International Journal of Academic Research & Development (IJAR&D)

Bi-Annual Peer Reviewed Refereed Journal

Volume 2, No. 2, July-December, 2016, Fourth Issue

A Journal of Bharti Publications

New Delhi-110002, INDIA

ISSN : 2395-1737

Volume : 2, ISSUE : 2

July-December, 2016

Publication Schedule : Twice a year

Printed in India:

Published by : Bharti Publicatons

All Correspondence Should be Address to

Bharti Publications

4819/24, 3rd Floor, Mathur Lane

Ansari Road, Darya Ganj, New Delhi-110002

Mobile : +91-989-989-7381

E-mail : bhartipublications@gmail.com

info@bharatipublications.com

Website : www.bhartipublications.com

INTERNATIONAL JOURNAL OF ACADEMIC
RESEARCH & DEVELOPMENT
(IJAR&D)
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E- Bank SERVICES - A Milestone for the Customers

Dr. R. K. Uppal

Director, ICCSR Sponsored Major Research Project
D.A.V. College, Malout, Punjab

Abstract

In the present day banking, total automation of banking operations is an imperative need for all banks to attract more customers, provide efficient services, and survive in the emerging new competition, apart from the profit motive which is the primary objective of the business. In order to achieve these goals of business, various channels have been developed through technology. 'Mobile Banking' is one of the best alternative channels available to customers for quick, correct and efficient service at anytime & anywhere. The present paper is devoted to explore the extent of Mobile banking in Indian banking industry where cell phone users are increasing at unexpected rate. Time period taken for study is 2000-01 to 2006-07 because this period is the eye-witness of infant condition of IT & during the same period IT became mature. Simple statistical tools like average, standard deviation, co-efficient of variation are used to calculate the efficiency of various bank groups providing the service of M-banking. On the basis of analysis, the paper concludes that the private sector banks are on the top in providing the M-banking services to their customers and have high profitability as compared to other bank groups under study except foreign banks. The paper also highlights the benefits of M-banking to customers as well as to bankers and suggests some strategies with their possible solutions like to spread awareness regarding M-banking and to increase its area & scope to enhance M-banking services in India, particularly in rural & semi-urban areas..

Key Words: *Extent of Mobile Banking, Strategies to Enhance M-banking Services*

Introduction

Banking and technology make a very good pair. It has transformed the way financial services are conducted (Bernice Marie V. Berida). Further the advent of foreign banks into the country and licensing of private sector banks (1993-94) have created a stiff competition in the banking business. The main focus of banking has shifted from traditional banking of accepting deposits and lending to the 'fees-based' income (particularly fees based income from e-channels). The bank branches have become 'Sales-outlets' and the staff working in the branches have become 'Salesmen'. Therefore, the new private sector banks are adapting the universal banking activities, i.e. concentrating more on selling of insurance products, Mutual Funds, Bonds, etc. (Anantha Bhaskar). Further, to combat with the competition with others, to save time, and to concentrate more on marketing and selling, banks are increasingly adopting alternate channels like, Phone banking, e-banking, Internet banking, ATMs and Mobile banking. When we say 'Mobile Banking', it immediately strikes to mind that "Banks coming to the door step of the customers" (particularly of potential customers) like a mobile library, mobile post office, mobile hawkers, etc. But the mobile banking sounds a different meaning. It is the banking through "Mobile telephones".

Mobile Banking

Now you need not to waste your precious time on visiting your bank or wait endlessly for a phone call to get through customer care just to check your bank balance because Mobile banking provides you the service to carry out banking transactions on the 'Mobile Phone' through a cellular service provider. The service provided by mobile banking can also be called as "Anywhere and Any moment Banking" but it is restricted to only account information and not cash services.

Mobile Banking gained momentum after the introduction of IT Act, 2000 and got further fillip after the improvement in the operations of service providers like Airtel/Essar/Spice/Global Mobile Bank, etc.

In a country like India where 98 pc of population is availing the facility of mobile phones, mobile banking has greater scope. In Andhra Pradesh alone, for instance, 250,000 people have registered for mobile banking services. The state Government is rolling out a programme to enroll three million people by the end of 2008 (*Leslie D'monte, Mobile Banking, Boon for Rural India*). Further Various Govts., telecom service providers & other institutions (ALW) are making efforts to extend banking services, especially in unbanked/under-banked areas (rural areas). For example, Bharti Airtel is in process of tying up with two leading banks to extend its mobile remittance services to rural areas (*Sanjay Kapoor*). Airtel has already partnered with the Indian Farmers' Fertilizer Cooperative Limited (IFFCO) to set up IFFCO Kisan Sanchar Ltd. in Rajasthan. Under this initiative, cooperative department will provide mobile handsets to farmers at marginal price through its outlets in the rural areas. These handsets would be loaded with green SIM cards, which will flash daily updates on agricultural practices and weather forecast free of cost.

Reliance Communications, on its part, allows ICICI Bank account holders with Reliance handsets (even the low-end Rs. 1000 ones-with or without internet connectivity) to make intra-bank (to ICICI account holders) money transfers. It has already tied up with HDFC to offer Reliance mPay – a virtual Credit Card.

Some of the Services that are available through Mobile Banking are:

- You can get your Balance details
- Get last 3 Transaction details
- Request for a Cheque Book
- Stop a Cheque payment
- Inquire about a cheque status
- Request an account statement
- Get Fixed Deposit details
- Get Bill payment details for Electricity, Mobile phone and Telephone services
- Pay your bills

Scheme of Paper

The present paper has been divided into seven sections. After the introduction, section II reviews some related studies. Section III fixes some research objectives, hypothesis & highlights the research methodology and the data base. Section IV is devoted to the results and discussion. Section V highlights some benefits of Mobile Banking to customers as well as to bankers. Section VI highlights issues & frames some strategies to enhance the Mobile Banking services in Indian banking industry and brings to light the implications of the study. Last section concludes the paper.

II

Review of Literature

Avasthi & Sharma (2000-01) have analyzed in their study that advances in technology are set to change the face of banking business. Technology has transformed the delivery channels by banks in retail banking. It has also impacted the markets of banks. The study also explored the challenges that banking industry and its regulator face.

B. Janki (2002) analyzed that how technology is affecting the employees' productivity. There is no doubt, in India particularly public sector banks will need to use technology to improve operating efficiency and customer services. The focus on technology will increase like never before to add value to customer services, develop new products, strengthen risk management etc. the study concludes that technology is the only tool to achieve their goals.

Bhasin (2001) analyzed the impact of IT on banking sector. It has transformed the repetitive and overlapping systems and procedures into simple single key pressing technology resulting in speed, accuracy and efficiency of conducting business and enabling them to enter into the new activities.

Husain, (1988), also highlighted the importance of IT in various sectors. In the introduction of any new technology or system various organizational, financial & functional problems are faced in the initial stages. People are generally reluctant to accept new system, howsoever beneficial it may be. Such various issues, which are involved in computerization, have been critically & vividly discussed.

Pathrose, (2001), banking the world over is undergoing a rapid and radical transformation due to the all- pervasive influence of IT and breath taking developments in the technology of telecommunications and electronic data processing. The winds of change are blowing in India too. The IT which implies the integration of information system with communication technology has radically altered the traditional ways of doing banking business and allowed banks to wipe out the difference in time as well as distance .It is in this context his article attempts to trace the present status of hi-tech banking in India, visualize its prospects and look at the challenges and problems in the tracks to be traversed. He concludes that in the scenario of severe competition and escalating expectation of customers for newer products and alternative delivery channels, the contours of banking are being redefined. The key to survival of banks therefore is retention of customer's loyalty by providing them with value added services tailored to their needs, using state-of- the-art IT. There is no way a bank can remain lukewarm to hi-tech and yet hope to grow. It is a choice between survival and extinction.

Rao (2002) analyzed the impact of new technology on banking sector. The technology is changing the way the business is done and opened new vistas for doing the same work differently in most cost effective manner. Tele-banking and internet banking are making forays such that branch banking may give to home banking. He provided some policies to protect their profitability.

Shastri (2001) analyzed the effect and challenges of new technology for banks. Technology has brought a sea change in the functioning of the banks. The earlier manual system of preparing of vouchers, etc. is slowing being automated thereby saving a lot of time and effort. The use of ATMs and introduction of more than in the past, especially in the Post-VRS Scenario.

Saxena (2000) also analyzed the importance of IT in the banking sector. According to him, the future promises to be even more exciting, interesting and challenging. The internet has enables us to talk to each customer as an individual, with different needs and requirements. This IT will affect the productivity & profitability of the banks.

Vageesh (2000) highly appreciated the new private sector banks which have adopted IT. The new private sector banks with their state-of-the-art technology and grandiose plans to make inroads into e-banking, are now darlings of the stock markets. Banks like HDFC and ICICI are foraying into net banking offering great convenience to customers on one hand and results in lower transaction cost for the banks on the other hand.

Research Gap

The review of mentioned studies clearly indicates that no comprehensive study has been undertaken regarding the extent of Mobile banking among various e-channels and the extent of mobile banking using customers in India. Therefore, the present study is devoted to fulfill this gap and also to analyze the profit and business per employee of those bank groups providing more services through Mobile banking.

III

Objectives, Hypothesis, Research Methodology & Data Base

Objectives

The study seeks to go beyond the previous studies. The specific objectives of the study are:

- To explore the extent of mobile banking among various e-channels.
- To know the extent of M-banking using customers in various bank groups.
- To make strategies to enhance M-banking services in India.

Hypothesis

Mobile Banking is positively affecting the efficiency of various bank groups.

Research Methodology

The research design of the paper is related to e-technology in Indian banking sector. The present paper focuses on M-banking services of various bank groups. The whole banking industry makes the universe of the study excluding RRB's and Cooperative banks. Indian banking industry has been divided into five groups as per the RBI guidelines.

G-I – SBI & Associate Banks (8)

G-II – Other Nationalized Banks (19)

G-III – Old Private Sector Banks (17)

G-IV – New private Sector Banks (8)

G-V – Foreign Banks (29)

We have deliberately taken the period in the post IT Act because after this period e-technology became mature.

Parameters of Study

The paper undertakes following parameters to fulfill the fixed objectives:

(A) E- Technology Parameters

- E-Channels
- E-Customers

(B) Efficiency Parameters

- Net Profit as Percentage of Working Funds

- Business per Employee
- Profit per Employee

Data Base

- Report on Trend & Progress, RBI, 2006-07.
- IBA, Performance Highlights 2000-06.
- Information collected from the head offices of many banks.

