce. The several environmental and internal factors impact in applying E-Commerce. The environmental factor involved infrastructure that changes business condition and issues such as legal and lawful substructures readiness of technology, culture and economical, financial and administrative institutes. The internal and external factors that are within the scope of agency's power include business structure, organizational resources, technology factors, research and development in applying E-Commerce.

It is tried in this paper to review the topical literature related to E-Commerce and its pre-requirements of establishing, whilst the short descriptions, its importance, dimensions, and the related topics, a conceptual model is to be shown to develop of applying the electronic trade in commercial agencies as a basis for further topical investigation and studies in real word. Finally it is reintroduced the aim of this paper and its results and establishing the suggestions for future topical research to continue the work by other interested researcher.

The related studies of applying E-Commerce

Developing of E-Commerce need to prepare and establish the required infrastructure. Providing the effective factors (agents) and the required substructures to facilitate the E-Commerce has the same increase as the process power and involving institutions have. In this section, we deal with the conducted studies concerning the effective and preparing factors of E-Commerce of commercial agencies that contains both in-organization and out-organization condition.

In reporting of developing strategies of E-Commerce, UNCTAD (2002), it has been investigated the strategies of 37 developing countries and 14 developed countries. The essential issues such as awareness, substructures, legal issues, electronic finance, logistics, trade facilitating, encouraging policies, and the electronics government are recognize as a common factor in most of the countries .(the first national report of E-commerce in Iran,2004).

In the E-com merce UNCTAD report of 2003 (juha,2004),the success substructures of E-commerce Business to Business includes some factors such as adaptation to environment, technological substructures, business substructures, human factors and establishing connected with user.

Ling (2001)is investigated the effective factors of applying E-commerce in small & mediom companies that categorize them into two general class of external environmental factors including the industry (the competitive pressure, commercial partners' pressure, and critical Mass development) ,national(the extent of government's protection ,national infrastructure, cultural differences)and internal environmental factors including the goals(size of the organization, the support of the top management of organizational preparation, time structure, and organizational culture), innovative(the relative percept advantage, complexity, adjustment, observability, testability)and communications (information resources, communicative channels, the amount of communications). Parcel and Tolland (2004) suggested that the weakness of the infrastructure of long-distance communications, high prices, and lack of skills, knowledge and awareness of the internet power are the obstacles of applying E-commerce. Wang &Tsai (2002) recognized three main factors in applying E-commerce: 1. profits and costs (the comprehended profits, comprehended costs), 2. organization (preparation, the diversity of the product), 3. Environment (the healthy of the transaction, competitive pressure and customer's need).

The conceptual model for developing

Each conceptual model is first step and principle to conduct the studies and researches, in such a manner that identify the concerning variables of research and their relationship (Edward et al. 2000). In the other hand, it can be said that it is ideally, the conceptual model or mental map (Maastricht school of management, 2001) and analytical instrument (Mirzaie, 1998, 10) a strategy to start and conduct the research as it is expected to investigate and test the variables, their relationships and interactions during the research implementation, and some required modifications are accomplished in them and some factors are decreased or added to them (Sautter et al, 1999). It is considered to two main parts in the conceptual model to developing E-commerce in commercial agencies. The first part is concerning to environmental infrastructure of commercial agencies in applying E-commerce that is out of their power. This infrastructure, mainly, is established in economy and business and by the protection of the government. In fact, it is established the primary area to applying the E-C in commercial agencies by cultural, educational, technical, security, legal and lawful infrastructure, and economical, financial and administrative system.

The second part of this model indicated the internal factors of agency to applying E-commerce. By providing the area of applying E-C in commercial environment, the agencies have changed the business, technical, human, financial, research structures and developing R & D for applying E-commerce to adjust with the commercial environment. The relationship between organization (agency) and informational systems caused to increase the efficiency and effectiveness of the organization in conducting the commercial activities. The change of the organization strategies in an economic environment is based on E-commerce aimed at establishing the value to achieve the completive condition and continuance in commercial environment. The performance of the organization in E-commerce is controlled by establishing the value through informational systems of the organization, so that the further engineering is to be accomplished in organizational factors and implementation of the commercial activities to establish a constant value.

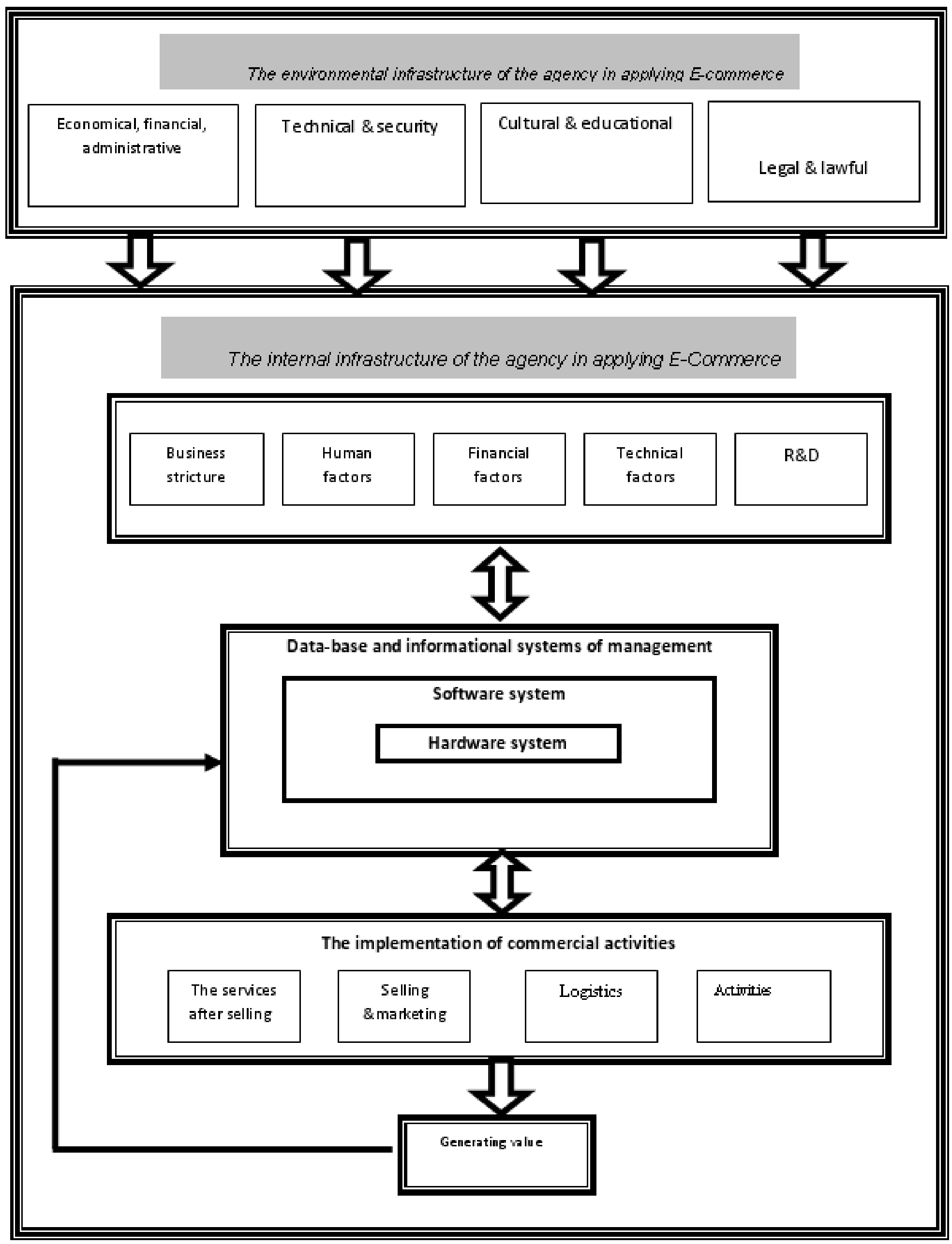

Figure 1: the model of developing the E-commerce in commercial *agencies.*

The details of the model

The environmental (internal) infrastructure of E-commerce

Educational and cultural substructures

benefiting by enough, proper and specialist manpower using of E-commerce the existence of the suitable educational system to transfer culture and the power of specialist and the masses of people, in one hand, between the various generations, on the other, is serious social dimensions in expanding E-commerce(Tamizi,1383).The experimental studies showed that one of the developing instruments of E-C is to invest in human sources and increase the expenditures of research or development(R&D).For example, on the basis of a research in Taiwan (wong, 2002), after establishing networks and the communications, investment in human source and making a proper situation for R & D are the important factors in development of ICT and E-C. If the merchants and consumers are not to be trained in opportunity and advantages of E-commerce and how to use the internet, the E-commerce will not increase.

Economical, financial and administrative infrastructure

The most important effective environmental factors in successfulness of E-commerce are providing suitable areas to develop active economical agencies in E-commerce. it is important and fundamental components to be coordinated the government performance in E-commerce strategy (Murry, 2002).The government can establish the electronic services in different part such as taxation, social security, customs, imports and exports to reduce the expenditure of the companies that transact through E-commerce, provide an area to foreign investment by establishing the required laws and regulations. The extensive participation of the government can induce the suppliers and distributors to coordinate to E-commerce and cooperate with foreign companies. We can not claim to develop the E-commerce without benefiting by lawful environment in state business. The change in economical, financial, and administrative institutions related to trade issues towards making electronic affairs, the electronic banking(electronic transportation and relocation of the funds), electronic insurance, electronic customs, electronic transportation, e-mail, strong and extensive internal and international communications electronic the trade environment. Because, if we consider the stages and ways of conducting and required instruments in internal and international trade, and if it is supposed to be electronic trade, the total stages of trade, from marketing and commercial advertisement, order the goods, opening the credit and transportations of the funds, insurance, transportations to releasing the goods should be conducted by using electronic facilities (Memarnejad, 2005). In a closed economic situation that is impossible to transfer a suitable technique into the country, it is less possible to adjust with the other countries of transaction (Murray, 2002) and in such a case; it cannot be expected to successful development of E-commerce.

Legal and lawful substructures

The development of E-commerce needs a suitable legal form to insure the companies and individuals in regards to enough protection in transactions (khajavi, 2004).The legal and lawful situation proportional to E-commerce model caused the merchants, customers and investors to be assured in digital economy. The determinant factors of legal and lawful substructures of E-commerce included electronic document, issuing the license of the suppliers, the right of the decisions, secret or protect the information, support the consumers civil responsibility, payment law, long-distance communication, tax law, the classic quiddity criminal law, the reticulated quiddity criminal law, and the reticulated international criminal law.

Technical and security infrastructure

These included all required technical and communication areas out of the agency that is provide to use the E-commerce services (Stefani, 2003).It deserves to say that it is impossible to expand E-commerce

without technical and security infrastructure. It can be categorized the determination of the status que of technological infrastructure in a forms of connections and technological infrastructure standard (Behkamal, 1384) it is highly important to prepare the communication network infrastructure. In E-commerce development, the demand more broadness of the band in comparison to telephone networks and ordinary use of internet have increased. Speed and quality of the fast data transfer network is also an effective factor in E-commerce development. In addition to the speed, with regard to high volume of exchange of data in E-commerce, it is more important to transfer (send) the data without any mistake.
The preparation of long-distance communications infrastructure, The preparation of network speed and quality, to be accessible the internet, the content of local communicating to be accessible the software and hardware, the preparation of services and support, the preparation of required electronic services in E-commerce. The technology standards are the determinate factors of technical preparation of E-commerce. in E-commerce, it is possible that the both parties of transaction even have not seen each other but from a security point of view, the following items is discussed (raised):1. Impairment (break down) or data change (in web site or in path), 2. Illegal access to data and 3. The operation intermixing (data related to a web site) 4. Dishonest introduction (not offer confirmed document), 5. The other party's dishonest use of the data (Bakhtiari1, 2003).

For electronic payment, the most important threat is making a forged transaction (MPF,2003) that is established through accessing the following information: to find the pass word or PIN number, to find the customer's account number, the ability of sending the message of attaining identification for bank. A payment system should can fulfill the following customary security conditions (Trinteh, 2003): attaining identification (to make sure of the user), secrecy (illegal inaccessibility of data), and the unity of the data (unchanging and data surety), being undeniable, the relative ability to peruse (find the user's identification in an illegal act).

The internal substructures of commercial agency in E-commerce

An absolute E-commerce is conducted when the total trade components is to be electronic ones (Turban, 2003). The preparation of internal factors of the agency is to use in E-commerce for establishing the value for agency to constant remaining in commercial area.

Business substructure

Business successfulness affected by business infrastructure of the agency. The determinant factors in business successfulness are included: organizational infrastructure, organizational strategy, organizational knowledge, flexibility and consent of the beneficent (Turban, 2002).

- Organizational structure: the organization has a structure that the individual run a business on the basis of it.
- The organizational structure has some dimensions that affect on organization, the method that the organizational act according to it and the direct results of that action. The dimensions included: organizational culture, organizational identification, organizational action toward the strategy, and organizational learning.
- The knowledge: it includes: familiarity, awareness, the perception resulted by experience or education. The agency should know the needs and how to fulfill the needs of the beneficents to satisfy their needs. The knowledge has some dimensions that established within a company and or resulted of the organization knowledge. They are concluded: technology, commercial intelligence, awareness of internal and external factors, and awareness of the needs of the beneficents.
- The satisfaction of the beneficents: the beneficents included shareholders, customers, personnel, and suppliers that can affect the agency's future and their dissatisfaction leads to the agency failure (bankruptcy).Therefore, the agencies should have enough knowledge regarding the needs of beneficents and how to fulfill them to reach the success.
- Flexibility: the commercial area changes rapidly in the informational technology age and the remaining of the agency is depended on its thorough flexibility. The flexibility of the organization is

determined by innovation, used technologies, having commercial intelligence, enough knowledge of market, and external factors.

- Strategy: one of the most important business infrastructure of the agency is the agency's strategy, which is played a main role in E-commerce development and success (Turban, 2002). The agency can achieve to a constant competitive advantage by following an effective strategy. The agency strategy is based on its knowledge. It means that the strong knowledge essentially increases the possibility of the strategy's success.

Human factors

Since the manpower with a high skill is one of the preconditions of E-commerce, the companies that have manpower with a high skill, specialization, and knowledge, will benefit of advantage and good potential to E-commerce development (Burkay, 2003; Stefani, 2003).

The agency, in one hand, should have the knowledge of the customer's needs and how to fulfill them and the responsibility to answering their problems to satisfy their needs and on the other technical cadre (staff) and the inside support of the agency should have the enough and opportune skill and technical knowledge regarding their duties to establish the back office services of E-commerce. Therefore, technical skill, knowledge, and cultural awareness of manpower are important components in E-commerce success of the agency.

The agency's technical infrastructure

This infrastructure include a series of required equipments and facilities within the agency that is provided by the agency itself to establish better services and works (Stefani, 2003). The most important of these infrastructure included that an agency should have complete software and hardware equipments to establish the best services in E-commerce. The technical cadre and the inside support of the agency should have the enough and opportune (update) skill and technical knowledge regarding their duties to establish the back office services of E-commerce and also the responsibility to answering their problems. One of the success factors in E-commerce is to communicate effectively to user. So, the important factors should be identified and then evaluated (Burkay, 2003). The important components in an effective communicating to user included: the quality of the user's connective system, content quality information system, trust and validity of supporting services.

- The quality of E-commerce system: since the transaction between both parties of exchanges in E-commerce is conducted through E-commerce system its quality has an important role to achieve the desirable result (ISO/IEC, 2001, Khosravi et al, 2004). The six main characteristics of a qualitative software system include: functionality, reliability, usability, efficiency, maintainability, and transferability.
- Content quality of information: in addition to the quality system of E-commerce, another important factor that is effective in success of the system is the quality of the information established by the system to consumer. The information should be complete, accurate, correct, and clear and be far from any contradiction or incompatibility (Burkay, 2003). They also should be understandable and believable to consumer.
- •Security and validity: it is more difficult to achieve trust and validity in E-commerce than the traditional trade due to many obstacles. In generally, the surety of the customer to an agency is two kinds: the extent of trust of the competence of the agency, that is, the trust of the customer to ability and competence of the agency to do the activities correctly and thoroughly that established by presentation of the qualitative products and services and the agency's obligation to the promised liabilities. The second is the extent of trust which is formed in customer's mind by the credit of the agency itself (Burkay, 2003).
- Services and support: a successful E-commerce system should be able to create the modern, different and beyond the customers' expectation level services to surprise them. For this reason, establishing services to the customer should be aimed at the fulfillment of the customer's content,

not to sell the goods only. a successful E-commerce system should have an intelligent agent to receive the feedback from the customers so that they should be able to establish the goods and services according to the customer's desires. (Ming, 2003; U. Burkay, 2003) the kind of services and works of a system include: before-selling services guarantee, after-selling services, and self-services.

Financial factors

One of the main problems of small organizations is inaccessibility to financial sources (in a form of current capital and or supplying financial credit). It is caused them not to be able to proper invest in using of software and hardware and hence the company cannot endure as a result of investment failure on the knowledge technology (Thonog, 1999). While investigating the impact of financial security on E-commerce activities, two main problems should be considered:

- the ability of the organization in supplying enough financial sources to support of commercial activity,
- The yield of the business investment (Doana, 2003).

Research and development(R & D)

Research and development includes a creative work that is conducted regularly to increase the scientific resource and technological knowledge and also to use this knowledge to invent and the present the modern applications. Research and development is a general term that considered more extensive activities from creation of modern technology, innovation, invention, and the qualitative and quantitative improvement of the goods to industrial, economical, social applications in order to fulfill the increasing needs of human societies. It includes more extensive of human, technical, instrumental, economical, social, culture, political dimensions that each of them containing more specific and extensive dimensions in per se. it requires social, scientific, technical, research, specific planning awareness and the management of the activity to achieve the desirable result. Research and development is a series of creative regulated activities based on the existing knowledge and experience resource to gradual change (reform) and innovation in producing the goods process (from supplying the entries to offering the products to community) and services in economical and social institutes in a manner that leads to operational and (or) increase the existing knowledge repository (Shebli, 1996).

Internal relationship between the organization and informational systems

In modern systems, we observed the development of the increasing internal relationship of commercial strategy, regulations, processes, and informational systems of the organization. The change in strategy, regulations, and processes requires increasingly a change in hardware, software, and database. The present systems can be counted as an obstacle to organization development. Sometimes, the work that the organization tends to do depends on that whether the systems permit to do this work or not (San & Linden, 2003, 28.).

The hardware refers to the equipments and devices that in fact, process data.
Software is a general term that explains the programs, grammars, processes work procedure and provide the opportunity for individual that can use the computer.

Database is a series of data that is collected and saved as different records. The records are connected through the data relations and not their physical place of saving.

The management informational systems is a complete and united, electronic (computational), machinery user system that its performance is to establish the data to protect the managers (TPS, DSS, HRIS) in organization.

The implementation of commercial operations

The implementation of a system can be followed by the fundamental changes in the method of the work that the organization performs (Sarrafizadeh, 2005, 27.). The implementation of E-commerce by commercial agency is counted as the important dimensions of the acts (technology) of the support (logistics), selling and marketing and after-selling services (Porter, 2001).

- Operations: the exchange of the information, the conclusion of the agreement with manufacturers and suppliers, on- line access of distribution network and selling agents to information.
- Logistics: on- line exchanges, on-line agreement, the customer's awareness of the goods' condition in delivery stage.
- Selling and marketing: on-line markets and selling channels, the individual marketing according to each customer, on-line feedback
- After-selling services: responsibility to answer the customer's questions by chat or e-mail.

In this paper, the central point of E-commerce is the inner part of the databases (informational) of the agency that by using information and entry factors, the substructures of the agency establish the reports to implementation of commercial acts.

Value

Generating the value in organizations is the most important phenomenon that has a role in remaining the organizations. It is argued that if an organization would not have a new value to present to market, the establishment and or present of this company in commercial area is not justifiable and will be exterminated. The concept of establishing the value concerning being electronic of organizations and agencies is also continually retained its meaning. It means that if being electronic of an organization leads to establish a useful and new value in comparison to traditional method, in this manner, the establishing of electronic business is justifiable (the deputyship of informational technology and communication investigations of Ministry of Trade, 1383), otherwise, the establishing of electronic business is an idle task. There are four main factors electronic business that leads to established the new value and or increase the existing values result from the performance of the company in electronic business: novelty, lock-in, complementarily, and efficiency (Amitetal, 2001).

- Innovation: in electronic business, it tends to modernize and change of the methods of doing the work. The companies has increased its innovation and creativity owing to the informational technology by accumulation of the customer's unknown needs and recognition of the new markets, and in this way, it produces the more value in market, Whereas, these activities are not possible virtually in traditional business due to high cost and temporal obligations and manpower.
- Maintenance of the customer: the term "lock-in", mostly means to lock, but in E-com merce means the lock of the customer in company and its colloquial meaning (in common use) is the maintenance of the customers, which means the increase of the number of times of customer's exchange. It includes the costs of the source change, the customer's constancy programs, draw the confidence, made-to-order product, and ancillary advantages of the network.
- Complementing value: the subject of subsidiary values is more related to the synergy topic. It means that the value resulted from compounding some factors is more than the total produced value from the individual factors, when they had not been compound together. In electronic business, it can be fulfilled the customers' needs desirably by different strategies of joint interaction (cooperation), and by supplying simultaneously of the products and customers' services. It includes: offering a suitable compound of products and the required services of the customers, compounding of on-line and offline activities, the proper combination of technology with the existing activity of the company, suitable combination and compounding of different activities of the organization.
- Efficiency: it means that the decrease of the performance costs of regular volume of exchanges and or commercial transactions. The decreasing of the searching costs for the customers, facilitating the exchange processes, acceleration of the exchange process, saving resulted from standard, decreasing the

distribution's costs and improvement of the stock management in E-commerce leads to establishing the value in commercial area.

Conclusion

Discussion and conclusion

The aim of the writing of this paper is to answer to this question that what are the effective internal and external factors on using E-commerce in commercial agencies? The reason behind this question is that the achieving to the competitive advantage resulted from applying E-commerce requires to provide its infrastructures in commercial area. It is the first step to identify the factors and components of the applying E-com merce in its development. By formation of cultural, technical, security, legal, lawful infrastructures and economical, financial, and administrative institutes, it is provided the area of the applying E-commerce. Similarly, the concern of commercial agencies to preparation of the inside area of the organization, that is business structure, organizational sources, technical factors, research development, for applying E-commerce lead to establish the value by commercial agencies to remain in commercial environment.

In this paper, it is tried, among the short explanation of E-commerce and review of the topical literature related to the effective factors and indexes (variables) on applying E-commerce, its description is explained in general and these factors and indexes introduced in a form of conceptual model of development of applying E-commerce in commercial agencies.

One of the most important characteristics of this model, concern to the totality of the topic that is concern to the effective internal and external factors on applying E-commerce. It seems that the foresaid model presents a hopeful method to identify and evaluate the effective internal and external factors on applying the E-commerce. Hence, it is deserved that the fundamental acts are performed for its development with regards to the importance of applying E-commerce.

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"Trade Liberalization in a Small Open Economy: An Application of the Overlapping Generations and Multi-sector Computable General Equilibrium Model to Australia"

Ha Viet Nguyen
University of New South Wales, Australia.

Key Words
Australia, computable general equilibrium model, overlapping generations, liberalization, multi-sector, subsidy, tariff, trade policy.

Abstract
This paper investigates the effects of trade liberalization on economic performance and welfare in Australia through a computable general equilibrium (CGE) model. This is the first time overlapping generations and multi-production sector structure have been combined in a CGE model in Australia. Additionally, our model explains dynamically how the economy adjusts and incorporates leisure in consumers' utility, making our structure far different from existing empirical models used in international trade.

As a small open economy, all conditions in the world market, such as price of goods and services and interest rate are exogenous to Australia. Trade liberalization is defined as the reduction in import duties and/or subsidizations. In general, a fall in import duties has a positive while a reduction in subsidies has a negative impact on the Australian economy, for example, welfare, output, labor employment, accumulation of capital stock and trade balance, etc. However, these results are uneven across industries and cohorts. Findings of the paper are consistent with the mainstream trade theories and realistic facts in Australia, implying the possibility to use the model for policy implication and prediction. Moreover, the model can be extended in several dimensions to analyze other issues.

Ignorance is not bliss: the case for Gender Economics

Mark T Jones
Academy of Business & Retail Management, London

Key Words
Gender economics, global economy, empowerment, education, Gross Domestic Product

Extended Abstract
The profound difficulties being faced by much of the global economy have caused considerable angst amongst economists and policy makers. Governments around the world have endeavoured to discover the root causes of the crisis as well as potential ways to mitigate the fallout. For all the analysis and conjecture it is regrettable that the issue of gender has been overlooked, left as it invariably is in a feminist ghetto. Ignorance of or indifference to gender economics is hampering economic development and perpetuating an economic model that fails to optimise human resources because of biological composition. The problem would appear to be so widespread that institutional and legislative myopia in this regard has become routine thus appears to be the norm.