IV

Results and Discussion

To know the extent of M-banking in Indian banking industry, it is imperative to know the extent of branches of different bank groups providing the service of mobile banking & the extent of customers availing this facility. Tables 1 to 5 show the extent of branches providing the facility of M-banking for different bank groups differently. These tables also show the position of M-banking among different e-channels.

Position of M-banking among various e-Channels (G-I)

Table 1 shows the position of M-banking among different e-channels in G-I. It is clear that G-I has 95.55 pc computerized branches. After that comes the number of branches providing the facility of ATMs and Internet banking. Their average percentage is 35.43 & 30.04 respectively. G-I has only 14.6 pc branches providing the facility of M-banking.

Table 1 (G-I) Position of M-Banking Among Various E-Channels

(Per cent)

E-Delivery Channel	2000-2001	01-02	02-03	03-04	04-05	05-06	06-07	Average
Computerized Branches	93.29	93.80	94.34	94.31	93.98	99.13	100	95.55
ATM	23.01	30.89	34.87	36.55	37.76	39.09	45.90	35.43
I-banking	11.80	16.25	23.08	32.27	35.08	40.37	51.44	30.04
M-banking	7.37	8.82	10.64	12.42	19.53	17.53	25.89	14.6
T-banking	3.69	4.41	6.68	9.50	12.30	13.62	19.38	9.94
Average	27.38	30.83	33.92	37.01	39.73	41.94	48.52	35.11

Source: Information collected from head offices

Position of M-banking among various e-Channels (G-II)

In case of G-II, results are more depressing. It has only 8.55 pc branches providing the service of Mobile Banking. Although, Internet banking and Tele-banking have even less branches than M-banking but this statistics are not satisfactory for a country like India where 98 pc of population is availing the facility of mobile phones.

Table 2 (G-II) Position of M-Banking Among Various E-Channels

(Per cent)

E-Delivery Channel	2000-2001	01-02	02-03	03-04	04-05	05-06	06-07	Average
Computerized Branches	30.52	47.90	63.72	73.41	87.04	92.94	92.91	69.77
ATM	10.07	11.29	11.78	12.58	14.06	19.40	25.47	14.95
I-banking	1.55	1.94	2.74	4.21	5.01	6.65	8.40	4.35
M-banking	1.86	2.19	3.35	8.70	10.05	15.23	18.53	8.55
T-banking	0.94	1.37	2.96	3.53	3.86	6.10	11.40	4.30
Average	8.98	12.93	16.91	20.48	24.00	28.06	31.34	20.38

Source: Same as table 1

Position of M-banking among various e-Channels (G-III)

In case of G-III also, position of M-banking is not satisfactory. It has only 13.27 pc Mobile banking branches. Computerized and ATM branches are comparatively on better position.

Table 3 (G-III) Position of M-Banking Among Various E-Channels

E-Delivery Channel	2000-2001	01-02	02-03	03-04	04-05	05-06	06-07	Average
Computerized Branches	19.69	23.15	46.31	48.59	67.21	71.09	73.19	49.89
ATM	11.81	16.42	22.39	22.67	27.35	62.36	75.41	34.05
I-banking	6.25	7.98	15.05	15.60	17.68	20.71	23.93	15.31
M-banking	6.91	7.17	12.55	13.57	13.44	17.79	21.52	13.27
T-banking	5.74	8.83	10.90	11.44	13.31	18.47	20.64	12.76
Average	10.08	12.71	21.44	22.37	27.79	38.08	42.93	25.05

Source: Same as table 1

Position of M-banking among various e-Channels (G-IV)

In case of G-IV, the position of all e-channels is quite satisfactory. All branches of G-IV are fully computerized and 72.75 pc branches are providing the facility of Internet banking. After that comes the number of ATM branches. G-IV has 66.43 pc Mobile banking branches which is relatively satisfactory as compared with other bank groups.

Table 4 (G-IV) Position of M-banking among various C-channels

E-Delivery Channel	2000-2001	01-02	02-03	03-04	04-05	05-06	06-07	Average
Computerized Branches	100	100	100	100	100	100	100	100
ATM	40.66	42.51	58.58	51.65	81.84	89.03	83.60	63.98
I-banking	74.16	72.97	80.80	77.96	62.87	74.22	66.27	72.75
M-banking	64.59	69.63	72.72	71.21	56.59	69.26	61.04	66.43
T-banking	38.27	46.25	65.85	57.57	49.74	41.92	39.25	48.40
Average	63.53	66.27	75.59	71.67	70.20	74.88	70.03	70.31

Source: Same as table 1

Position of M-banking among various e-Channels (G-V)

Although, G-V has less number of Mobile banking branches than G-IV but the comparative position of it in G-V is better. It has 49.01 pc branches providing the facility of Mobile banking.

Table 5 (G-V) Position of M-Banking Among Various E-Channels

E-Delivery Channel	2000-01	01-02	02-03	03-04	04-05	05-06	06-07	Average
Computerized Branches	100	100	100	100	100	100	100	100
ATM	132.85	130.61	217.22	188.94	294.32	169.63	202.42	190.85
I-banking	42.14	45.57	47.22	41.93	78.01	47.98	48.98	50.17
M-banking	40.71	40.13	45.00	44.23	75.88	46.96	50.20	49.01

T-banking	42.14	45.57	43.88	40.09	63.82	44.53	59.91	48.56
Average	71.56	72.37	90.66	83.03	122.40	81.69	92.30	87.71

Source: Same as table 1

Comparative position of Mobile banking among various bank groups

Table 6 highlights the comparative position of Mobile banking among different bank groups. It shows that G-IV is on the top position in providing the M-banking service to their customers. It has 66.43 pc mobile banking branches. G-V is on the second position and it has 49.01 pc branches providing M-banking facility. SBI group (G-I) and old private sector banks (G-III) have almost same number of branches providing M-banking facility as is indicated in table. Only 8.55 pc branches of Nationalized banks (G-II) are proving the same service & in this term, this group has gained last position.

Table 6 Comparison of Bank Groups Providing M-Banking Services

E-Delivery Channel	G-I	G-II	G-III	G-IV	G-IV
Computerized Branches	95.55	69.77	49.89	100	100
ATM	35.43	14.95	34.05	63.98	190.85
I-banking	30.04	4.35	15.31	72.75	50.17
M-banking	14.6	8.55	13.27	66.43	49.01
T-banking	9.94	4.30	12.76	48.40	48.56
Overall Average	35.11	20.38	25.05	70.31	87.71

Source: Same as table 1

Extent of Mobile banking using customers

Table 7 shows the number of customers of different bank groups availing the service of Mobile banking in different years. It is clear from table that G-IV holds strong position among different bank groups. It has 49, 93,811 customers in the year 2006-07 availing the facility of M-banking. In terms of number of customers using M-banking services, G-V & G-I gained second & third position respecitivley.

Table 7 Customer Using of M-Banking Service

Bank Group	2000-2001	01-02	02-03	03-04	04-05	05-06	06-07
G-I	39171	59716	87477	187541	324175	459646	866677
G-II	16861	28630	39431	81427	188947	325301	463141
G-III	1621	8736	20693	24587	57119	79417	99431
G-IV	69441	101213	531449	867514	1810901	3865719	4993811
G-V	31631	47771	77877	105431	256063	391013	1056065

Source: Same as table 1

They have 10,56,065 & 8,66,677 Mobile banking users correspondingly. Compare to these three bank groups G-II & G-III have very less M-banking customers & they are 463141 & 99431 respectively. In all the bank groups customers of M-banking are increasing year by year this indicates the increasing popularity of M-banking.

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Net profit as a percentage of working funds

All the bank groups under study, more or less, are providing M-banking service to their customers. Among these bank groups, G-V & G-IV have maximum net profit as percentage of working funds. On an average, their net profit as percentage of working funds is 1.19 & 1.01 respectively. While G-III & G-I have gained next two positions. In case of G-II, net profit as percentage of working funds is only 0.79 pc.

Table 8 Net Profits as a Percentage of Working Funds

(Per cent)

Years	G-I	G-II	G-III	G-IV	G-V
2000-01	0.42	0.62	0.81	-0.72	0.71
2001-02	0.72	1.08	0.41	0.13	0.13
2002-03	0.96	1.17	0.90	1.57	1.56
2003-04	1.12	1.16	1.22	1.65	1.64
2004-05	0.89	0.22	1.13	1.30	1.29
2005-06	0.83	0.54	0.99	1.52	1.52
2006-07	0.85	0.76	0.92	1.65	1.47
Average	0.75	0.75	0.99	1.03	1.15
S.D.	0.22	0.31	0.30	0.76	0.46
C.V. (%)	29.33	41.33	30.30	73.78	40.00

Source: Performance Highlights, Various Issues, 1997 to 2007, IBA Mumbai

Business per employee of various bank groups

Table 8 indicates the business per employee of different bank groups under study providing the service of Mobile banking. The study reveals that foreign bank groups have maximum average of business per employee as compare to other bank groups. Foreign banks are more benefited than other bank groups. G-III & G-IV have almost same average of business per employee as shown in table. But on the other hand, public sector banks have very low average. Co-efficient of variation reveals that maximum variations found in G-I, G-II & G-V while least in G-III & G-IV.

Table 9 Business Per Employee

(Per cent)

Years	G-I	G-II	G-III	G-IV	G-V
2000-01	1.60	2.00	7.46	9.03	159.93
2001-02	1.91	2.24	8.96	10.07	197.59
2002-03	2.15	2.99	10.94	10.31	221.90
2003-04	2.47	3.17	8.73	9.57	850.25
2004-05	3.06	3.55	8.75	9.40	307.62
2005-06	3.69	4.23	9.02	10.08	374.54
2006-07	4.61	4.96	8.11	9.95	434.05
Average	2.78	3.31	8.85	9.77	363.69
S.D.	1.07	1.05	1.07	0.45	235.99
C.V. (%)	38.48	31.72	12.09	4.60	64.88

Source: Same as Table 8

Profit per employee of various bank groups

Table 10 shows the profit per employee of those bank groups providing the facility of m-banking to their customers. It is clear from table that G-V (9.67 pc) has maximum average of profit per employee followed by G-IV (7.42). In this respect, G-II gained the third & G-III gained the fourth position respectively.