In times of economic depression there is an even greater need to explore means of harnessing human potential. This presentation seeks to elucidate the reasons why it is imperative to recalibrate our thinking in this regard.

Economists and monetary committees the world over are currently being exercised by fear of a prolonged economic malaise, double dip recessions and the burden of mounting national and personal debt. The interconnected nature of the global economy means that even those countries that currently have healthy annual growth rates are conscious of flaws that could undermine growth and prosperity. Such has been the financial turbulence that at times the world has appeared to be on the edge of the Abyss, with financial markets locked in a titanic struggle to avoid a cataclysmic crisis equal and if not worse than the Wall Street Crash (1929). Previous periods of immense economic strain and turmoil have resulted in some attempt to forge mechanisms to help calm the markets, stimulate growth and generally restore equilibrium to the global economy. In 1944 the United Nations Monetary and Financial Conference (commonly known as the Bretton Woods Conference) sought to regulate and shape financial and international monetary after the Second World War. This Conference resulted in the establishment of the International Bank for Reconstruction and Development (IBRD), the International Monetary Fund (IMF) and the General Agreement on Tariffs and Trade (GATT).
For all the intellectual energy invested in such conferences one element is invariably missing and that is the issue of gender economics. If the world is serious about restructuring the global economy in such a manner as to minimise the risk of future difficulties I would venture to suggest that greater cognizance needs to be taken of gender economics at every level.

With some economies set to contract or have a zero rate of growth in 2012 it is surely noteworthy that; "Reducing gender inequalities in education and the labour market alone can add as much as two percentage points to GDP growth per annum" (World Bank, 2012). Imagine for a moment that academic institutions spent as much time and emphasis on gender economics as they do on issues such as fiscal discipline, inflation or supply and demand. If we are serious about addressing the inherent weaknesses in the global economy it is imperative that the gender factor is brought into the mainstream, not out of political correctness or tokenism, but because it is utterly illogical to do otherwise. That said, what may be logical and what is practical are often two very different things. The very word "gender" is heavy with connotation and sends many academics, let alone policy makers and business people scurrying for the exit.

Gynophobia and misogyny have long haunted the groves of academe and there is also the added problem that few male writers seem willing or able to address this issue with the objectivity and seriousness that it deserves. As for how we go about bringing gender economics into the mainstream, well that is a whole new challenge in itself. Scepticism and resistance is inevitable.

There was a time not so very long when many people were oblivious to the term "glass ceiling" an expression used to refer to invisible barriers that impede the career advancement of women. Pedagogy and andragogy endeavours to tackle ignorance head on in the knowledge that ignorance far from being bliss is a fool's paradise. If there world is to lessen the negative impact of the vicissitudes of economic cycles it is imperative to seek to explore economic models that might restore a degree of equilibrium. Gender economics, can at least help us gain a more accurate picture of some of the factors that impact on all our lives.

Innovation and business dynamism: An evolutionary perspective

Palto R Datta
University of Hertfordshire, UK

Pratik R Banerjee
ABRM, London, UK
(Formerly professor at Indian Institute of Management, Lucknow)

Key Words
Evolution, Darwinian principles, variation, natural selection, retention, adaptation, business dynamism, innovation, routines

Abstract
Today's business environment is relatively turbulent and uncertain and it is important that business needs to evolve, learn and innovate to survive. Organizations that do not change are victims of the natural selection in the market place. Change is paramount for today's dynamic organisation. Evolutionary theory provides a generic framework for understanding social change. It explains the change in social systems by focusing on the processes of variation, selection, retention and struggle. This article sets out to examine the potential contribution of the evolutionary approaches to dynamic business strategy and how strategic dynamism can be addressed. In order to place the discussion in the right perspective the researcher has adopted a simple scientific working definition of evolution. The main focus is on the biological interpretation, especially Darwin's theory of evolution. The main assumption here is that the essential tenets of evolution have a number of implications for dynamic business strategy.

Introduction

According to Morgan (1997) metaphors are very important to define the reality of nature and all humans, and in all aspects of life define their reality in terms of metaphors. Morgan (1997) believed that we are encouraged to think and act in new ways by using of metaphors. Thus, every individual sets goals, makes commitments, implements plans and draw inferences to structure individual's experiences by means of metaphors. Lakoff and Johnson (1980) also had clear conformity with that of Morgan (1997) `Metaphors we live by`. The rationale behind this proposition is that as soon as an aspect of life is given a metaphorical definition, by an individual or a group of people, a line of thinking towards that particular aspect of life emanates. This could either be a conscious or unconscious activity.

A typical examples of famous metaphor in organisational theory that "an organisation is like a machine" (Morgan, 1997). In the light of this metaphor, management thought with regards to organization has been in terms of inputs and outputs, the adoption of assembly line production system and efficiency as the driving force behind organizational performance. The merits, demerits and the consequential challenge posed by this particular management concept are obvious in modern management. However, it must be emphasised that there are numerous images and metaphors of organisations that have been used by different organisational experts to shape management thought over the years. Metaphors form a strong base in the formation of organisational and management theories and play an important role in science (Hodgson, 2000). Biological metaphors play a significant role in explaining economic and organisational change and leading neo-classical economists had seen biology as the possible inspiration for the economics of the future (Hodgson, 1995; Nelson & Winter, 1982, Winter, 2000). Nevertheless, to some degree, biological metaphors have always been present in modern management theories.

Interest in evolutionary approaches to business and economics by academics and professional has earned a good reputation and produced a vast literature. In recent years much has been claimed regarding the impact of evolution on dynamic strategy and on redrawing boundaries (Colarelli & Dettman, 2003); in enabling the redesigning of business processes and a redefinition of the business itself. Over the past few decades Boyd and Richardson (1985), Hodgson (1995, 2002); Dawkins (1986), Dephew and Weber (1995) and Dennet (1995) have provided detailed explanations of evolutionary thinking. Nelson and Winter (1982) has applied evolutionary ideas to economic change. Therefore, evolution is not unique to biology, but occurs in many other systems too, ranging from information systems to management systems to social systems. Many of these systems evolve through the same evolutionary mechanisms that have been identified in biology, namely the mechanisms of variation, inheritance and selection.

Thus, this study examines the concept of evolution and its core principles in relation to business and how changing business dynamism can be addressed by understanding evolutionary concepts. This study is organised as follows. The first section sets out to examine the concept of evolution in the context of biological systems and synthesises the Core Darwinian principles of variation, natural selection and retention after identifying the key questions for this study. Second section seeks to find out whether the social evolution Darwinian or Lamarckian to establish a general or universal Darwinian principles. At the heart of the third section is the question of whether we can treat a company or other organisation as a living system using evolutionary principles to understand and perhaps influence how the organisation change over time. Finally, conclusions will be drawn based on the discussion.

Key Questions

There are few basic questions that guided this study and the primary areas of literature used. These questions are as follows:

1. ***What is evolution and what is the potential contribution of evolutionary approaches to business? How organisational dynamism can be addresses by an evolutionary concept?***
   The main objective of this question is to describe the dynamics of the evolution process and the pattern of the strategic interface in the highly fragile and uncertain global market place. The understanding of the dynamic strategy in this context is the persistence of strategies over time that organisations pursue.

2. ***What are the main features of evolution and how these can be used as metaphors for social sciences***
   Evolution results from the operation of the four generic processes: variation, selection, retention and diffusion and the struggle for scarce resources (Campbell, 1975). These four characteristics are necessary and sufficient to account for evolutionary change. A company can be treated as a living system using evolutionary theories to understand and perhaps influence how the organisation changes over a given period.

3. ***How routines and Innovation can be explained by Darwinian principles. Is there any universal Darwinism?***
   The concept of routines and innovation are vital in the development of organisation. Routines are cognitive learning, patterns of learning, explicit policies and procedures which according to Nelson & Winter (1982) routines are analogous to genes. If we can establish the concept of Universal Darwinism this will help to explain the principles of Darwinian evolution to other social sciences. This study accepts the phenomenon that all evolving system follows Darwinian biological evolutionary principles, and therefore Darwinian social evolution is universal. However, this universalism must be applied as analogous by understanding and considering the local situation.

Evolution: Concepts and Principles

Although in the eighteenth and nineteenth centuries two great evolutionarists Jean Baptiste De Lamarck (1744-1829) and Charles Darwin (1809-1882), used this word in their writings, the concept of evolution used for the first time by Albrecht Von Haller, a Swiss anatomist, physiologist and poet in 1714 to characterise embryological development and it was Herbert-Spencer (1892) who popularised the concept of evolution. The word evolution derived from Latin word `evolver` which means 'motion' (Hodgson & Knudsen, 2005). Spencer (1892) understood evolution as a process and defined as "a change from an indefinite, incoherent homogeneity to a definite coherent heterogeneity through the process of continuous differentiation". Evolutionary development is in opinion of Spencer (1892) a change from lower to higher forms of organizations of life, from worse to better states. However, Haller (1714) realised that all basic structures of adult organism pre-exist in a cell from which an individual development is unfolding (evolution).

Contemporary use of the word evolution is associated very clearly with Darwinian idea of Natural Selection and its meaning is fundamentally different from that of Haller (1708-1777) and even Spencer (Datta and Dey, 2006). Today using this word, relates not to the individual development but to the changes observed at the level of population. However, Darwin did not use this word in his first edition of `Origin of Species` rather use the concept of ` descent modification` several times (Hodgson & Knudsen, 2005).

The origins of evolutionary thought in the field of economics can already be found in the works of Adam Smith (1723-1790) and Karl Marx (1818-1883). However, not until Torstein Veblen's (1899) "why is economics not an evolutionary science"? These ideas addressed explicitly as evolutionary theory. Joseph Schumpeter (1883-1950) was the first who formulated and presented fully matured propositions of principles and goals of economic analysis in evolutionary spirit. Schumpeter (1934) defined evolution is lopsided, discontinuous, disharmonious by nature------ Evolution is a disturbance of existing structures and more like a series of explosion than a gentle, though incessant transformation. In the understanding of Schumpeter innovation is to gain greater profit and get competitive advantage.

It is necessary to mention that Schumpeter's (1883-1950) understanding of evolution is slightly different than those of Darwinian or Lamarckian. Economic development, as well as evolutionary process, is historical one in which future development is determined by the past pathway of changes as well as by the current state of this process. "Every concrete process of development finally rests upon preceding development- every process of development creates the prerequisites for the following (Schumpeter 1934). Innovation in economic processes, as mutation in biological evolution is essential element of development. By innovation he understood: (i) the introducing of a new good or new quality of good, (ii) The introduction of a new method of production, (iii) the opening of a new market, (iv) the conquest of a new source of raw materials or half-manufactured goods---. and (v) the carrying out of the new organization of any industry (Schumpeter 1934).

According to Schumpeter (1934) effective development strongly depends on diversity and that diversity is the basic source of innovation and can be named evolutionary engine. Diversity leads to diminishing current quality of systems performance, therefore from the short-term perspective is disadvantageous. But it is beneficial in the long-term perspective. Darwinian Biological Evolution is a gradual adaptation through natural selection, is a process consisting of three component principles, namely variation, heredity and individual selection (Mayr 1942). Darwinian principles of natural selection is based on variation, inheritance and selection and primary processes in biological and social evolution are natural selection (Colarelli & Dettman, 2003).Variety and diversity, whether fully random or not, are essential because without them there can be no evolution whatsoever. Evolutionary theorists view the development of biological and social systems occur through a slow process of small incremental improvements (Dennett, 1995) and variation, selection and retention are key to that development. The following section will examine these three concepts of variation, selection and retention.

Variation

Variation is the first condition and starting point for understanding evolution. There must be sustained variation among the members of a species or population which can be intentional or blind, but without this natural selection can not operate (Hodgson & Knudsen, 2005). Intentional variation occurs when individual or organisation seeks to bring alternatives to a problem, while blind variation occurs independently of conscious planning. Blind variations are accidental not intentional responses (Brunsson, 1985).

Selection

Darwin's most important insight was a new concept of selection that could explain evolution in terms of the effect of selection by natural forces that caused gradual changes of phenotypic traits in a biological population (Richards, 1987). In a very real sense, natural selection is the driving force behind the evolutionary process (John Stewart, 1977).

The philosophy behind this approach is `survival of the fittest`. That is within a competitive environment, the organism that has superior traits survives to perpetuate its kind in subsequent generations. Obviously, the one with relatively weaker traits is naturally selected out. This evolutionary idea was taken up and modified by Stephen Enke(1951) who argued that with sufficient intensity of competition and in the long run, a condition of intense competition would mean that only the optimizers remains viable. Milton Friedman (1953) developed this further, by seeing natural selection as grounds for assuming that agents act as if they maximize, whether or not firms and individual actually do so. Alchian (1950) used natural selection as a defense of the maximization hypothesis for individual firms. Likewise, Winter (1964) saw several difficulties and ambiguities in Friedman's argument. His major line of attack is to point out that for selection to work there must be some sustaining feature that ensures that the maximizers or near-maximizers that are selected through competition will continue for some time in that mode of behaviour. For natural selection to work there must be heritable variation in fitness and this is missing from Friedman's account (Hodgson 2000).

Another concept which has positive connotation with the survival of the fittest is called differential reproduction. Differential reproduction is the idea that those organisms best adapted to a given environment will be most likely to survive to reproductive age and have offspring of their own (John Stewart, 1977). Organisms that are successful in their environments will be more likely to be successful in reproduction, and therefore the better-adapted organisms will reproduce at a greater rate than the less well-adapted organisms. Natural selection is the process by which the organisms with the best or most favourable genetic adaptations out-compete other organisms in a population, tending to displace the less-adaptive organisms. This process derives logically from the concepts of survival of the fittest and differential reproduction. Natural selection is dependent on there being different variations of the same trait available (John Stewart, 1977). Additionally, these variations must confer different survival advantages or disadvantages

Retention

This is the third components of evolution which is derived from the selection. This occurs when variations are preserved, duplicated or otherwise reproduced so that selected activities are repeated on future occasions. Due to the added value from the existing routines and habits organisations or individual can benefited from the retention (Miner, 1994).

The application of Evolutionary approaches to Business

According to Hodgson (2002) it is not possible to draw a true analogy between biological and organisational evolution as industrial organisations are not counterparts of biological organisms. This view also supported by Witt (2004) who stated that it is not adequate to explain cultural evolution by Darwinian Theory. On the other hand various literature in organisational theory and institutional economics suggest that organisational evolution is analogous to the biological theory of evolution (Nelson & Winter, 1982; Aldrich, 1999; Knudsen, 2002; Murmann, 2003). Nevertheless, Hodgson (2002) also posited that evolutionary principles from biological domain can be used as a `metaphor`. Saad & Tripat (2000) also posited that evolutionary psychology is a valid and useful in marketing context as it address the core question of organisation –"how does a particular behaviour, cognition, emotion and perception constitute a functional solution to an adaptive process in our evolutionary past. Barkow et al (1992) also believed that human mind is a result of an evolutionary process which is based on the principles of natural selection. According to Darwin (1859) natural selection is a three step process of variation, inheritance and selection.

Therefore, the evolutionary approaches discussed have a lot of implications for organisational strategies. The fact of genetic competition and survival of the fittest implies that corporate strategies adopted by the organisation ought to able to achieve a competitive advantage for the organization. Business in general and for that matter multinationals should be seen as self-organising entities and not just systems created to be controlled by managers.

All organisations are conditioned by their own environments and evolve based on a combination of random circumstances (Mang 2009) and these reaction to the environment by the organisation and then adaptations all happens in an evolutionary way (Nelson & Winter, 1982). The concept of universal Darwinism suggests that all evolutionary mechanisms share the conceptual organisation of Darwinian process (Dawkins, 1983; Hodgson & Knudsen, 2004).

Following the parallel drawn between genetic competition and international market competition, strategies that are selected by organizations should be able to create competitive advantages. It must also be emphasized that in formulating and implementing corporate strategies managers ought to realize that successful strategies in a given market also contributes a lot in shaping the future of the market. Organizations should therefore aim at strategies that would be successful and give them the edge in shaping/dictating future competition in the respective market rather than responding to a future dictated by competitors some other factor(s) in the business environment.

According to Campbell (1975) variation, selection and retention are the main three characteristics of Darwinian evolution and these has direct link to business organisations (Aldrich, 1999). First, Aldrich (1999) pointed out that the concept of variation has positive connotation with organisation as organisations always thrive to sustained by bringing unique and innovative products and services to adopt with the changing environment better way and fulfil the consumers changing needs and demands.

Second, through the process of selection mechanism environment will chose the best while overtime the weaker will be disappeared. Hence the concept of `survival of the fittest. In business selection occurs on at least two level: (i) managerial selection of routines within firms and (ii) competitive selection of firms in markets (Simon, 1962).

Finally, retention takes place where only few selected traits are routinised and few organisms are retained as a result of the selection process of the nature (Mang, 2011). In organisational context retention takes place through the spread of routines and competencies (Mang, 2011) which include both the replication of successful routines within the firms and from other organisations.

Economists have long been interested in using evolutionary principles to explain economic development. World classical economists such as Adam Smith(1723-1790), Bernard Mandeville(1670-1733) and Thomas Malthus (1766-1834)had a great influence on Darwin and leading social and respected economists such as Karl Marx(1818-1883), Alfred Marshal(1842-1924) and Thorn stein Veblen(1857-1929) were influence by the Darwinian Views (Hodgson, 1994).Darwin's influence on prominent classical writers is well known, such as Adam Smith's competition and struggle, Alfred Marshal (1949) `the Mecca of the economist lies in economic biology`. According to Bergh & Gowdy (1998) the concept of natural selection and survival of the fittest lie at the heart of contemporary economics. Joseph Schumpeter's (1934) theory of qualitative change which includes the concept of innovation and creative destruction has been viewed as alternative approach to the survival of the fittest concept (Dosi et al, 1988). Nelson and Winter (1982) first brought the full scale evolutionary concepts in Economics by introducing their book `An Evolutionary Theory of Economic Change`.

Innovation as an Evolutionary process

From previous understanding it can be said that innovation means change. Change is vital to survive and sustained. Organisations must create new ideas or die. The 21st Century is an era characterized by rapid social, political and technological change. Today's challenges for the organization are such as globalisation, free market, profit maximization, protectionism, the borderless world, shrinking communication must face with tomorrows challenges: connectivity, consumer features, new business paradigm. History reminds us that the human race has experienced two great waves of change: the agriculture revolution and the industrial revolution. Numerous commentators suggests that we in third wave of change. In this changing wave organization must seek to develop new way to compete with competitors and achieve organizational goals. According to Schumpeter (1934) "entrepreneurs seek new advantages in the market. Old facto combinations are destroyed, thereby generating innovation". The innovation activities of firms are therefore, the most important source of technological change (Dosi et al 1988)

The theory of evolution by natural selection simply is a way to consolidate certain genetic and ecological knowledge to help us understand two phenomenon: (i) the origin of new species and (ii) the origin of adaptation. In short, the phenomenon of evolution by natural selection is a consequence of phenomenon of innovation and environmental stress. During the reproductive event, innovative genes are introduced into the next generation. The individuals that possess those genes then must cope with the environmental stresses. If the innovative gene helps to reduce environmental stress, it has a greater chance of being passed on to the following generation, where it will be tested again. If an innovative gene gets passed on to the next generation then an instance of evolution by natural selection has just happened. In other words, evolution by natural selection can not happen if there is no innovation.

Conclusion

Organisations, engaged in business, have to operate within an external environment which is uncertain at best and is influenced by factors which are beyond their of sphere of influence. It is the interplay of these factors that makes the environment highly dynamic, unstable and at times turbulent. When competition is brought into the picture, the survival of the fittest becomes the rule rather than exception. Organisations have, therefore, got to learn and adapt themselves to the changes that occur in the environment. This will obviously necessitate a Lewin type `unfreezing`, `change`, and `refreezing` of the processes that are there and this may be difficult to inculcate without a culture of innovation inbuilt in an organisation's vision. We can now very well see why many businesses die early deaths being unable to internalise the external compulsions of a changing environment. Without the component of `self learning and evolve`, extinction will be the result. All these have the underpinnings of Darwinian evolution theory. Strategies built around this principles-making innovation the centre piece-would, therefore, lend great weight to an organisation's long term goals of survival and growth.

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Impact of sales promotion strategies of organised retailers in India

B.V.Sangvikar &
Hemant Katole
University of Pune, India.

Key Words
Evolution, Darwinian principles, variation, natural selection, retention, adaptation, business dynamism, innovation, routines.

Abstract
Growing business opportunity in retail has provided an opportunity to the organized retailers to develop their business and expand customer's base through promotional strategies. The organized retailers are focusing their efforts to increase the sale and footfalls in their outlets. This research paper is focusing on the impact of the sales promotion strategies adopted by these organized retailers. The authors have observed that the strategies like loyalty programs, sweep stakes, price and product discounts, and premium program have higher impact on customers. The retailers also try to attract customers through many promotional tools like POP, digital signage and posters & leaflets.

Effect of Background Music on Consumer Shopping Behavior

Dr. Srini . R. Srinivasan &
DR.P.N.Mukherjee
School of Advanced Management Studies at Mumbai, India.

Key Words
Atmospherics, Experiential Marketing, Retail, Customer.

Abstract
This study examines the effects of in-store background music on the shopping behaviour of customers that visit retail outlets. It has been hypothesized that background music has a positive influence on the time a customer spends in a shop and that the music eventually encourages the customer to spend more as well. The hypothesized relationships are examined via covariance analysis using store-intercept consumer data. Implications of the structural analyses results for management of retail store brands and for future research on music as an element of store atmospherics are discussed.

Objectives
1. To determine whether background music has an effect on the time a customer spends in a store
2. To determine whether background music has an effect on the number of purchases a customer makes in a store

Opportunities in organized retail in India
India is a nation of shopkeepers. With over 12 million retail outlets, India has one of the highest densities of retail outlets in the world with one retail outlet for approximately 90 persons. No wonder India is the ninth largest retail market in the world with annual retail sales of ~USD 215 Billion in 2005. However, the share of organized trade in India is currently very low estimated at just Rs.35, 000 Cr. in 2005 (Rs. 28,000 in 2004). This accounts for less than 4% of the total retail trade in the country. The following table shows the share of organised retail across nations in 2003.

Country	Percentage share of organised trade (2003)
India	4
China	17
Poland	20
Indonesia	30
Russia	33
Brazil	35
Thailand	40
Malaysia	55
USA	85

However, changing demographic trends have been favouring the growth of organised retail in India. Some of these include-

- Rapid income growth: Consumers have greater ability to spend due to increasing incomes

- Increasing Urbanization: Larger urban population which values convenience coupled with higher propensity of the urban consumer to spend
- Growing young population: Growth of post liberalization maturing population with the willingness to spend and an aspiration to have an upmarket lifestyle.
- Tendency to spend now v/s save earlier. Consumers willing to borrow for current consumption

The overall retail market in India is likely to grow at a CAGR of 5.5% (at constant prices) to 1,677,000 Cr in 2015. The organized retail market is expected to grow much faster at a CAGR of 21.8% (at constant prices) to Rs. 246,000 Cr by 2015 thereby constituting ~15% of the overall retail sales. Based on our projections, the top 5 organized retail categories by 2015 would be food, grocery & general merchandise, apparel, durables, food service and home improvement.

Atmospherics

Retailing organizations increasingly recognize that their outlets provide a powerful medium to build their firms' image, increase customer and staff satisfaction and lead to greater productivity. While Philip Kotler was the first to introduce the term 'atmospherics' in the context of retailing, the definition of atmospherics has later defined as '**the tailoring of the designed environment to enhance the likelihood of desired effects or outcomes'** (Greenland and McGoldrick, 1994: 2). Various elements and forms of atmospherics such as lighting, colours, music, scents, and visual communications are employed by retailers to induce emotions in shoppers and to influence shopping behaviour. In the past decade, music in particular has become a major element in the design of atmospherics, and one of the most studied 'general interior cues'. Visual communication, in the form of visual merchandising has been one area which has been receiving significant attention from retailers all over across almost all categories. Music appears to be another strategic factor in store atmospherics especially because of relatively low costs involved in music selection and implementation in the retail setting. Also, retailers are becoming increasingly aware of the impact of favourable music being a differentiating factor for store atmospherics. While retailers generally express their commitment to the use of music as an integral component of the store environment, its specific effects on customer behavioural responses in the store are complex and often misunderstood. This paper analyses whether background music does have an impact on the time a customer spends in the store and the number of purchases that she makes.