Table 10 Profit per Employee

(Per cent)

Years	G-I	G-II	G-III	G-IV	G-V
2000-01	0.77	0.41	0.94	5.12	-6.33
2001-02	1.21	1.03	1.83	3.88	1.23
2002-03	1.59	1.65	2.62	9.19	15.50
2003-04	2.00	7.65	2.76	9.59	15.29
2004-05	2.04	2.03	0.57	8.27	11.63
2005-06	2.20	2.22	1.61	7.13	14.63
2006-07	2.22	2.40	2.09	8.77	15.74
Average	1.72	2.48	1.77	7.42	9.67
S.D.	0.55	2.38	0.81	2.17	8.74
C.V. (%)	31.98	95.98	45.76	29.25	90.38

Source: Same as Table 8

Their average of profit per employee is 2.48 & 1.77 pc respectively. Co-efficient of variation reveals that maximum variations found in G-II & G-V and comparatively less in other bank groups.

Though, after so many years of the enactment of the IT Act, Mobile banking has not gained satisfactory position yet increasing number of M-banking using customers indicates the comparative popularity of it among various e-channels. Among various bank groups, new private sector banks and foreign banks are on the top position in providing more Mobile banking services and their efficiency is also high as compared to other bank groups.

V

Benefits of Mobile Banking to Customer & to Bankers

To Customers

- Customers need not stand in the bank counters/ front offices for various enquiries about his account.
- Customer can save his valuable time in banking transactions and save in travel cost reaching the bank branch etc.
- It is a mobile banking to have information of all the 365 days at anytime anywhere about his account.
- Customer can pay his utility bills in time and save paying penalties, since alerts are received from the bank.
- Cheque book requests can be made sitting in his work place.

To Bankers

- M-banking helps banks in saving crores of rupees by way of reduced transaction costs. Govt. incurs a cost of Rs. 12-13 for every Rs.100. Mobile banking helps it reduce the cost to a mere Rs.2.
- Banks can utilize the time saved for expansion of business, marketing and sales activities by channel migration of customers to mobile banking.
- Banks can take advantage of profits by way of

commission for cellular companies by selling prepaid talk time through ATMs.

- Banks providing mobile banking service can have competitive advantage on those banks, which are not providing this service.

VI

Emerging Issues

New techniques brings with it some issues, if these issues are resolved efficiently then that technology can prove boon for that area. M-banking is not an exception. It has also bring with it some issues, like awareness regarding M-banking, covering rural and semi-urban area under M-banking, widening the scope of M-banking, transparency and security. These issues must be tackled very carefully and wisely to compete in the emerging global order.

Startegies with Their Possible Solutions to Make M-Banking More Popular

Awareness Regarding M-banking

As cell phone users in India are increasing at unexpected rate, M-banking has greater scope. Therefore, it is imperative that more customers should be made aware of this service.

Possible Solutions

- Banks should provide operational knowledge of M-banking with each their functions through SMS, WAP and IVR separately.
- Banks should arrange demo-fares or provide information to customers at counters.
- Posters consisting list of services provided by Mobile banking should be displayed at appropriate places.

Rural & Semi-Urban Sector

More than 60 pc of Indian population resides in rural areas. Therefore, it is need of the hour to capture this market through e-delivery channels. M-banking is the best alternative method in this direction. Hence, banks should make M-banking popular in rural and semi-urban areas too.

Possible Solution

Banks and Cellular service providers should tie-up in this direction and try to provide Mobile banking facility to rural population free of cost. (Eg. Bharti Airtel is in process of tying up with two leading banks to extend its mobile remittance services to rural areas).

Wider Scope of Mobile Banking

The banks should make the area of Mobile-banking wider by adding some more banking facilities. This will further strengthen the popularity of M-banking and help to earn more income.

Possible Solution

Banks should allow the cash transactions of small amount (upto 5000) through M-banking.

Transparency

The banks should disclose the full information regarding service charges, service tax, interest, penalty if any, etc. to the customers to win their confidence.

Improvement of HRD Systems

The employees of e-banks should be given training to match their skill with the requirements of changing environment. They should at least make them aware of all the schemes provided by the banks.

Possible Solutions

- Banks should conduct training to train their staff regarding 'how to use various e-channels' & update their knowledge time to time.
- Arrangements should be made to take regular test of their employees (particularly Customer Care Executives) to test their knowledge.

Inference

The main inference of the study is that although Mobile banking has wider scope in Indian market but still it has not achieved satisfactory position. To make mobile banking more popular, combined efforts by the banks and cellular service providers are required to a large extent. The study can prove beneficial for banking industry as well as for other business institutions which can use mobiles to boost their revenues.

VII

Conclusion

With the rapid development of transport and communication, people and services are coming together as if they were just around the corner. If this is the case for many services, then why should the banking industry lag behind?

E-channels enable the banks to be better connected with the customers and vice versa. A customer who is provided with a variety of additional services feels appreciated and is more likely to be loyal to that bank, which is always a good sign for a bank.

In the end mobile banking not only helps a bank to reduce costs but also helps it to retain its valuable customers. And as far as customers are concerned, this facility enables the customer to bank anywhere, at anytime and in any condition, definitely a boon if a customer is stuck in the middle of nowhere and requires banking services as soon as possible.

Thus mobile banking helps both, the customer as well as the bank, to lighten the burden of today's world and to save time, money and energy which is greatly required and appreciated.

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IJAR&D
Vol. 2, No. 2, July-December, 2016, pp. 11-15

The Impact of Internet Banking Service Quality on Customer Satisfaction

(A Case Study of a Domestic Commercial Bank in Dhaka, Bangladesh)

Mostafizur Rahman
MBA Marketing, Graduate School Kasem Bundit University, Thailand

Abstract

This research study focuses on Internet banking service quality at one of the leading scheduled banks in Bangladesh. Specifically, it aims to determine the relationship between service quality and customer satisfaction with the Internet banking services provided by Dutch-Bangla Bank Limited (DBBL), located in Dhaka, the capital of Bangladesh. Service quality is measured through six dimensions: customer support, ease of use, reliability, responsiveness, service security, and transaction efficiency.

The survey method was used to collect data and questionnaires were distributed to 400 respondents; DBBL customers using its internet banking services. The data was analyzed by Statistical Package for Social Science (SPSS). Descriptive analysis and Pearson's Correlation were used to test the hypothesis and obtain accurate results. The findings indicate that transaction efficiency has a high mean value and customer support, ease of use, reliability, responsiveness, and service security a medium mean value. All null hypotheses were rejected. Moreover, service security and transaction efficiency have a strong positive relationship with customer satisfaction. Customer supports, ease of use, reliability, and responsiveness have a moderate positive relationship with customer satisfaction. Several recommendations were made, pointing to the need to keep improving all aspects of internet banking and remain a pioneer in terms of introducing new technology to the industry. Service security is especially important to customers and should continue to remain one of the bank's prime concerns.

Introduction

This study hypothesizes that Internet banking services quality improves customer satisfaction level by 25%: A case study of a Domestic commercial bank in Dhaka, Bangladesh. Over the years, more and more people have access to banking services. In Bangladesh, the level of access to banking services has increase by 33% since 1999 (Nupur, 2010, p. 149). The increase in access to banking services translates to increase number of customers for every bank (Shamsuddoha, 2008). The increased number of customer stretches the banks available assets and facilities to offer the required services to the increase number of people even as it increases the banking revenue (Shamsuddoha, 2008). Most of the banks control their expansion and allocation of resources in reaction to the increased number of customers with the intention of cutting on operational cost.

Studies by Nupur, (2010 p. 149) have shown that increase in the level of banking has also translated to an increased number of commercial banks making the financial services industry more competitive. Increased level of competition has pushed the banks to institute measures that reduce their operational cost even as the value requirement for customers increase. One of the innovative ways that are able to reduce the operational costs, increase the number of customer services, and add value to the customer service is internet banking.

This article supports the thesis that Internet banking services quality improves customer satisfaction level by 25%. The study focuses on a case study of a Domestic commercial bank in Dhaka, Bangladesh. The study supports its position through analysis of existing literature and previously conducted research. The article also employs financial and statistical reports to support its position.

Background

Bangladesh is one of the countries in Asia that is increasingly accepting banking service. Other than being one of the countries that perform well in cricket, Bangladesh is categorized in the next eleven developing nations (Bank, 2015). Its economy stands at US$209 billion with per capital income of US$1,190 (Bank, 2015). The service sector is the most vibrant sector in the country accounting for 51% of the GDP with the industry and agriculture sector following with percentages of 30% and 18% respectively (Bank, 2015).

Being the seventh largest natural gas producer in Asia and having exports amounting to US$30 billion in the year ending 2014, Bangladesh is an economic power in Asia (Bank, 2015). After its independence, the country emphasized on education, health, and economic development as its core pillars in progress.

Bangladesh has the best mixture of attributes that foster adoption of Internet services and acceptance of the banks within its operations. The increased educational level encourages adoption of new ideas including the use of technology to improve economic and operational efficiency. The country has the right environment being bordered to the Asian technology giants such as India. The country has the largest financial industry in South Asia and has an average economic growth of 6% that is evident in its ever increasing middle class (Bank, 2015). The appropriateness and applicability of internet banking is not only supported by the environmental conditions of the country's banking sector but it is also encouraged by the economic and environmental condition.

Internet Banking

Internet banking is a growing area in the banking and financial industry. Internet banking is defined as the use of internet infrastructure to offer banking services (Shamsuddoha, 2008). The concept is also defined as the use of information and communication services and methods to offer conventional banking services. The banking method allows the conventional banking operations to be possible within an internet technology infrastructure. It is the use and access of banking services through computers or handheld internet devices (Shamsuddoha, 2008).

Some of the services that are offered through the platform includes, checking of balance, withdrawal of money, purchases directly from the bank account, transfer of funds, deposits of funds, and contact customer care. Internet banking services offered vary across commercial banks in Bangladesh (Sobhani, Amran, & Zainuddin, 2012). However, these basic services are offered through the platform to the customers. These services are offered in most commercial banks.

Internet Banking Services

Internet banking allows the customers to access their bank details from the comfort of their computers. Through a unique account identification detail, a customer can access a platform or a page that contains their banking information. The internet banking services contains a list of the recent transactions, available balance, and user services (Ahmad & Khanal, 2007). Moreover, the platform contains features that allow direct communication between the customer and the bank.