Literature Review

Retail practitioners have long operated on the assumption that store atmosphere affects shopper behaviours and shopping outcomes. The increasing research evidence in the area also confirms this belief by demonstrating the significant influence of atmospheric factors in various commercial settings such as restaurants (Caldwell & Hibbert, 2002; Milliman, 1986), banks (Dube & Chebat, 1995), supermarkets (Harrell, Hutt, & Anderson, 1980; Milliman, 1982), and malls (Downs, 1970; Eroglu & Harrell, 1986; Oppewal & Timmermans, 1999; Shim & Eastlick, 1998; Wakefield & Baker, 1998). Among the numerous aspects of the retail environment examined, music is one of the factors which have been shown to be particularly critical in influencing customer responses in both positive and negative ways. Music as an atmospheric variable has been found to influence various in-store shopping attitudes and behaviours, including moods and unplanned purchases (Alpert & Alpert, 1990;Yalch & Spangenberg, 1990), time spent in the environment (Milliman, 1982; 1986) and perceived waiting time (Chebat, Gelinas-Chebat, & Filiatrault, 1993).

A number of contemporary empirical studies explore the impact of background music elements on affective and behavioural variables. For instance, in the context of an Italian restaurant in Scotland, Caldwell and Hibbert (2002) found that both music tempo and music preference were significantly related to the time spent in a restaurant when each was examined independently. However, only music preference was significant when tempo and preference were analysed together. The researchers concluded in this study that only the time spent in the restaurant had a significant effect on the total amount the customer spent. Yalch and Spangenberg (2000) found that customers incorrectly reported that they shopped longer when exposed to familiar music; they actually shopped longer when they were exposed to unfamiliar music. They surmised the shorter actual shopping time in the familiar music situation was linked to an increased arousal. Using an experimental research design, these researchers found no statistical significance in the liking of the music, only in familiarity. Moreover, the subjects reported a great sense of dominance when listening to unfamiliar music as compared to familiar music. Similarly, a study by Ward and Barnes (2001) found that customers who had a higher sense of control in the retail service environment reported pleasant feelings, and being more aroused and involved in the encounter, as compared to customers who had a lower sense of control.

Much of the existing literature is more directly concerned with the effects of music on attitudes rather than behavior. In many instances attitude measurements were taken, and then generalizations were made about behavior. However, as very aptly pointed out by Wicker (1971) and Fishbein and Ajzen (1975), attitude measures and actual behavior often show only a weak relationship. Nevertheless, most of the studies cited below measure attitudes or beliefs or at best, intentions, none of which are necessarily correlated with behavior. One consumer behavior study examined the loudness of music (as the independent variable) and its effects upon shopping behavior. In this case, music was varied from loud to soft in eight counter-balanced experimental sessions. It was found that significantly less time was spent in the stores when the music was loud compared to when it was soft, although there was no significant difference in sales or in the customer's reported level of satisfaction (Smith and Cumow 1966). These findings would seem to lend support to Grayston's (1974, p. 38) premise that "the music must fit the situtation in which it is to be used. The wrong music can produce effects that totally neglect the objective of the exercise." In view of this premise and Smith and Cumow's findings, it would seem more appropriate to study the effects of various dimensions of music in particular settings (soft-loud, fast-slow), rather than attempt to draw conclusions about the effects of music in general.

Mehrabian and Russell (1974) presented a theoretical model for studying the effects of physical environment on human behavior. In this model, emotional states are posited as significant mediators between environmental stimuli and people’s behavior. Applying this model to a retail environment, Donovan and Rossiter (1982) showed that two dimensions of affect, namely pleasure and arousal could predict customer behavior in retail settings. The pleasure-displeasure dimension reflects the degree, to which a person feels happy, joyful, good or satisfied with the situation, whereas the arousal-non arousal dimension taps the degree to which a person feels alert, excited, stimulated or active in the situation. Donovan et al. (1994) found that pleasant environments contributed to extra time and unplanned shopping. The results from Wakefield and Baker’s (1998) field study of shopping malls indicate that environment factors (design, music, mall layout and décor) are positively related to excitement and/or desire to stay at the mall.

Music is capable of evoking complex affective and behavioural responses in consumers. Bruner (1990) suggests that any musical composition is composed of at least three primary dimensions: a physical dimension (volume, pitch, tempo, and rhythm), an emotional tone, and a preferential dimension (the degree to which a shopper likes the music). Although the impact of music on consumer emotions and shopping behavior has attracted considerable attention among marketing researchers, empirical evidence of the impact of the physical characteristics of music is mixed (Herrington & Capella, 1994). Dube et al’s study (1995) investigated the effect of music-induced pleasure and arousal on consumers’ affiliation behaviours in a banking context. Their results indicated that music-induced pleasure and arousal might have independent effects on consumers’ desire to affiliate in a buyer-seller interaction, with more desire to affiliate associated with more pleasure and more arousal. As further evidence of arousal effects, Vanderark and Ely (1993) reported that high tempo and high rhythmic content in the music led to an increase in physiological arousal among consumers.

Research Methodology

We have conducted a secondary research by referring to various articles across magazines, journals and across the internet. For our primary research, we have used a survey method to collect data and perform quantitative analysis. Structured questionnaire were used to collect the required data from 50 customers/respondents in various departmental stores in Mumbai. We have formed the following two hypotheses

Hypothesis 1

H_1: Background Music does not influence the time spent in a store by a customer

H_0: Background Music influences the time spent in a store by a customer

Hypothesis 2

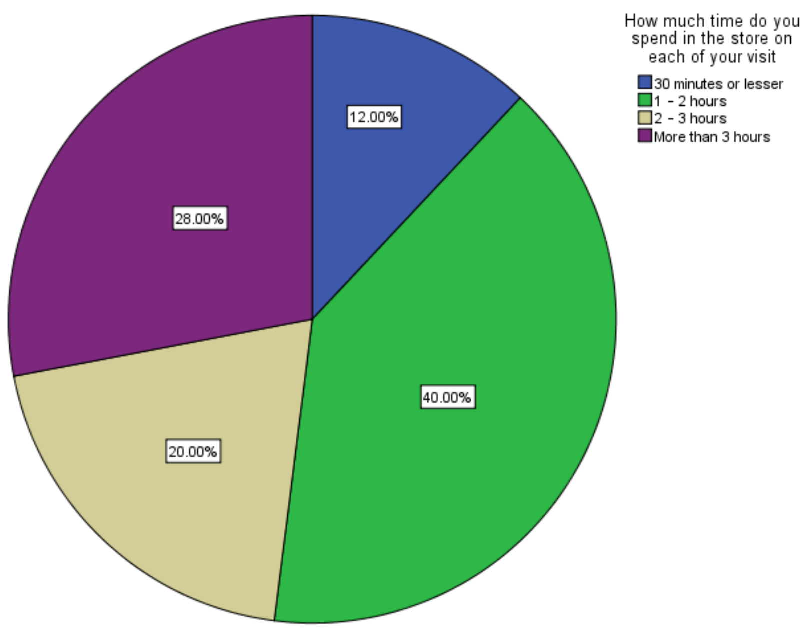
H_1: Background Music does not influence the money spent in a store by a customer

H_0: Background Music influences the money spent in a store by a customer

Findings

Based on the results of the survey conducted, we have made the following findings. These are purely based on the questionnaire based survey conducted.

When asked the question how much time one spends in a store in each of their visit, it can be seen that the majority (40%) of the people spend 1 to 2 hours in the store. The next highest however is 3 hours at 28%. This shows that people have started spending an increased amount of time in the stores and this is the



best chance of it resulting in sales.

The next thing that was asked to the respondents was if they have noticed background music in the stores that they usually visit. To this, a whopping 92% of the respondents replied saying that they have noticed the music. This means that the music that is played in the stores does not go unnoticed by most of the customers.

The next question that was asked was if the music that is played in the stores adds to the overall ambience of the store. To this question 76% of the respondents had agreed that it does add to the ambience of the store.

Finally, the important question was to determine the importance of ambience itself.

60% of the people thought that ambience is an important factor to get a customer to a store. As a result, it is extremely vital that store managers pay heed to this advice and try their best to improve the ambience of their store to get more customers .If one relates all of these findings, it can be said that to get more customers to the store, music is one of the important factors. Hence, all stores should try and include this as a part of their store ambience.

Analysis
Correlations

1. To find out if there is a correlation between whether a customer notices the background music in a store and whether a customer feels like spending more time in the store because of the music being played in the store

Descriptive Statistics

	Mean	Std. Deviation	N
Have you noticed background music in a store	1.0800	.27689	25
Have you felt like staying in a shop for a longer duration because of the music being played in the shop	1.2400	.43589	25

Correlations

		Have you noticed background music in a store	Have you felt like staying in a shop for a longer duration because of the music being played in the shop
Have you noticed background music in a store	Pearson Correlation	1	.525**
	Sig. (2-tailed)		.007
	N	25	25
Have you felt like staying in a shop for a longer duration because of the music being played in the shop	Pearson Correlation	.525**	1
	Sig. (2-tailed)	.007	
	N	25	25

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

As can be seen, once the correlation is taken of – whether they have noticed background music in stores and whether they spend more time in the stores because of the music – it can be seen that there is a positive correlation between the two. The Pearson Correlation coefficient of 0.525 shows that there is a high correlation between the two variables. This means that most of the people who notice the background music in stores tend to stay in the store longer due to the music being played. This is the reason that most of the retail outlets these days have started playing music to make sure that the customers stay in the shop for a longer duration than they otherwise would. This gives them the best chance of convincing the customer to make more purchases than they otherwise would. Only if the customer stays in the shop will she have a chance of spending more.

2.To determine if there is a correlation between whether a customer has noticed the background music in a store and whether background music in a store gives a customer a more pleasant experience resulting in more purchases than what the customer would make otherwise.

Descriptive Statistics

	Mean	Std. Deviation	N
Have you noticed background music in a store	1.0800	.27689	25
Do you feel that the background music in a shop gives you a more pleasant experience resulting in you making more purchases than you would otherwise	1.6400	.48990	25

Correlations

			Do you feel that the background music in a shop gives you a more pleasant experience resulting in you making more purchases than you would otherwise
Have you noticed background music in a store		Pearson Correlation	.221
		Sig. (2-tailed)	.288
		N	25
Do you feel that the background music in a shop gives you a more pleasant experience resulting in you making more purchases than you would otherwise		Pearson Correlation	1
		Sig. (2-tailed)	
		N	25

The same correlation has been taken for the following two variables – whether they have noticed background music in a store and whether they have made more purchases because of the pleasant experience the music has provided. As can be seen, there is a positive correlation between the two variables with the Pearson's correlation co-efficient being 0.221. This means that if the customer stays for a longer time in the store, notices the music in a store and that makes her experience more pleasant, she may make more purchases than planned.

Chi- Square Test

1.To find out if there is association between whether a customer notices background music in a store and whether the customer feels like spending longer time in the store because of the music being played in the store

Frequencies

Have you noticed background music in a store

	Observed N	Expected N	Residual
Yes	23	12.5	10.5
No	2	12.5	-10.5
Total	25		

Have you felt like staying in a shop for a longer duration because of the music being played in the shop

	Observed N	Expected N	Residual
Yes	19	12.5	6.5
No	6	12.5	-6.5
Total	25		

Test Statistics

	Have you noticed background music in a store	Have you felt like staying in a shop for a longer duration because of the music being played in the shop
Chi-Square	17.640[a]	6.760[a]
df	1	1
Asymp. Sig.	.000	.009

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 12.5.

Have you noticed background music in a store * Have you felt like staying in a shop for a longer duration because of the music being played in the shop Cross tabulation

Count

		Have you felt like staying in a shop for a longer duration because of the music being played in the shop		
		Yes	No	Total
Have you noticed background music in a store	yes	19	4	23
	No	0	2	2
	Total	19	6	25

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	6.884[a]	1	.009		
Continuity Correction[b]	3.100	1	.078		
Likelihood Ratio	6.300	1	.012		
Fisher's Exact Test				.050	.050
Linear-by-Linear Association	6.609	1	.010		
N of Valid Cases	25				

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is .48.

b. Computed only for a 2x2 table

The above table shows a Pearson's Chi- Square co-efficient of 6.884 at 99% level of significance.