Internet banking positions the customer to be in-charge of their accounts. The operations and activities that are ordinarily performed by the bank administrator are open for the customer to apply. However, these activities are restricted. There are a number of fundamental issues that cannot be changed by the customer (Ahmad & Khanal, 2007). The customer cannot change the details of the account. Changing the details other than the authenticating details would equip the customer with the ability to alter the identity of the account. This administrative feature is left for the bank.

Internet banking services give the customer ready access to their information for review and financial control. Information such as bank statements and bank balances are no longer under the restrain of the banker but availed to the customer (Yang & Ahmed, 2009). Moreover, it devolves some of the banking services to the customer especially those that would not alter the security and status of the bank. To the customer, online banking spells freedom while to the bank, lower operational costs.

Customer Satisfaction in Retail Banking

Customer satisfaction is a key success factor in the banking sector in Bangladesh. The process of customer satisfaction begins with understanding the requirements and understanding of the customers (Yang & Ahmed, 2009). Only through understanding these factors would a bank evaluate a process and its effectiveness in meeting the customer satisfaction. Various studies have tried to understand the customer satisfaction issues in Banking (Siddique & Islam, 2001). Exploratory studies that focus on secondary data and empirical researches have been conducted to determine the actual needs of the customers.

The grounded theory method in studies by Crook & Kumar, (1998) has been able to determine the customer satisfaction parameters in the banking industry starting from the basic principles. This approach offers the best framework for analysis and understanding of the customer satisfaction in a way that can be connected to an academic concept. Studies by Siddiqi (2011, p. 17) indicate that the customer satisfaction parameters in the banking sector are timely service, the level of trust nurtured between the bank and the customer, security, available control of cash, access to a myriad of services, and access to accurate and updated information. These values are interchange in priority across various banks. However, they are the values that appear more frequently across all the banks that were assessed in the study.

Measuring Customer Satisfaction

The study conceives a 25% increase in customer satisfaction. The parameter of measure is derived from Jham & Khan (2008) determinants of performance in the banking sector. The parameter defines that percentage or the level of customer satisfaction to be commensurate to the number of customer issues addressed by the banks initiative to meet the total demands. While it is impossible to realize a practical 100% customer satisfaction, a percentage of the general issues raised out of identified issues are calculated. A theoretic 100% is possible. 16 issues were identified and the study finds that internet banking has the potential to address 4 of the issue conclusively.

Internet Banking Quality and Customer Satisfaction

There are a myriad of advantages that are enjoyed through internet banking. These advantages not only inspire the use of online banking over the conventional banking system but they also enhance the quality of customer satisfaction (Akther, Fukuyama, & Weber, 2013). To evaluate the extent of influence of customer satisfaction by internet banking in Bangladesh, it is important that the concept of customer satisfaction is discussed and analysed.

Customer satisfaction differs with companies and in extension industries that offer the service. The nature of the product or the service that is offered determines the parameters of measuring the level of customer satisfaction. In the banking industry, the customer focuses on the access to finances, access to financial information, the level of security, and the convenience of the service (Jham & Khan, 2008). To enhance customer satisfaction, companies within these industries must ensure that these parameters are optimized towards proper value access. It is also important to note the customer satisfaction is relative to the consumer behaviour for the product and region. The consumer behaviour in the banking industry in Bangladesh forms the basis of interpretation of the level of customer satisfaction derived from internet banking service (Okumuº, 2005). The following advantages are offered through internet banking that server towards customer satisfaction.

Timely Retail Service to the Customers

Bangladesh is a growing economy with a vibrant financial service sector in South Asia. The competitive position of any commercial in such an environment relies heavily on its ability to offer timely services to its customers. Bangladesh banking statistics indicate a steady rise in the number of people that have bank accounts (Okumuº, 2005). The increase in number of people who are opening accounts is more than the number of branches opened within the country. The result is a biased growth of customers that does not match the available infrastructure. This trend usually ends up creating a bottlenecked service delivery.

The results of these operational challenges are usually long service hours within the banking hall. Customers are forced to spend long hours to access banking services in their respective banks. An analysis of the banks customer behaviour in Bangladesh by Rashid & Hassan, (2009) indicates that customers' common complaint is the time that is spent on the banking hall to access the banking services. Most of the customers criticize the bank tellers for being slow and unreasonable in time.

Customer satisfaction is met through internet banking by offering timely service. Online banking offers customer quality service by reducing the time that is spent on any transaction. Other than the time that it would have taken to move from one place to the bank and to another location, internet banking offers the convenience of avoiding the crowd that is common in Bangladeshi banking halls that seek the banking services (Khan, Hassan, & Shahid, 2008). Simple banking transaction and services such as money transfer or balance confirmation can be conveniently access through decentralization of the service from a common banking hall to customers' computers. This way, the service offered is fast and time saving without any compromise on the quality.

Updated and Accurate Financial Information

The financial position of a person is highly fluid. With every expenditure and receipt, a change is realized in the financial position of the person. While the financial status of a person is fluid, it is important for one to consider their financial position before making any financial decision. However, the process of assessing and confirming the financial standing at any point is controlled by various measures in the interest of security (Khan, Hassan, & Shahid, 2008). Ordinarily, one needs to visit a bank, carry their personal identification, and provide necessary bank account identification to be provided with some of their financial position.

Until recently, Bangladesh commercial banks would charge a nominal fee for one to access their financial statement. This means that for one to known their financial standing, they would have to pay for the service. The payment is usually an administrative cost that does not offer any direct value to the customer (Khan, Hassan, & Shahid, 2008). These events made it difficult for one to prove their financial position and even confirm it whenever they need to make a financial decision.

Internet banking improves customer satisfaction by ensuring easy access to the vital information which is their financial standing. The complicated process of accessing financial information whenever needed is made easier and more efficient notwithstanding the necessary security measure (Khan, Hassan, & Shahid, 2008). The internet platform of the bank is protected by online security measures that control access to the vital information. The process is made more efficient without compromise in security using a unique identification with a password. Customers can be updated on their financial position at no cost whenever they need. The vital need for financial awareness is readily available and updated to provide customer satisfaction.

Documentation and Availability of Comprehensive Financial Information

Among the listed customer demands for a bank in Bangladesh is comprehensive financial information. Ordinarily, the access of financial information from banks is through periodic communications in the form bank statements sent through post. However, customers demand more information on their finances from the bank. This service has not been easily availed to the customers.

The platform of internet banking improves customer satisfaction by availing more information to the customers. A study by Khan, Hassan, & Shahid, (2008) indicated that trust between the banker and the customer is enhanced by the level of transparency and access to vital information from the bank. Internet banking therefore improves the trust of the customer to its financial service provider which is the bank through internet banking. The ability of internet banking to allow the customer more control on their finances develops the trust between the two. A customer is more satisfied that their finances are properly managed and safe when all the necessary information is available.

More Services Offered Within one Location

There are a myriad of services that are accessible within the internet banking infrastructure. Commercial banks in Bangladesh have combined these services and streamlined their online operations such that they can be accessed within the internet platform. The internet banking offers the customers more services within one location. Compared to the automated teller machines and even the over the counter services, internet banking affords additional services such as online payment and money transfer across other banks.

Studies indicate that 43% of the total crimes committed in Bangladesh were related to street cash robbery. These events are significantly reduced with access to onsite money transfer. The risks associated with carrying cash are significantly reduced through the assorted services offered by the internet banking service. Customer satisfaction is significantly increase through safety in finance and improved access to financial services.

Conclusion

The review finds that four out of the 16 issues identified as gaps in customer quality service delivery are remedied through internet banking. Internet banking has the ability to close the gaps by improving timely delivery of service, offer more services within a single platform, avail financial information, and offering updated accurate information to the customers. By addressing these issues, 25% of the customer satisfaction gaps can be eliminated. This position is supported by existing literature and researches that document potential of internet banking to address the identified issues. It is thus imperative that the measure sufficiently meets the thesis position in Bangladesh.

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IJAR&D
Vol. 2, No. 2, July-December, 2016, pp. 16-22

An Empirical Study on Data Breach, Cost Involvement to Encounter this Significant Cyber Security Threats

Arkaprava Chakrabarty

Faculty, Management Studies
Institute of Leadership Entrepreneurship and Development (ILEAD), Kolkata

Abstract

The present paper examines the effects of data breach in various Banking, Financial and Industrial Sectors as well as individuals where it has a massive impact. Data breach is an essential security issue by which any concern's sensitive, protected or confidential data are pilfered, transmitted and gathered by unauthorized individual or group of individuals. This paper attempts to find out the various types of data breach which may affect the economy of any country as a whole. The paper is also trying to analyze the report of some certified international institutions about the cost of data breach study, the level of concentration of some countries to counter the data breach or some unprecedented incidents. Using various graphical representations on cost to prevent data breach or security threats by different concerns, this study also endeavoured to show the assessment of risk by using the technique of Breach Level Index to observe the magnitude of data breach risk for a particular company, institution and organisation. It also tries to evaluate the need of computing the risk and also suggests the remedial measures for the purpose of prevention.

Key Words: *Industry Reaction, Data Breach Summit Asia 2015, Ponemon institute's Report Analysis, Breach Risk Assessment, Breach level Index, Prevention Tips.*

Introduction

In the present days the books of accounts of any concern whether it is domestic or international is maintained electronically. The softwares which are used for the purpose of recording are programmed as per i) the Traditional Techniques, ii) the Accounting Standards of the respective country, or as per iii) the International Financial Reporting Standard (IFRS), the modern way of treatment. Financial reports based on IFRS are worldwide acceptable now.

Manual recording of transactions has become obsolete now for obvious reasons. Electronic maintenance makes it easy, speedy, accurate and convenient to users. Updated information of Government duties, tax rates, interest rates etc is available online. Synchronization of the accounting system with internet based data /rules as per changes made by appropriate authority time to time, is a must in modern times. Hence, the necessity for securing the records by various anti malware or antivirus is felt.