Directional Measures

			Value	Asymp. Std. Error[a]
Nominal by Nominal	Lambda	Symmetric	.250	.108
		Have you noticed background music in a store Dependent	.000	.000
		Have you felt like staying in a shop for a longer duration because of the music being played in the shop Dependent	.333	.192
	Goodman and Kruskal tau	Have you noticed background music in a store Dependent	.275	.173
		Have you felt like staying in a shop for a longer duration because of the music being played in the shop Dependent	.275	.110

a. Not assuming the null hypothesis.

Directional Measures

			Approx. T[b]	Approx. Sig.
Nominal by Nominal	Lambda	Symmetric	1.474	.140
		Have you noticed background music in a store Dependent	.[c]	.[c]
		Have you felt like staying in a shop for a longer duration because of the music being played in the shop Dependent	1.474	.140
	Goodman and Kruskal tau	Have you noticed background music in a store Dependent		.010[d]
		Have you felt like staying in a shop for a longer duration because of the music being played in the shop Dependent		.010[d]

b. Using the asymptotic standard error assuming the null hypothesis.

c. Cannot be computed because the asymptotic standard error equals zero.

d. Based on chi-square approximation

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	.525	.009
	Cramer's V	.525	.009
	Contingency Coefficient	.465	.009
	N of Valid Cases	25	

The above table shows a Contingency co-efficient of 0.465 which is less than 0.5. Thus, there is no association between a customer noticing the background music in a store and the customer feeling like staying for longer in a store because of the music being played in the store. A word of caution is needed in interpreting the findings. Retail stores with relatively narrow target markets might reap higher benefits from environmental manipulations than stores aimed at multiple market segments (Turley & Milliman. 2000). Beauty lies in the eyes of the beholder, and how individuals or target segments respond to. For e.g. music may depend on individual response moderators (Bitner, 1992). Specialty stores aimed at teenagers, for e.g. may use funky scents and rap music to attract clientele, whereas the manipulation of ambient cues in a department store needs to be subtler. Or consumers' consumption-related goals might influence the impact of environmental stimuli on their evaluations of the shopping experience (Machleit & Erologu, 2000;

Wirtz & Mattila, 2000). Task-oriented shopping environments such as grocery stores might have a more difficult time in inducing positive feelings via environmental cues than stores that are patronized for more recreational purposes. Because the novelty and stimulation of a particular music and scent combination might wear off relatively fast, retail stores that rely on heavy frequent-visit patterns might not be prime candidates for these types of environmental manipulations.

Future Scope

With the advent of experiential marketing, marketers are making shopping in a retail environment a memorable experience by appealing to the various senses of the shoppers. Although visual appeal has been one area which has been exploited enough, to differentiate store experiences marketers are focusing on other senses as well. While this study focuses just on the acoustic sense by studying impact of background music, future work could be done on strategies deployed to appeal to other senses such as sense of smell, touch and taste and their impact on shoppers. A combined study could be done to explore the effect of the combination of certain factors which yield a positive shopping behaviour which may include scents, store ambience and various such factors.

Limitations

It may happen that influences other than music have affected the respondents' evaluation as to whether they wish to spend more time in the stores and thus purchase more than planned. Data collection will be limited to conscious efforts on the respondents' part as they will be made to notice the music to be able to respond to the survey. Selected respondents for data collection represent only Mumbai and may not represent the entire population.

Conclusion

One can conclude that even though background music is not something that at present will directly influence the decisions of customers, it is still one of the important factors. Keeping in mind the limitations, it is difficult to separate music from the other factors that are generally included in the ambience. However, given the rapid growth in the retail segment and the increased cut-throat competition, retailers should leave no stone unturned to make sure they get more customers in their store and that the customers stay in their store the longest. It is therefore inevitable that every store should invest in making background music a part of the ambience. This said, there is a lot of research that can be done in terms of the type or genre of music that should and can be used in stores. It will also help in realizing what genre of music is the most effective in keeping the customer in the store the longest.

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Children and Television Advertisement: Understanding the extent of Persuasive Intent

Akhilesh Chandra Pandey
Vishal Soodan
H.N.B. Garhwal University,
(A Central University) Srinagar, Garhwal, Uttarakhand, India

Key Words
Persuasive intent, advertising, television advertising, cognitive development

Abstract
The present was undertaken to test the children's perceived truthfulness, liking and attention of television advertising in India. A convenience sample of 100 children (aged 4 to15) was personally-interviewed. The study indicates that children perceived truthfulness differ by gender and their understanding of the purpose of advertisement is better when they grow up. The judgment was mainly derived from their perception of the advertising content. The bases for skepticism about advertising varied by their thought process, older children depended more on personal user experience and younger children relied on others' comments. Indian children reported that their parents often used commercials to teach them about good citizenship and bad products to avoid.
Keywords: Persuasive Intents, Perceived truthfulness, Commercials

Introduction

There is no magic age at which someone understands advertising. Learning is a continual process that depends upon family and friends. Often the heated debate about advertising leads us to infer that many adults do not understand advertising either.

According to a study children's and adult's attitude towards TV advertisement differ somewhat, Children view TV advertisement almost entirely in terms of their entertainment function. It has been found that children often watch TV for long duration. Their limited attention span is ideally suited to the 30 seconds life of TV ads. Unlike most of the adults they do not mentally switch off when an ad appears on television. Most children developed the ability to distinguish between commercials and programme content by the age of seven.Even there is a positive correlation between socioeconomic background and children's cognitive abilities in relation to television advertisement.

Much evidence shows that as children grow in cognitive and social terms, there is growth in knowledge of products, brands, advertising, parental influence strategies, and consumption motives and values.

It would seem reasonable to assume that in most Instances when young, grade-school children watch a commercial there is little "painfulness" involved in how they select information and little "intention" to seek information to use in a purchase decision.This assumption is based on the evidence of relatively low comprehension of the purpose of advertising by grade school children and only moderate awareness of TV advertising as a source of new product information across a wide range of products (Ward, Wacman and Warteila, 1977).Children watch a lot more television during school holidays, which is 40 percent more audience than on a typical school day. A child spends four hours per day watching television may be exposed to 15,000 commercials every year. Indian parents are concerned about the impact of advertising on children. A survey of Indian adults indicated a majority accused television advertising of having adverse effects on children. They reported television advertising leads children to pester their parents

The basic principle is that television commercials should not take advantage of the natural credulity and sense of loyalty of children. A research revealed that 54.7% of the ads are targeted to children, 25.3% are targeted to both parents and children and only 20% are targeted solely to adults.Thus the presentation of commercial information must not result in physical, mental or moral harm to children. Commercials that are frightening, anxiety provoking or which contain violent, dangerous or anti-social behaviors can not be directed toward children. Children in commercials also need to display good manners and behaviors. The true features of the product advertised and any free gift for children should be made easy to judge. Since quite less research is conducted in India on the behavior of the children, so the purpose of this research is to find out, what is the overall attitude of Indian children towards television advertising? Do they perceive commercials to be truthful and how do they make such judgments? How do Indian parents communicate their children about television advertising?

Definition of Problem

This study examines Indian children's perceived truthfulness, liking and attention of television advertising in India. A convenience sample of 100 children (ages 8 to 15) was personal-interviewed. The purpose of this research is to find out

1. What is the overall attitude of Indian children towards television advertising?
2. Do they perceive commercials to be truthful and how do they make such judgments?
3. How Indian parents communicate their children about television advertising?

Studies on Children's Understanding of TV Ads

It is a common perception that young children are often deficient in understanding the purpose of television advertising (Bever,1975). Various studies have been conducted abroad to understand the relationship between the cognitive development of the child and their ability to understand and develop an attitude towards TV ads(Kapoor,2003). In one of the earliest studies, Rubin (1974) applied the principles of Piaget's "Theory of Cognitive Development" in which a child is believed to pass through defined stages of development.The study intended to explore the viewing of television advertising as it affected the "consumer learning process" of the child. Seventy-two first, third and the sixth grade children from the various elementary schools were selected. The study revealed that young children were at a disadvantage in viewing advertisements that were too complex for their stage of development.

They neither assimilated information nor understood the purpose of the advertisement as against children who were older and in the later stage of cognitive development. The study was however subjected to the usual qualifications accompanying the use of flexible questionnaire technique with children and the possible coding biases. In another study conducted by Bjurstrom (1994), researchers observed that there was no direct relationship between children's ability to distinguish between advertising and programme content and their ability to perceive the underlying motive behind commercial messages. There is, however, a direct relationship in the opposite direction: children who grasp the underlying intent were able to distinguish advertising from programme content.

Tufte (1999) reports that most children developed the ability to distinguish between commercials and programme content by the age of seven. Parental control over the amount and the type of programme viewed is a direct form of mediation. Rose, Bush and Kahle (1998), in their study, examined family communication patterns and general attitudes towards television advertising among mothers of children three to eight years of age in the United States and Japan. A four-category typology based on concept and socio orientation was used to classify mothers of both nationalities. Laissez-faire (low socio, low concept orientation) mothers had the most positive attitude towards and the lowest mediation of their children's exposure to television advertising. Pluralistic (low socio, high concept-orientation) and consensual (high on both dimensions) mothers had the highest mediation of and most negative attitude towards advertising.

The responses of protective mothers (high socio, low concept-orientation) were between those extremes. Overall, American mothers were distributed relatively equally across categories, whereas Japanese mothers were classified primarily as either laissez-faire or protective. American mothers seem to hold negative attitudes toward both advertising in general and children's advertising in particular and to maintain close control over what their children watch. Japanese mothers, in contrast appeared to have a more optimistic view of advertising and place fewer controls over their children's viewing habits. Hence, family communication patterns are an important means of describing, characterizing and classifying parents across nations. In another study by Santa Barbara (1999), an attempt was made to determine where Chinese children as consumers learn information about new products from and their attitudes toward different sources of information.

Their findings show that Chinese children utilize a wide variety of information sources to learn about new products including parents, retail outlets and the mass media, and surprisingly they consider the newest medium, television, to be the most important of all. Her findings were in conformity with what James U. McNeal and Mindy F. Ji (1996) observed in their study. They observed that children have "pester power" and influence their parents for purchases of products and services. Having acknowledged the continued importance of parental advice to children, the authors remark that, "two models of the two-step flow of communication exist in Chinese families: media to parents and parents to children; media to children and children to parents". Rather than replacing the significance of family as an information source, television supplements that existing relationship through the provision of a wider base of information.

In the light of this background, we would like to impress upon the fact that no serious attempt has been made to study the influence of television advertising on children by research scholars in India.Most of the studies reviewed were conducted in the countries abroad, where children's and their parents' perception and attitude towards TV ads differ tremendously from that of the Indian children and their parents. Thus, the results and insights obtained from them cannot be applied directly in the Indian context. The present study is an attempt to take a comprehensive view in this vital area and to ascertain the children's understanding of TV advertising and the extent of the role played by the parents.

Research Methodology

This study was done using a convenience sample of 100 children from 4 to 15 years old contacted at shopping malls, parks, school, and restaurants. The children were from a convenience sample of boys and girls from kindergarten through grade Nursery. Those children were interviewed, who showed an interest to participate in the study, and briefed them about the purpose of the study. The questions were explained them wherever it was required. Efforts were made to minimize interruptions and intrusions by other family members or friends present. In order to minimize potential problems and facilitate children's efforts, respondents were told that 'when we are watching television, sometimes the program stops and there is other message coming up. These messages are called the commercials'. The interviews then went on to ask a mix of "Closed-ended questions" like, how often they watched the commercials, whether they liked them or not, and whether these commercials were mostly true or not etc. The usable sample was 100 respondents after the process of data editing and cleaning. Accordingly, the response rate was (85% approx.).The children were divided in two categories as per their thought process. Category A - From 4-8 year – pre-operational thought,

Category B - From 8- 15 year – concrete thought

Findings: Understanding of the purpose of advertisement

As per our findings the questions which fall under this hypothesis are:

Table 1 summarizes Indian children perception about the understanding of television advertising.26 out of 100 respondents perceived that commercials are simply advertisements and most of them fall under the category of pre-operational thought. With a shift in their thought process i.e. from pre- operational to concrete, respondent understandings is better and they responded “company’s encouragement to consumer” which means their understanding improves with age. Mean value i.e. 3.27 also suggests that on an average most of the respondent ticked the option 3 and 4. Also chi- square value at 5% level of significance is 18.3 which is more than the critical value at 4 degree of freedom i.e. 9.48 so, our finding is significant as per research question.

Table 1

	Observed N	Preoperational	Concrete
1	23	6	17
2	3	0	3
3	24	2	22
4	24	5	19
5	26	18	8
Total	100	31	69
Mean = 3.27, S.D. = 1.476, Chi-square = 18.3			

Table.2 Summarizes that attention towards commercials differ by gender. As per the research finding male respondents are more inclined towards advertisement than female. Chi square value shows the significant difference which indicates that difference in perceived truthfulness of television advertising differed according to gender.