Objective of the Paper

In the recent days various cyber security threats are spreading their dangerous arms everywhere. They can easily destroy the system's network of the particular concern at any time if the security package of the organization is not made powerful. The objective of the paper is to classify the various cyber security threats which may affect the system, boot process, programme etc. The paper concentrates on a particular security threat called "Data Breach" by which all the personal data of an organization can be stolen by some unscrupulous sources without any knowledge and consent of the aggrieved party or administrator. The paper presents:

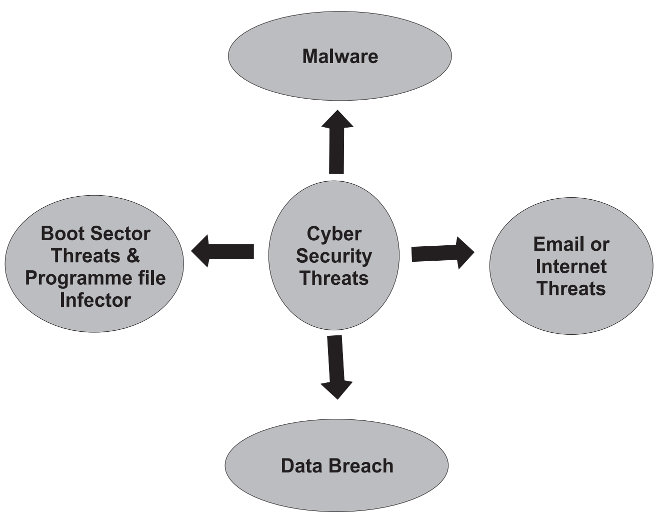
i. The process of the data breach and huge expenses incurred for its prevention.

ii. A procedure to evaluate the level or degree of data breach. and

iii. The various precautionary measures which are needed to protect the system or network from this particular cyber security threat.

About Cyber Security

Today cyber threats or computer viruses are a serious issue as well as the other software's or applications of the computer. The first computer virus isolated in 1982 named Elk Cloner. It infected the Apple DOS 3.3 operating system, displaying a short poem when an infected computer booted up for the 50th time. After that the world witnessed the panic of Michelangelo virus in 1990 and the devastating effect of SoBig-F virus in 2000 and the incidents have been continuing by the cybercriminals. These viruses, internet worms, malware, spyware can damage the computer system with disturbing elements and can destroy the important files from the hard disk. The degree of damages to the computer depends on the capacity of the viruses. These are:



Source: Self Created

Various Types of Cyber Security Threats

1. Malwares

Malware is a general term for malicious software. Malware includes viruses, worms, Trojans, Adware and Spyware. Many people use the terms malware and virus alternatively.

- Spyware is any programme that monitors the online activities or installs programmes without the consent of the aggrieved party or captures personal information. These may collect, display targeted advertisement.
- Trojans are malicious programmes which are generally created from pirated software applications and serial number generations which create fake and illegal license codes for some sites and games as per requirements. It pretends to be legitimate software, but actually carry out hidden, harmful functions.

2. Email and Internet Threats

These are the threats that can affect the computer while it is connected with the Internet. Sensitive financial or personal information are transmitted illegally through fraudulent email or instant messages. Some of the most common attacks include:

- DNS Hijacking: The Domain Name System (DNS) is the phone book of the Internet. This threat can capture the system capacity to translate the websites into IP address number.
- Bonk: An attack on the Microsoft TCP/IP stack that can crash the victim computer.
- Denial-of Service Attack (DoS): It is an activity by a hacker to stop the service of network by the user.
- Phishing Emails: It refers to the process of deceiving recipients into sharing sensitive information with an unknown and unauthorized person.
- Patches: Patches are software add-ons designed to fix software bugs, including security vulnerabilities in operating systems or applications.

3. Boot Sector Threats and Programme file Infector

- Win Nuke – An exploit that can use NetBIOS to crash older Windows computers.

4. Data Breach

The various threats can result a Data Breach of systems. A Data Breach is the release of secured and confidential information to an unreliable path or environment. It is an essential security issue by which any concern's sensitive, protected or confidential data are pilfered, transmitted and gathered by unauthorized individual or group of individuals. Data breach may involve the information of financial institutions viz. banks, personal health information (PHI), Personal identifiable information (PII), Companies confidential information etc.

Process of Data Breach

Even though it's all about unethical activity, we should be aware of the general techniques used by the hackers and the cyber criminals at the time of Data Breaches. A typical data breach occurs in three phases:

1. **Study on Weaknesses**: Before the attack of data breach of any concern, the cyber criminals concentrate on the weaknesses of the concerns like target employees, his or her social networking profile, the system of the concern and its network. The findings of these types of study depend on the degree of security protocol of the targeted organization.
2. **Execution of Plan or Attack:** Having scoped out his target's weaknesses, the cyber criminal makes initial contact through either a network-based attack or through a social attack.
   a. In a **network** attack, the cybercriminal uses the weaknesses in the target's infrastructure to get into its network. These weaknesses may include, inter alia SQL injection, vulnerability exploitation, and/or session hijacking.
   b. In a **social** attack, hackers generally send a malicious crafted mail to one of the employees. The process may run after opening the files of the mail or after providing the personal data of the employee or the organization in reply to the original mail. This type of mail is called phishing mail.
3. **Transmitting Information:** After entering into the network of the administrator unethically, the hacker transmits, or encrypts the data or information back to him. This data may be used for either blackmail or negative propaganda. It may also result in the cybercriminal having enough data for a more damaging attack on the infrastructure as well.

Breach Level Index

The present paper examines the degree or level of index with the help of some parameters. These parameters classifieds in the following contents.

1. **Breach Record or total number of records breached in a certain period of time in a concern whether it is profit seeking or nonprofit seeking.**

Score :	**0 ......**	**1 ......**	**2 ......**	**3 ......**	**4 ......**	**5 ......**
Data No.:	**0**	**10**	**100**	**1000**	**10000**	**100000**

2. **Types of data which are generally breached.**

i. Nuisance (email address, affiliation etc). **(Score 0)**

ii. Account access (username, password of social media) **(Score 0.3)**

iii. Financial access (bank account credentials, credit card details) **(Score 0.5)**

iv. Identity theft (SSN, ID number, name, medical records, date of birth) **(Score 0.6)**

v. Existential data (national security or business id) **(Score 0.7)**

3. **Sources of data breach or reasons of breaching the records.**

i. Lost device **(Score 0)**

ii. Stolen device **(Score 0)**

iii. Malicious Insider **(Score 0.5)**

iv. Malicious Outsider **(Score 0.6)**

v. State Sponsored **(Score 0.7)**

4. **Scope of breaching data**

i. No action was taken at the right time. **(Score 0)**

ii. Publicly disclosed concern's confidential data. **(Score 0.7)**

iii. Data are disclosed to the outsider for financial gain. **(Score 1.0)**

5. **Organization's Location**

All the surveys are made in India

6. **Organization Industry**

i. Education

ii. Financial

iii. Government

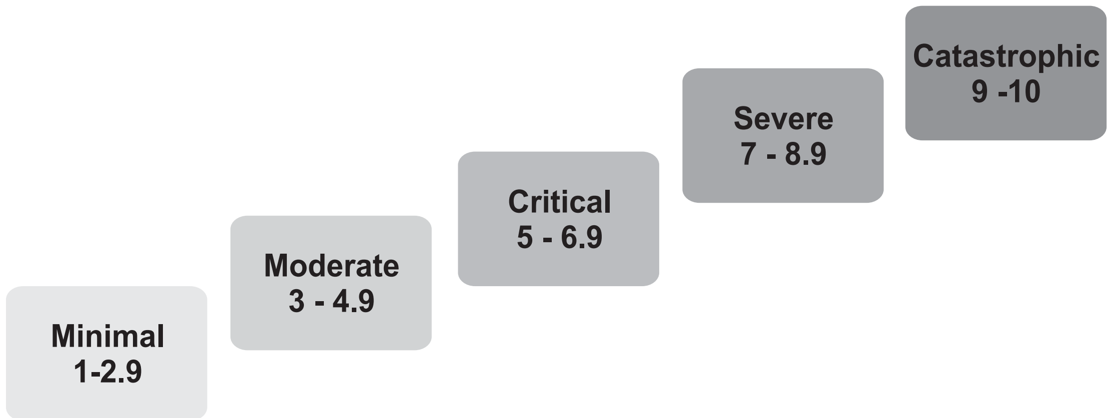
iv. Healthcare

v. Retail

vi. Technology

vii. Other

Five Types of Risk Score



Source: Self Created

From the above shown diagram of risk score we can elaborate the degree or level of risk score. The first parameter reflects the number of records of a particular concern which are breached. As the number of records breached increases, the score will increase. But here the measurement for the level 1-2 is 10 times for each score, whereas the same from 2-3 is 100 times and from 3-4 is 1000 times.

The second parameter shows us the types of data which are generally breached. Here due to nuisance the risk is minimum, whereas for Existential data like national security or business id. The government concern specially should take special care of it.

The third parameter represents Sources of data breach where lost data carries minimum score and state sponsored carries highest score.

Under the Scope of breaching data, the next parameter we can easily calculate the causes of spreading the breach. By adding these scores we can compute the total score of risk and find out whether the risk or breach is harmful for the concern or not. And also the urgency of the remedial can be easily determined from this particular score.

Statistics of Indian Data Breach from 2013 to 2015

Rank	Organization Breached	Date Breached	Records Breached	Location	Industry	Source of Breach	Type of Breach	Risk Score
1	Bharat Sanchar Nigam Limited (BSNL)	4/7/2015	30,000,000	India	Government	Hacktivist	Existential Data	9.5
2	TRAI (Telecom Regulatory Authority of India)	24/04/2014	2,000,000	India	Non Government	Malicious Outsider	Account Access	7.9
3	Principal Controller of Defence Accounts	10/4/2014	50,000	India	Government	State Sponsored	Identity Theft	7.0
4	Aadhaar	28/03/2013	300,000	India	Government	Accidental Loss	Identity Theft	6.8
5	Government of Maharashtra	11/4/2013	300,000	India	Government	Accidental Loss	Existential Data	6.2
6	City and Industrial	19/09/2014	85,000	India	Government	Accidental	Financial	6.1

	Development Corporation's (CIDCO)					Loss	Access	
7	Department of the Brihanmumbai Municipal Corporation	15/06/2013	9,500	India	Government	Unknown	Existential Data	5.4
8	Indian websites	29/01/2014	2,118	India	Non Government	State Sponsored	Nuisance	5.0
9	Satta Matka Results Guessing	20/10/2014	389	India	Non Government	Malicious Outsider	Account Access	4.5
10	OlaCabs	30/08/2015	400	India	Non Government	Accidental Loss	Identity Theft	3.9
11	Axis Bank	31/05/2013	37	India	Financial	Malicious Outsider	Financial Access	3.6
12	Infosys	12/6/2015	23	India	Financial	Malicious Outsider	Financial Access	3.4
13	Madhya Pradesh police	29/11/2015	Unknown	India	Government	State Sponsored	Existential Data	2.4
14	Rural Administrations Centre	3/8/2015	Unknown	India	Government	Malicious Outsider	Existential Data	2.3
15	Ahwa	17/03/2015	Unknown	India	Government	Malicious Outsider	Existential Data	2.3
16	Defense Research And Development Organization	13/02/2013	Unknown	India	Government Malicious	Outsider	Existential Data	2.3
17	Lucknow University	27/11/2015	Unknown	India	Non Government	Malicious Outsider	Identity Theft	2.2
18	Essar Group	26/07/2015	Unknown	India	Non Government	Malicious Insider	Existential Data	2.2
19	Naaptol	8/6/2015	Unknown	India	Retail	Malicious Insider	Existential Data	2.2
20	Bharti Airtel	13/04/2015	Unknown	India	Technology	Malicious Insider	Existential Data	2.2

Cost to Data Breach Analysis

The study of cost to data breach means the expenses incurred to prevent the system from data breach. For the purpose of study the paper evaluates the report of an international institution of Prevention and information security named Ponemon Institute.