Table No. 2

	Observed N	Male	Female
1	37	25	12
2	34	16	18
3	21	15	6
4	6	4	2
5	2	2	0
Total	100	62	38
Mean = 2.02, S.D. =1.005 , Chi-square(boys) = 38.6, Chi-square(girls)= 24.8			

Table 3, majority of them responded based on their understanding i.e. either they have tried the product or seen the product but the respondent of pre-operational thought responded on someone else’s understanding. Also, chi-square value i.e. 25.7 which is more than the critical value. So this is also significant as per research question.

Table No 3

	Observed (N)	Preoperational	Concrete
1	28	10	18
2	25	15	10
3	14	3	11
4	30	0	30
5	3	3	0
Total	100	31	69
Mean = 2.55 , S.D. =1.26 , Chi-Square = 25.7			

Table 4&5 summarizes the relationship between children perceived truthfulness

Table No.4

	Observed N	Preoperational	Concrete
1	20	8	12
2	30	7	23
3	23	3	20
4	20	8	12
5	7	5	2
	100	31	69
Mean = 2.64, S.D. =1.21 , Chi-Square =13.9			

Table 5

	Observed N	Preoperational	Concrete
1	11	5	6
2	47	14	33
3	32	8	24
4	10	4	6
5	0	0	0
Total	100	31	69
Mean = 2.41, S.D. = 0.818, Chi-Square = 38.16			

Conclusion:

1. Belief in the truthfulness of commercials and liking of TV advertising tend to decline over age: According to findings, belief in the truthfulness of television advertising declines with age. This is consistent with Piaget's (1970) theory of cognitive development. As the children entered the concrete operational stage, they were better able to differentiate between imaginary portrayals in the commercials and real-life experiences. Children, as consumers, were better able to compare user experience with advertising promises. As most of the children relied on the commercial content to make judgments about its trustworthiness.
2. Results indicate that children perceived truthfulness differ by gender and their understanding of the purpose of advertisement is better when they grow up. The judgment was mainly derived from their perception of the advertising content.
3. There is a difference in skepticism of television advertising with age for boys and girls: as a result of the study, continuing consumer education and media literacy programs for children and adults should be encouraged.
4. The present day advertising contains persuasive intents focused on all age groups. The studies show children's and adult's attitude towards TV advertisements differ somewhat. Children view TV advertisements almost entirely in terms of their entertainment function and they often watch TV for long duration.
5. Older children depend more on personal user experience and younger children rely on others' comments.
6. The parents often use commercials to teach their children about good citizenship and bad products to avoid

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Wartella Ellen, Wackasan Daniel and Ward Scott "Children's Consumer Information Processing: Representation of Information from Television Advertisements

Annexure: Questionnaire

1. What do you understand by the term 'Advertisement?'

   i.Public promotion
   ii.Non-personal medium
   iii.Company's encouragement to consumer
   iv.Sponsored offerings of goods
   v.Simply advertisement

2. Do you watch Advertisement?
   i. Very much (5 and above)
   ii. Not so much(3-5)
   iii. Average (2-3)
   iv. Very less (1-2) &
   v. Not at all

3. How often you watch the Commercials
   i. Watch very less,
   ii. Watch often
   iii. Not at all
   iv. Watch sometimes
   v. Watch every time

4. Do you like the TV advertising or not
   i. Very much
   ii. Not so much
   iii. Average
   iv. Very less
   v. Not at all

5. What is your Perceived Truthfulness about TV Advertising
   i. Mostly true
   ii. Partly true
   iii. Neutral
   iv. Mostly not true
   v. Can't say

6. How do you know whether Television Advertising is true or not true
   i. I feel that it is
   ii. Other people tell me
   iii. Having/Having not Seen the product
   iv. Having tried the productiv Others

7. What is your Attitude towards TV Advertising?
   i. Like very much,
   ii. Like
   iii. Neutral Dislike
   iv. Dislike very much

8. What do your parents tell you to learn from television Advertising
   i. Don't copy violent behavior
   ii. Don't steal/corrupt
   iii. Don't copy incorrect behaviors
   iv. Don't copy dangerous action
   v. Don't imitate a specific cartoon figure

For a New Globalization: Transactions of the Global Economic System

Luiz Alberto dos Santos Alves
IMETRO - Institute Polytechnic Metropolitan Angola

Key Words
Globalisation, Capitalism, socialism, human behaviour, global economy, unemployment, consumerism, leadership.

Synopsis

All changes, regardless of size or magnitude of its impact, are usually preceded by revolutions in "defense of principles and overcoming the odds." In some cases they actually born in the stomach.

Equivalent to the expressions of individuals or groups expressing its purpose and also their ways of seeing and participating in national events.

So thinking, philosophical thinking, human behavior, the economic framework and social relationships in the same way, always formed in the support base of families, businesses and governments, describing the attitudes of their managers and legislators at that time or management.

So all management, administrative par excellence is. Family, company, trade association and government.

In a broader view, currently, the capitalist and socialist blocs lined up almost completely. No more thoughts diametrically opposed philosophical convictions by dividing the company and the world economy, there is more to the hegemony of the block left or right to the point of dividing the world into two parts - capitalism and socialism, there is more to the mass party radical left, there is more evidence of better conditions provided for society in capitalist countries, socialist or communist, is no more radical manifestation of the population - students, workers, farmers, who, representing the proportion of the population unhappy, exercise their manifestations of rejection of the government position.

What exists is a manifestation of lost sheep, the same source party, willing to take advantage of the situation of governance. Comprise only the pawns, without definite purpose, to strike the primer repeater and narrow-minded opposition.

Judging by the evolution of models and ideologies of government, its variants and their implications, were created and accepted as viable however, over time become overwhelming. Recorded in history the Monarchical Absolutism, Monarchy, Aristocracy, Depot, Republican, Federalism, Constitutionalism, presidentialism, Ideology Communist Ideology capitalist, democratic ideology, fascist ideology, conservative ideology, anarchist ideology, national ideology and many others.

All these forms of government and governmental ideologies are designed to provide growth and development of society, as well as the satisfaction of the people. The choice between one or the other depends entirely on each person's views about the treatment of the causes and effects production in society. The causes are summarized in the form of running the government and the effects, the results observed. The alternations of a form of government and / or management to another government consolidates the option of improvement and reversal of the results being experienced by the current team.

As Montesquieu, in "The Spirit of Laws" published in 1748, "the power to limit the power," especially the condition of governance for the benefit of all.

Aristotle said that equality means treating the equal equally and unequals unequally, in that it is uneven.

Therefore, the trial between the same condition and most appropriate way to treat them individually through the trial, which should preferably be referenced by the collective, without giving rise to absolutism, as initially treated.

Conceptually, capitalism favors the formation conditions of production and wealth, and only part of the positive results that will be passed on to society in the form of welfare. On the other hand, socialism firm his views on the antagonism of this issue. In it, the centralized state power, ownership of the means of production and goods, and promises to sustain economic and social compensation on account of the work and effort dedicated production.

It is a game where a shoulder of the agents in charge of maintenance for the other to move on.

We live in an atypical situation, which must be studied at a rapid pace, with deep economic roots.

What we are witnessing at the moment does not fall under capitalism or under socialism. Agents are separated, acting separately and with results arguably far from ideal.

When faced with a situation of instability is usually because the standards adopted at that time were not or are not good enough so that the balance is established normally.

China, another world, with no apparent problem of employment, growing strongly year on year average of 10 to 11.0%, committed to becoming the first nation that makes things really happen - production, employment, consumption, investment and technological development. Have as a major factor hegemony of thought among the new entrepreneurs and even among the poorest people. This worries keep growing at this rate because the Chinese economy may collapse. No product, raw material and labor to sustain this level of demand growth.

It's the other side of the coin. A highly dynamic market that may have to import much more to supply the domestic consumption.

China is the world's premier production and consumption of cement, import of iron ore, copper, generation of nanotechnology products and the traditional $ 1.99. That country does the outsourcing of much of the production of high-tech items for the whole world, which, when added themselves, give full use of production factors installed.

If this were successful because of the criticism would not be harsh.

The image supports the growth is at work with reduced pay and the incipient condition of life of Chinese society.

Still, there are reports that Chinese workers are happy, facing long working hours, low level of demand for privilege of living and working environment, which other people will not accept. This really shocked the world by putting the values of society and the economy as poles diametrically opposed to what we learn and defend the whole time of our formation.

While most countries have deficit of employment opportunities in China and other countries live a situation of high economic growth, motivated by the opportunity of employment and occupation of productive capacity, despite a lower standard of living and social life.

They are apparently conflicting situations, but with the possibility of economic interconnection, utilization of capacity of production and employment factors.

We are seeing these pictures as a new world economic order, and believing in the need to redesign the conditions of occupation of the workforce, leadership, organization and support regimental.

Unemployment, the world is the evil of the moment, which is required for its direct engagement with economic forces. These, sitting on the opportunity and ability to invest.

The United States, the greatest nation, being shaken by successive internal shocks and financial structures of capitalism, like the latest on real estate investments, the war against terrorism in Iraq and the complicated area. England, the intellectual center, the nobility and the obvious ethical spine of the world, supporting their economic and cultural positions, with a low production capacity and income, compared to the entire world market. Countries belonging to the EU, showing interest in overcoming unemployment, greater understanding and capacity in coalition for the common good.

The financial efficiency and cohesion for the proposed opening of markets, unification of the currency and investments across the European region for the unemployed and training income is exceeded is a remarkable example of economic, political and social.

Thus, when the world through which we show weakness in its core content, ie, instability in matters relating to the economy and society. In most countries, we do not have a stable outlook and not suitable employment, health, housing, transport, education, security, and social welfare, utilization of capacity of firms, availability and full use of available resources and good references government.

It is necessary that the whole world is in favor of combating unemployment and there is concerted effort to find the solution.

In Brazil, this evidence becomes even more clear, especially because of unemployment and disability items related to the welfare social result in parallel to the truths evidenced by internal indicators related to stability and economic progress.

In Brazil, we live by conformism economic equilibrium, the stability of the inflation rate, demonstration of growth of exports and imports, by advance payment of installments of foreign loans and the allocation of social benefits for free - handbags, baskets, coupons, and other forms of social assistance. These questions relating to relieve unemployment, the market stalled, the false consumption, and lack of investment. Still, the PAC - Growth Acceleration Program, a really nice plan, bank protection, a dedicated reciprocity.

In recent years grow between 4% and 5% expected in PAC - Growth Acceleration of the current government, however, far below what we need to overcome unemployment that is effective on the streets, in the slums of big cities, in homes, in families.

In the midst of this, recorded export growth and progress of companies linked to the external sector, low inflation, and capacity of invective in other countries such as Bolivia, Venezuela, Chile and others. Even groups declared as government support has had weapons in their invasions of land and public buildings.

Still, international relations, specifically with the neighboring countries that have received investment for setting up your basic infrastructure such as energy and other key sectors, by himself or by discontent think that speaks louder impunity, has taken upon itself the possession of what has been the object of mutual contract, reciprocity, or even partnership. It remains only to the disruption of friendly relations, non-payment and breach of contracts previously made.

The return and availability of these resources could represent rather the reduction of interest rates, the ability to expand domestic investment and employment, expansion of consumption, income, business and family, technological development and improvement of social welfare.

One thing leads to another and we just cataloged observations and results. Unemployment leads to idleness, the inability of social relationship, the destabilization of the family, lack of income for consumption among other things. This situation reflects the staying power of the companies see their sales decrease and thus perform the removal of part of its staff to give balance to that state of affairs. This focuses on the stoppage of industries, machinery and reducing purchases of production inputs. As a result, all the economic and operational structure is being affected.

The branch does not stop there. The adverse state of the economy can settle. You have to break it.

This manifestation is the pure state of recession and its result is manifested in the reduction of tax collection, while also destabilizing the government structure.

Lower tax collection means disruption of development activities and carrying, demands that there be slowing and / or deactivation of investments related to the transport, health, safety, welfare and social activities and relevant infrastructure.

Anyway, it is logical to think that there should be no disregard for public investment in poor sectors: education, transportation, and especially health, especially when you have resources available. If this happens, some of the poles is poorly scaled. Or the collection of taxes is oversized or notification of the deficiency state is under evaluated.

We understand as a reasonable solution to adjust the structure and machinery of government, which is politically incorrect.