Ponemon Institute - Background

Ponemon Institute established on 2002 by Dr. Larry Ponemon is a research center dedicated to provide protection policy of data and information of any business concern. It is a parent organization of the Responsible Information Management Council (RIM) at present the headquarters of the Institute is at Traverse City, Michigan, USA.

Report Analysis

The global research study 2015 of Ponemon Institute about cost of data breach reflects the cost incurred by 11 countries around the world. Here the total cost is divided into two parts called direct and indirect. Direct costs include Forensic Export Expenditures, Hotline Support Expenditures, Free credit monitoring subscription and Discount for future products and services. On the other side indirect costs include In house Investigation and communication costs and Extrapolated Value of customer loss resulting from turnover or diminished customer acquisition rates.

It is revealed from the report that in 2015 the cost of data breach increased due to following reasons:

1. On account of Infrastructural development. As the variety of threats increases, the protection cost for the same also increases. Last year, these attacks represented 42% of root causes of data breach and this increased to 47% of root causes in this year's study.
2. For the purpose of prevention, the system analyst need to incur some associated expenses for detection and escalation like forensic and investigation expenses, assessment and audit service expenses etc. As per the report the average cost increased from $0.76 million last year to $. 0.99 Million in this year.
3. There are many business concerns which were already affected by data breach in last year. To recover themselves from that situation they have incurred huge expenses for Recovery of lost customers, increasing customer acquisition, recovery of old reputation or goodwill etc. This type of costs increased in this year from $1.33 million to $1.57, million.

Here is a statistics of 11 countries incurred the maximum amount of expenses for preventing data breach.

Amount: in $ million Source: Self Created

From the graphical representation we can see that the 1st world countries like USA, France or UK are spending massive amount for the purpose of prevention of their system and network for the effects of data breach, whereas the Asian countries like Japan is much slower than them. In spite of plenty of examples or incidents of Breach country like India is spending very small amount of money to prevent it. This tendency or carelessness in policy making cannot prevent any country from the curse of unethical hacking. The citizens of the country often witnessed the circumstances like hacking of defense's Website; National Level Institution's Site, Company's

System hacking, hacking in Core Banking Solution System of the National and Private Banks etc. India should conscious about maintaining tight security protocol system to protect its assets.

Prevention Procedure to Counter Data Breach

As observed by the Ponemon Institute (Institute of Research dedicated to privacy, data protection and information security), the insiders of the organization are the major sources of data breach. On the other hand the external threat category includes hackers and state sponsored activities. Here some of the prevention techniques are discussed---

1. Equipped employees for handling sensitive information: Education and training of the employees for the purpose of security is very important. There are some decorum for protection like reduction of unnecessary data, defragmentation of data, purging of data responsibility of the expired one.
2. Establish comprehensive data protection plan: Every concern should maintain a proper anti malware or firewall system to protect its organized data or information.
3. Compute a periodic risk assessment: Every concern should assess its level of risk or "risk score" through breach level index or some other procedures on a regular interval. As the viruses and threats are upgraded day by day, the concern should be aware of the specific protection protocol.
4. Regular updating of the security softwares (or patches): An unpatched or unprotected system, operating with a weak and updated spot will be exploited by hackers. Admittedly, applying patches takes time and resources. So senior management must provide guidance on allocations and expectations.
5. Make parity between the vendors and the partners: It's important to define the security requirements upfront with vendors, third party service providers may be required to maintain appropriate security measures in compliance with certain state or federal regulations.
6. Provide training and technical support to mobile workers: The concern must ensure that some standards for data security are applied regardless of location, by providing mobile workers with straight forward policies and procedures, ensuring security and authentication software is installed on devices and kept up to date. Providing adequate training and technical support for mobile workers are also essential.

Conclusion

Data breach, as accepted all over the world, is an essential security issue. These untoward processes not only jeopardize individual organization's interest but also endanger the economy of the country as a whole or its defense mechanism. Assessment of risk, huge expenditure and effort to counter data breach and search for finding remedial are therefore felt as a desperate need of the present days. We must keep our vigil on this important issue to protect ourselves as also the country.

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IJAR&D
Vol. 2, No. 2, July-December, 2016, pp. 23-29

Organizational Culture: The Mantra for Organizational Success

P.C. Bahuguna

Assistant Professor, College of Management and Economics Studies, UPES, Dehradun, Uttrakhand

Raju Ganesh Sunder

Professor, College of Management and Economics Studies, UPES, Dehradun, Uttrakhand

Abstract

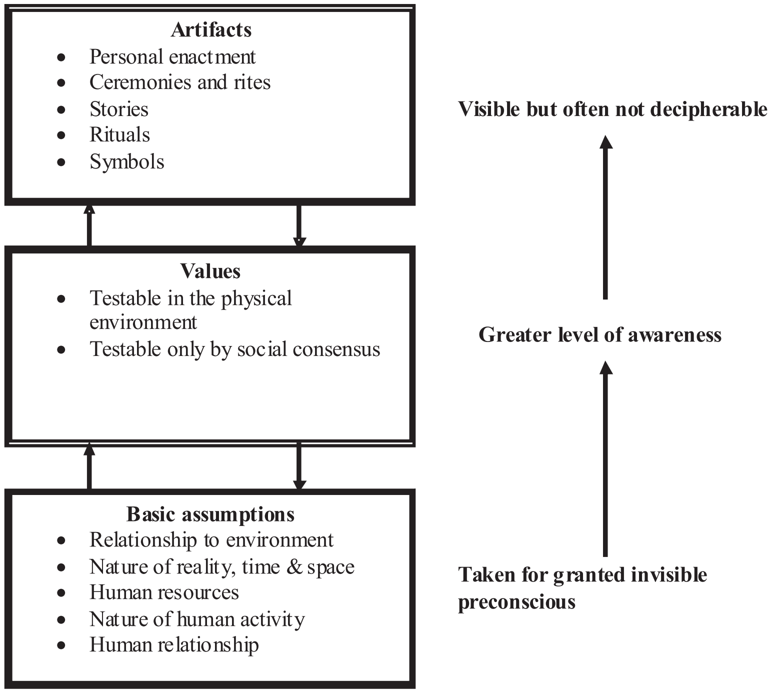
What is it that makes an organization a successful establishment has been the interest of entrepreneurs, academicians, managers and researchers since the time of industrial revolution. Many scholars ranging from economist to social scientists have proposed various theories, models and principles for organizational success. But none of the framework is complete rather they are complementary to each other. In order to understand the root cause of success of an organization, one needs to look beneath the financial data, structure, and strategies into the more subtle area of organizational culture. If the organizations wish, that it's People, physical resources strategies to be a source of competitive advantage an understanding of the culture of the organization is important otherwise outstanding action plans can be annulled by a culture incompatible with those action plans.

In this chapter the author explores the concept of organizational culture, the factors influencing organizational culture and the role of leaders in influencing the organisation wide decision making and creating performance centric environment and team work and thereby achieving the organizational effectiveness. The chapter also explores the relationship between organizational culture and performance.

***Key Words**: Organizational culture, Performance*

Introduction

The Oxford dictionary defines culture as "the customs and beliefs, art, way of life and social organization of a particular country. This means it refers to the underlying values, beliefs and codes of practice that makes a community what it is. The customs of society, the self – image of its members, the things that make it different from other societies, are its culture. Culture has long been the focus of management theorists; the concept of cultures in organizations was suggested to as early as the Hawthorne studies. The topic came into its own during the early 1970s. Over the years, several articles and books on corporate culture were published. Many definitions of corporate culture or organizational culture have been proposed. Almost each one of them agree that there are several levels of cultures and that these levels differ in terms of their visibility and their ability to be changed. Edger Schein (1985) argues that culture has three levels - artifacts - espoused values - basic underlying assumptions



Source: Debra L. Nelson & James Campbell Quick, Organizational Behaviour: Foundations, realities & challenges, fifth edition, chapter 16, pp 531)

Personal Enactment

The behavior of the organizational members is the reflection of the organizational Culture. Personal enactment is the behaviour of the individuals as well as the groups that reflects the organization's values. In particular, personal enactment by the top managers provides insight into these values. Sanjay Koul, President Hydrocarbon Research foundation, India exhibits personal enactment by meeting personally with new employees and conveying to them his philosophy of mixing education and research with fun. There are several stories of personal enactment of Herb Kelleher. Herbert "Herb" David Kelleher, the co-founder, Chairman Emeritus, and former CEO of Southwest Airlines, about making southwest airlines' culture friendly, fun filled, egalitarian, and collaborative.