In recent times we have mentioned that a large part of unemployment is by technical conditions, ie, participants in the selection processes are increasingly less able to take jobs that require a minimum of technical knowledge. It is only recently spawned labor of high school courses, and therefore without occupational specialty. They are the brute force and swell the ranks of the unemployed in the societies of public funds and requiring the repair of survivability and income in the form of benefits.

Thus, unemployment of individuals and families directly involves destabilization of the economy.

Reality and merit, economic agents - households, businesses and government - during this process fit into what we call forced indulgence.

Interest groups take part in demonstrations and add value to the achievements, based on conversations, expressions of disgust or brute force. Recorded during the past year, events and agreements with Indians, landless migrants, devastating forests, farmers and others as well as invasions of private property and state, private wars declared or undeclared, riot in government authorities.

A multiplicity of forms, agreements and promises are being made in order to alleviate the problems of unemployment, or unemployment of the workforce, as well as the implementation of livelihood programs and accommodation of the unemployed.

Scholarships, vouchers and other forms of aid are being created for this obvious need adjustment.

Taxpayers, the hope that the beneficiaries are provisional and, sure that will be permanent.

They form an entanglement of interests that are intertwined and confuse the condition with the temporary support obligation of the state.

At the heart of the issue all this represents only an eye patch for the basic conditions for development and investment in infrastructure that were not made in the past. This is only responsibility of the merits earned by the government and harvesting period of time of operation, however, not planted for the next generations to continue to reap the rewards for their contribution and payment made.

We are witnessing a worldwide show of force on the Asian side. A mass penetration in the world of products ranging from sophisticated to simple, and doing what we call the invasion area and demonstration of economic power.

In some respects, we understand that some Asian countries, especially China, at present, is capitalized, organized, with its production and distribution infrastructure in privileged conditions, except for domestic consumption. The demand for production inputs enough to discourage the supply of other countries like iron ore supplied by Brazil, copper originating in Chile, which, depending on the purchase contracts, these raw materials become scarce worldwide, and as a direct result, the increase in some prices.

But all this happens without it being declared a leadership, dependency relationship, commitment, support or sustenance, or with any condition of probation, social and economic independence among nations.

It is time to think about the economic model currently in effect.

The nations firmly settled in the world - United States, Britain, Canada, Germany, Japan and others, live and watch the instability driven by unemployment, and discontent among economic agents by reducing the ability to support their families. The occupations of the workforce works in government, military strategies, forms of direct and indirect help, temporarily satisfied the minds of society, whose members, begging for new employment opportunities and utilization of capacity.

This reinforces our thesis that the current economic model is no longer able to continue the adjustment process of the society and economy.

We believe that the world is undergoing a transformation of relationship and dependency, both social, economic and financial.

The crisis in employment, production and removal of installed capacity, requires a much more comprehensive global action that the process already formalized by Globalization, associations and agreements set for release and the opening of trade barriers between countries.

The time is another, with additional training needs of consumer markets for developed countries. It is not only to ensure the marketing and spawning condition of the products originated in the first world, it is not only to join forces and defend themselves in blocks, with the purpose of marketing. It is necessary, first, worldwide, there is a condition of full occupation of the workforce, so that all are secure in the position of potential buyers and not just funded.

We understand that this process is developed worldwide, with more centralized efforts in relation to what is planted so far in favor of globalization. This refers simply to the possibility of trade between countries, and directly, without barriers or impediments formulated for internal protection of both the work and the operation achieved so far. The actions emanating from this process are defensive rather than contribution. Defense of marketing generated in developed countries, ensuring the existence of consumer markets, protection of employment of domestic resources, especially human resources.

The new world economic order must place its support base centered on the production, the occupation of the productive force and not just in marketing.

It has to be distributed production efforts between the different participants or associates so that they give full use of production capacity and availability of labor, employment, and income around the world and then there are conditions for consumption and use of resources, products and services generated.

It is not simply the traditional idea of "cooperative or association."

The central idea should be to full occupancy by the very availability, by affiliation, by self-interest, by their own competence and mastery of making income through joint effort, regardless of language, location, proximity, historical, political, cultural and other attributes of such importance .

What matters most right now is the ability of occupation of the existing operational and technical, especially the resources available, not idle and technologically obsolete. The machinery, equipment, manpower, physical space, and others, once regarded as appropriate for a particular use should be registered for use by those wishing to hire them.

This is not the acquisition of territory, property or overlapping laws that pertain to the legal impediment to foreign domain in other territories. Even the subdued on the basis of brute force by the condition of your use or employment of resources. We have to preserve the relationship of x hired contractor, and the ratio x creditor debtor resulting from the contracting effect.

A kind of relationship that we could call it the "Employer", focusing on principles of action as the term is expressed in the contract of partnership, leadership, employer relationship.

This process, "Patronage," full employment of labor, employment of production capacity, development of multilateral agreements and commitments should be formalized as is done in a coalition of companies, in a vertically or horizontally structure fully paid, worldwide , with the control, management and support of the leader.

We must have the institutionalization of an international body to legislate these operations. Not coordinate, but to regulate and intervene in cases of possible deviations and broken agreements. An international court or forum may be established for the repair of damage economic, moral, ecological and other factors that perhaps will suffer.

And, as in formal employment, the leader will be the one with the conditions of occupation of the productive power of another, and also provide appropriate remuneration and conditions of settlement of their debt.

The establishment of this relationship rests with the dominance of the country with better conditions presented:

✓largest credit,
✓greater trading volume,
✓largest proprietary technology,
✓increased production capacity,
✓greater availability of resources,

✓largest population,
✓largest portion of the distributed population in the world,
✓largest consumer market and above all,
✓greater and effective unification of the people around a common and important in itself according to the interest shown by their own initiatives and as a motivational force made by the body of its population, including being the first nation in the world, among others.

To other people, participation and enjoyment of the occupation forces and resources installed and available as a result of its progressive hiring. All, without distinction - families, businesses and governments will benefit from this opportunity and contraction, resulting in the form of increased economic and social improvements, ie, greater disposable income, more consumption, further technological development, greater integration, greater social development from largest collections of taxes, better health, transport, housing, safety and participate in the development of modern sectors of the economy and society. Only develops the advanced sectors, and all involved are aligned in this form of knowledge and need to use.

No one, however it is retrograde support the development of economic and social areas considered obsolete or outdated. Finally, it is always forward and think that the world society is considered in its productive force and operational.

None of the potential resources available to the industry or nation is being taken without the fullness of their occupation.

In this sense, people should be united and cohesive for the purposes of strengthening and solution of this crisis, which é result bets to overcome the crisis before. Society movements are economic, political and social potential and demonstrating "status quo" of yesteryear.

No company or industry was unaware of the likely outcomes of the real estate business in the United States, releasing overvalued real estate financing, changes in the value of Enron stock in the episode and weaknesses in balance sheets, economic concentration operations of stock exchanges - term rates and options - without them to join that movement and promote financial development to that form of fundraising in short, these and other forms of crisis that we see, are nothing more than the result of betting for the easy way out of previous crises.

The story tells us about the different types of solutions, overcoming stages and situations that were observed based on the exercise and demonstration of strength, however, that we are living is different. It is not only the implementation of orthodox models of economic policy or overcome by controlling the position or stiffness in economics and government of countries.

We envision a solution without war, without revolution, without the use of the battlefield or the practice of guerrilla warfare.

All countries stand, seated on the purpose of solving their own problems and also, indirectly, the problem common to other countries and peoples.

If so, the change of dominance in the world does not mean defeat or loss of prestige.

Only the feasibility in solving problems.

The leader, just take the place of law.

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International Conference on Restructuring of the Global Economy
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List of Authors & Institutions Represented

Author`s Name	*Institution, Country*
Luiz Alberto dos Santos Alvesc	IMETRO - Institute Polytechnic Metropolitan, Angola.
Sivakumar Velayutham	School of Law and Business Charles Darwin University, Australia
Ha Viet Nguyen	University of New South Wales, Australia
Anita Medhekar Muhammad Mahboob Ali	CQUniversity, Australia Presidency University, Bangladesh
Vidhya Pillai Yesha Mehta	Thakur Institute of Management Studies and Research, India Thakur village, Kandivali (E), Mumbai, India
Sapna Singh	School of Management Studies University of Hyderabad
B. Ashok	Kumaraguru College Technology, Coimbatore, Tamil Nadu. India.
P. Bruntha S .Sathyabhama	Department of Commerce, NGM College, Tamil Nadu, India Department of Commerce(Finance), NGM College, Tamil Nadu, India
Shri. Mallappa Sidaram Khodnapur.	Department of Commerce & Management Government First Grade College, Basavana Bagewadi. Dist: Bijapur (India)
Hedieh Divsalar	University of Pune, India
Anand Ramu Patil	Alliance School of Management, Bangalore, India
Tessy Thadathil	Symbiosis College of Arts & Commerce, Pune, India
Sandeep Puri Kalyan De	Institute of Management Technology Raj Nagar, Ghaziabad-201001, India. L M Thapar School of Management Thapar University Patiala, India.
Manasvi M. Kamat	VVM's Shree Damodar College of Commerce and Economics, Margao-Goa,India
Mithilesh Kumar Pandey	BRD college of Management, Roorkee, India
A. Jayakumar, G. Anbalagan & L. Kannan	Department of Commerce Periyar University, Salem- 636 011 Department of Commerce Periyar University, Salem- 636 011 Department of Commerce Periyar University, Salem- 636 011
Ruby S Chanda Kunal Bhattacharya	Sinhgad Institute of Business Administration and Research, Pune, India Symbiosis Institute of Management Studies, Pune, India
Grishma Padhye	Foundation of Liberal and Management Education (FLAME), Pune, India.
A. Vinayagamoorthy K. Senthilkumar	Department of Commerce Periyar University, India. Department of Commerce Periyar University, India.
Ali Sorayaei Ramzan Mehdizadeh Masoumeh Seifi Divkolaii	Business management Dept. Azad Islamic University, Babol, Mazandaran, Iran M.A in business Administration, Iran. Member of Young Researchers Club of Qaemshahr,Iran, M.A in public Administration, Iran
Chang, Tai – Koo Md. Saiful Alam	Daegu University, Rep. of Korea Daegu University, Rep. of Korea
Vanisha Oogarah- Hanuman	Department of Management, Faculty of Law and Management University of Mauritius
I.D. Nworji A.M. Onaderu OLABISI Jayeola	Department of Accounting, Babcock University, Nigeria. Department of Accounting, Banking and Finance Caleb University, Lagos State Department of Financial studies Redeemer's University, Ogun State, Nigeria.

Olagunju, Adebayo Omoyele, Olufemi	Department of Financial Studies, Redeemer's University, Nigeria. Department of Business Administration, Redeemer's University, Nigeria.
John Symon D. Bailon	Cebu Normal University, Osmeña Boulevard, Cebu City, Philippines
Andrzej Jaki	Cracow University of Economics, Poland
Marek Dziura	Cracow University of Economics, Poland
Ryszard Borowiecki	Cracow University of Economics, Poland
Tomasz Rojek	Cracow University of Economics, Poland
Yeo Jiong Ning Edwin	National University of Singapore
Hettiarachchi D.C Gunawardana K. D.	University of Sri Jayewardenepura, Sri Lanka University of Sri Jayewardenepura, Sri Lanka
Cheng, Yu-Jen Chung, Lee-Fong	National University of Kaohsiung, Taiwan National University of Kaohsiung, Taiwan
Sanjay Aswale	Department of Commerce, SCS College, Omerga, Maharashtra, India
M.Suganya S.Sujatha M.Edington Alex	Department of Information Technology, Alpha College of Engineering, Tamil Nadu, India. Department of Information Technology, Alpha College of Engineering, Tamil Nadu, India. Department of Information Technology, Alpha College of Engineering, Tamil Nadu, India.
Gairik Das Rudra Prosad Roy	IISWBM, Kolkata, India. IISWBM, Kolkata, India.
Srini . R. Srinivasan P.N.Mukherjee	School of Advanced Management Studies at Mumbai, India School of Advanced Management Studies at Mumbai, India
B.V.Sangvikar Hemant Katole	Department of Management Sciences (PUMBA) University of Pune, India. Department of Management Sciences (PUMBA) University of Pune, India.
Palto R Datta Pratik R Banerjee	University of Hertfordshire, UK ABRM, London, UK
Lothar Auchter	University of Applied Sciences Fachhochschule Kaiserslautern Campus Zweibrücken, Germany
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