Ceremonies and Rites

The activities and behaviors that are displayed by the organization as a whole time and again on important occasions are known as organizational ceremonies and rites. These occasions provide opportunities to reward and recognize employees who exhibit the desired behaviour according to the value system of the company. These send a message that individuals who both espouse and exhibit corporate values are heroes to be admired. The ceremonies also bound organization members together. The Annual Family connect are the important annual ceremonies of UPES. Almost 500 stakeholders and their family members attend this annual event. The annual meeting is a big family reunion. The day is also celebrated as the award giving ceremony to the performers. Although the meeting does not begin until 10 am, people start arriving at 7 am for the extravaganza held for the associates. Because it is the primary vehicle for perpetuating UPES's culture, videos of meeting are played in other centers of UPES to motivate memebrs who are unable to attend. Researches have identified six kinds of rites. Rites of passage, Rites of achievement, Rites of renewal, Rites of integration, Rites of conflict reduction and Rites of degradation

Stories

Stories are the tales about the organization, its leaders and people. Tales give meaning and identity to organizations and are especially helpful in orienting new employees. The age old practice of storytelling is one of the most effective tools leaders can use. But they need to pick their stories carefully and match them to the situation. (Stephen Denning, Telling Tales, HBR, May 2004). Researches have identified certain themes such as reaction of top leaders towards the mistakes and the achievement, events leading to employee firings, relocation employees, promotion of lower level employees to the top position, dealing with crisis situations etc that appear in the stories across different type of organizations. For example El – Erian, M.A. (2014) says "Every time I fly Southwest Airlines I come away impressed by what they do and how they do it. You don't have to be a management guru to understand that the company offers insight into one of the toughest corporate challenges out there: maintaining focus, hunger and success in a large organization"

Rituals

Every day organizational practices that are repeated over and over are rituals. They are usually unwritten, but they send clear message about "The way we do things around here." While some companies insist that people address each other by their titles (Mr., Mrs., and Ms.) and surnames to reinforce professional image, others prefer that employees operate on first name basis. UPES values open communication, so its employees can approach the top management any point of time without any prior appointment.

Infosys encourages its employees to challenge the status quo. They are empowered to not just think of breakthrough ideas, but also bring them to life with a powerful global ecosystem of consultants and engineers that help execute these ideas.

Symbols

Symbols communicate organizational culture by unspoken messages. Southwest Airlines has used symbols in several ways. During its early years, it emphasized its customer value by using heart symbol ("love airline") more recently, the airline has taken on the theme of fun. Flight attendants wear casual sports cloth in corporate clours. Symbols are representative of organizational identity and membership to employees. Logo of ITC Hotels, India's premier chain of luxury hotels has become synonymous with Indian hospitality.

Under consideration (2014) says that "Southwest Airlines and its partners did comprehensive research and held numerous focus groups with Employees and Customers to determine how best to create the new look. The airline heard that it was important to remain unique and to retain its personality; for these reasons, Southwest continues to use the vibrant color palate and striped tail that has long identified the carrier, while adding a modern touch, proudly displaying the Southwest name on the side of the fuselage and presenting the Heart on the aircraft belly. Southwest has had several different liveries and logos throughout its 43-year history; remaining current and relevant is critical to the sustainability and future growth of the brand"

Values

The second and deeper level of culture are the values. They reflect a person's underlying beliefs of what should be or should not be. Values are consciously articulated both in conversation and in the company's mission statement or annual report. Values can be quite different from organization to organization. N. R. Narayana Murthy, Chairman and Chief Mentor Infosys says that "an enduring value system based on openness, honesty, integrity, meritocracy, fairness, transparency and excellence, helps raise our confidence and the confidence of customers in the company. It gives the courage to handle tough situations with confidence, and sacrifices become easy and natural". According to G. V. Subramanyam, Vice President – Microsoft Technology Centre and Software Engineering & Technology Labs, Infosys Technologies Limited – Infosys has always encouraged a culture that upheld respect and dignity for the individual, emphasizing meritocracy over hierarchy. The importance of values for the success of business can be understood from the subsequent paragraph – "At the Tata Group our purpose is to improve the quality of life of the communities we serve. We do this through leadership in sectors of economic significance, to which the Group brings a unique set of capabilities. This requires us to grow aggressively in focused areas of business. Our heritage of returning to society what we earn evokes trust among consumers, employees, shareholders and the community. This heritage is being continuously enriched by the fomalisation of the high standards of behaviour expected from our employees and companies". The five core Tata values are – Integrity, Understanding, Excellence, Unity and Responsibility. (As stated in the official web site of Tata motors). ITC hotels have a very strong value system with regard to the customer service. All the employees irrespective of their department is supposed to attend and respond to the customer's call.

Assumptions

The deepest level of organizational culture is that of shared assumptions – Which represents basic belief about reality, human nature and the way things should be done. Assumptions are usually unconscious. Organization members may not be aware of their assumptions and may be reluctant or unable to discuss or change them.

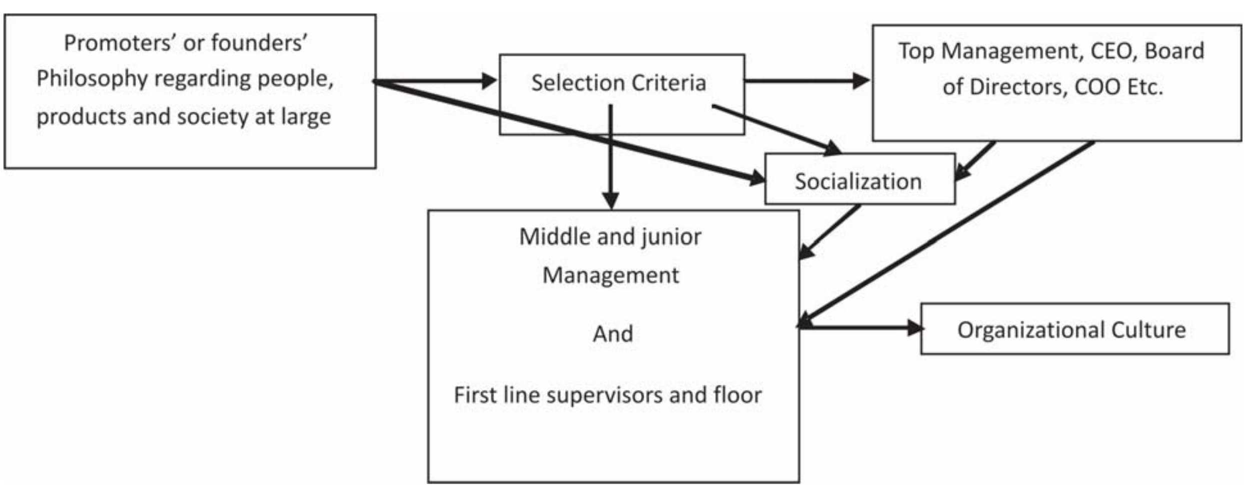
One key assumption at UPES is that faculty should focus on teaching learning aspects rather than enrollments and career services. Administration and academics alike are committed to a philosophy of trust and the importance of listening to others' thoughts and ideas. Edger Schein argues that culture is the outcome of the shared experiences arising from an organisation's attempts to resolve fundamental problems of adapting to the external world and achieving internal integration and consistency. This constructs a collective pool of knowledge that determines what is appropriate behaviour, directs understanding and gives guidance on how to resolve problems.

Every organization has its own unique culture even though they may not have consciously tried to create it. Rather it will have been probably created unconsciously, based on the values of the top management or the founders or core people who build and/or direct that organisation. Over time individuals (particularly the organization's leaders) attempt to change the culture of their organisations to fit their own preferences or changing marketplace conditions. This culture then influences the decision-making processes, it affects styles of management and what everyone determines as success. When an organisation is created it becomes its own world and its culture becomes the foundation on which the organisation will exist in the world. People's actions in organisations are not always 'their own' but are largely influenced by the socialisation processes of the specific culture to which they belong. Organisational culture is often referred to in the same breath as organisational change - and we often see the process of developing a new culture or changing the existing one linked into the transition curve.

Organizational culture is the personality of the organization. Culture is comprised of the assumptions, values, norms and tangible signs (artifacts) of organization members and their behaviors. Members of an organization soon come to sense the particular culture of an organization. Culture is one of those terms that are difficult to express distinctly, but everyone knows it when they sense it. For example, the culture of a large, for-profit corporation is quite different than that of a hospital which is quite different than that of a university. The culture of an organization can be understood by looking at the arrangement of furniture, what the members brag about, what the members wear, etc

II - How Organizational Cultures are Formed

Like any family, the organizational culture also stems from the philosophy of its promotors and founders. What they feel is important in life, their instrumental and espoused values lay the foundation for the organizational culture. Their assumptions about life, people, products and society are translated into selection criteria of top management which in turn percolates down through selection and socialization. These values, assumptions become the accepted norms and way of life in the organization. There are numerous examples such as Enron, Satyam and Tatas, Infosys etc. which reflect how the philosophy of the founders helped create organizational culture. Diagrammatically this can be represented as



Source: Adapted from Stephen P. Robbins, Organizational Behavior: Concepts, Controversies & Applications, eighth edition, chapter 16, pp 610)

III - Why is it Important?

a) Culture and Success

Although structure and people systems influence an organisation, culture, which is softer, plays a crucial role in the success of a company. Lou Gerstner, who took the helm of IBM in early 1990s when the company was one of the world's greatest corporate disasters, had to focus on an outdated corporate culture. He quickly found that culture isn't simply one aspect of the game — it is the game. Deal and Kennedy (1982) argue that culture is the single most important factor accounting for success or failure in organizations. They identified four key dimensions of culture:

1. Values – the beliefs that lie at the heart of the corporate culture.
2. Heroes – the people who embody values.
3. Rites and rituals – routines of interaction that have strong symbolic qualities.
4. The culture network – the informal communication system or hidden hierarchy of power in the organization.

Peters and Waterman (1982) suggest a psychological theory of the link between organizational culture and business performance. Culture can be looked upon as a reward of work; we sacrifice much to the organization and culture is a form of return on effort. Kanter (1989) refers to the paradox implicit in linking culture with change. In line with its belief that 'People make the difference', TCL invests substantially in nurturing employee potential through involvement, empowerment and continuous learning. The organization structure, which lays emphasis on delegation, has helped develop the company's culture. The structure allows immense scope for continuous improvement; managers do not need to worry about day-to-day operations, and can thus better focus on breakthrough improvements. The delegation of responsibility to lower levels has also helped in developing a culture of initiative and risk taking. The company culture is such that individual as well as teams are recognized for their achievements. Teams are recognized on a quarterly basis based on their performance and some key measures. Teams are also recognized for 'Best Kaizens'. Individual growth is related to one's performance in the team. Thus, team members can not shirk their responsibility. In addition, social loafing is not possible due to peer pressure. Another interesting aspect is that workers are known as associates and not workers. This simple step helps inculcate a sense of belonging and loyalty towards the company. Every team member identifies himself/herself with the team and feels proud to be part of the team. There are a number of inter team contests, team building exercises, constant interaction and counseling by team developer, celebration for every small success.

The phenomenal success of Infosys and the values-driven manner in which it achieved that success led the way in changing several established beliefs and practices. Three aspects are probably the most significant from an employee's perspective. First, the realization that it is possible to deliver world-class work from India. Second, the recognition that employees are the most important assets of any company. And third, the confidence that performance and values can be the sole criteria to be successful in an organization. In fact, Infosys was the first Indian company to implement Employee Stock Option Plans (ESOPs) on a widespread basis, instituting a strong employee ownership within the organization. Infosys has emphasized the culture of the 'Infoscion family' – a culture where employee participation is encouraged, feedback is valued and action is never delayed. (Infosys Annual Report 2005 – 06)

b) Culture and the Management of Change

The concept of culture is particularly important when attempting to manage organization-wide change. Practitioners are coming to realize that, despite the best-laid plans, organizational change must include not only changing structures and processes, but also changing the corporate culture as well. There's been a great deal of literature generated over the past decade about the concept of organizational culture—particularly in regard to learning how to change organizational culture. Organizational change efforts are rumored to fail the vast majority of the time. Usually, this failure is credited to lack of understanding about the strong role of culture and the role it plays in organizations. That's one of the reasons that many strategic planners now place as much emphasis on identifying strategic values as they do mission and vision. If real change is to occur in organizations rather than cosmetic or short – lived change, it has to happen at the cultural level. Corporate culture has many powerful attractions as a lever for change. The problem is how to get a hand on the lever. Firstly, cultures can be *explicitly created* – you have to be aware of what it takes to change an existing culture. The ability of companies to be culturally innovative is related to *leadership* and top management must be responsible for building strong cultures. Leaders construct the social reality of the organization; they shape values and attend to the drama and vision of the organization. Culture is frequently counter posed to *formal rationality* – in this sense culture helps to resolve the dilemma of bureaucracy; formal procedures are necessary for business integrity but they also stifle autonomy and innovation. The period from the mid 70s has been one of growing uncertainty for firms and in response to a changing environment and business crises adaptable cultures that are responsive to change have become vital. Morgan (1977) focuses on the whole organization, the cultivation of harmonious relations at all levels, the merging of individual with common goals and a reliance on worker responsibility (Japanese approaches) as success factors in organizational culture.

IV - Leaders Role in Shaping and Reinforcing Culture.

Leaders play crucial role in shaping and reinforcing culture. The five most important elements in managing culture are – (1) what leaders pay attention to (2) how leaders react to crisis (3) how leaders behave (4) how leaders allocate rewards and (5) how leaders hire and fire individuals. The Enron Corporation fiasco illustrates each of these roles.

What Leaders pay Attention to?

Leaders communicate their priorities, values and beliefs through the themes that consistently emerge from what they focus on. These themes are reflected in what they notice, comment on, measure and control, employees receive signals about what is important in the organization.

N. R. Narayana Murthy, Chairman and Chief Mentor Infosys asserts that - I would urge Infosys to choose a worthy dream, to go after it confidently, and to play a role that will make all of us proud in the years to come. Nothing seems impossible. This is the time you move on to higher aspirations, and learn to accept failures with equanimity. We need all of this and more for Infosys to achieve bigger and more ambitious targets. (Infosys Annual Report 2005 – 06).

“One hundred years from now, I expect the Tatas to be much bigger than it is now. More importantly, I hope the Group comes to be regarded as being the best in India — best in the manner in which we operate, best in the products we deliver and best in our value systems and ethics. Having said that, I hope that a hundred years from now we will spread our wings far beyond India...” — Ratan Tata.

How Leaders React to Crisis

The way leaders deal with crisis communicates a powerful message about culture. Emotions are heightened during a crisis and learning is intense. There have been many happy events during these 25 years. There have been a few sad moments as well – the departure of valued colleagues; death of a few young Infoscions; and the loss of a few major contracts despite our best efforts. A great corporation must live for hundreds of years. Hence, we are still very young, but these initial years have taught us several lessons. These lessons are valuable not just for our future journey but for other corporations in the country and perhaps, the world. (N. R. Narayana Murthy, Chairman and Chief Mentor Infosys, Infosys Annual Report 2005 – 06)

How Leaders Behave

Through role modeling, teaching and coaching, leaders reinforce the values that support the organizational culture. Employees often emulate leaders’ behaviour and look to the leaders for cues to appropriate behaviour.

At the end of the 1950s Bill and Dave decided to write down the company’s objectives, which were to serve as guidelines for “all decision making by HP people.” Since the company had grown ever larger. With some changes, those objectives are still valid today. They cover as follows: “profit, customers, fields of interest, growth, our people, management and citizenship.” And these objectives are to be achieved through team work. (www.silicon-valley-story.de/sv/hp_way.html-4k)

How Leaders Allocate Rewards

To ensure that values are accepted, leaders should reward behaviour that is consistent with the values. The performance-based work culture and emphasis on meritocracy ensure that talented employees get ample opportunities to grow. Every win, big or small, is always recognized and celebrated through Spot Awards at the project level, Rewards and Recognition Programs at the business unit level, and Awards for Excellence at the organization level. The annual, much-anticipated Awards for Excellence recognize and reward those who epitomize one of Infosys’ core values – the consistent pursuit of excellence. (Infosys Annual Report 2005 – 06)

How Leaders Hire and Fire Individuals

A powerful way that leaders reinforce culture is through the selection of new comers to the organization. Leaders unconsciously look for individuals who are similar to current organizational members in terms of values and assumptions. The way company fires an employee and the rationale behind the firing also communicate the culture. One of Infosys' employee-related initiatives has been to recruit engineers and graduates, not necessarily Computer Science graduates, and equipping them to take on roles in the software industry, expanding the available talent pool in India. Moreover, investments in skills acquisition and competency enablement are aligned with project needs and market trends. This focus on assertive talent engagement and the cultivation of crossdisciplinary competencies has enabled employees to remain flexible in a changing environment. You may not find "learnability" in a dictionary, but that has been the prime criteria for recruitment. The model has helped Infosys create one of the finest people forces in the world and has become the industry norm. To attract, retain and motivate the best and the brightest, Infosys has believed in empowering its employees. Infosys was the first Indian company to institute a formalized leadership institute. The company has developed a 3-tier leadership model, based on the belief "the company is the campus, the business is the curriculum and leaders shall teach." Senior members of the Infosys management conduct courses on leadership at the Institute, drawing from their experiences. Infosys has always encouraged a culture that upheld respect and dignity for the individual, emphasizing meritocracy over hierarchy. It has also eschewed any transaction that created an asymmetry of benefits between the founder-employees and other employees. (Infosys Annual Report 2005 – 06)

HP always renounced the "hire and fire" mentality, which meant to employ many workers for a single big order and to dismiss them afterwards. Instead, the company offered its employees "almost perfect job security". Even in 1974, when the U.S. economy was in a profound crisis and many people were unemployed, HP avoided lay offs by a four day workweek, which was a unique measure in corporate America. (www.silicon-valley-story.de/sv/hp_way.html-4k)

Concluding Thought

An understanding of culture, and how to transform it, is a crucial skill for leaders trying to achieve strategic outcomes. Strategic leaders have the best perspective, because of their position in the organization, to see the dynamics of the culture, what should remain, and what needs transformation. This is the essence of strategic success.

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IJAR&D
Vol. 2, No. 2, July-December, 2016, pp. 30-37

The Metamorphosis of Internet based Utilities Converts Users into Consumers

Arkaprava Chattopadhyay

Faculty, Media Studies Dept, Institute of Leadership, Entrepreneurship and Development (ILEAD), Kolkata

Abstract

The internet is a virtual realm or space inhabited by 3.5 billion individuals who are empowered with the ability to surf from location to location, instantaneously at their personal discretion. These locations are in the form of websites offering services and information. The services offered are comprehensive and cater to all facets of daily living. Services in terms of entertainment, banking, commerce, networking and other need based provisions. Thus internet users are spoilt for choice, in terms of consuming these services. But this population of internet users amounts to more inhabitants than the most populated country in the world, China. This bank of 3.5 billion individuals provides a lucrative opportunity for investors, businesses and companies to innovate and provide a variety of services.

Hence the article tries to establish the following findings. Firstly the increase in the number of internet users has attracted various innovative services to be established as an offering or internet destination. Secondly, there has been diffusion of these innovations amongst the internet populace who have transformed into consumers of the services provided, over a periods of time, thus establishing the furtherance of the Diffusion of Innovation theory of mass communication. Thirdly the diffusion of innovations have taken place at differential rates at different parts of the world, given the different culture, social structure and other such parameters as has been established with the application of the Individual Difference theory of Mass communication. Thus the financial growth of some similar internet based companies, have been different on this basis.

Key Words – *Utilities, Diffusion of Innovation, Individual Difference.*

Objective

The technology of this world is in a constant state of furtherance that has ensured the fast paced progress of its inhabitants. The advancements, innovations and breakthroughs are ensuring that the world is in a state of constant change. Futuristic trends that were considered unrealistic and impossible have been overtaken by innovations that have not just transformed beliefs, but the lives of the people altogether. The objective of this paper is to evaluate the behavioral change among the rising number of consumers of internet based applications and services in India and also from a global perspective. It is also intended to identify the changing trends and direction, that the internet based companies are showcasing in terms of a transformation from entertainment based services to utility based services.

Introduction

The present surge in technology that has recently transformed the world is in the form of internet based applications and services. In this age of connectivity, a plethora of services and utilities have swarmed the public sphere and are furthermore, constantly innovating. The diffusion of these innovations have revolutionized age old processes and given birth to a global village where everyone is interconnected as part of a vibrant network. The nature of websites and other online services have evolved over the past few years, comprehensively. As more and more people get included into the online realm, the scope for commerce and industry is ever expanding. The competitive environment has induced greater quality and intelligent innovations.

India has an advantage over the rest of the world, due to a youthful demographic profile that is expected to adopt innovations at a faster rate. It is thus the third most attractive investment destination in the world, for technology transactions as it steadily arrives at becoming a leader in industrialization and technological development.

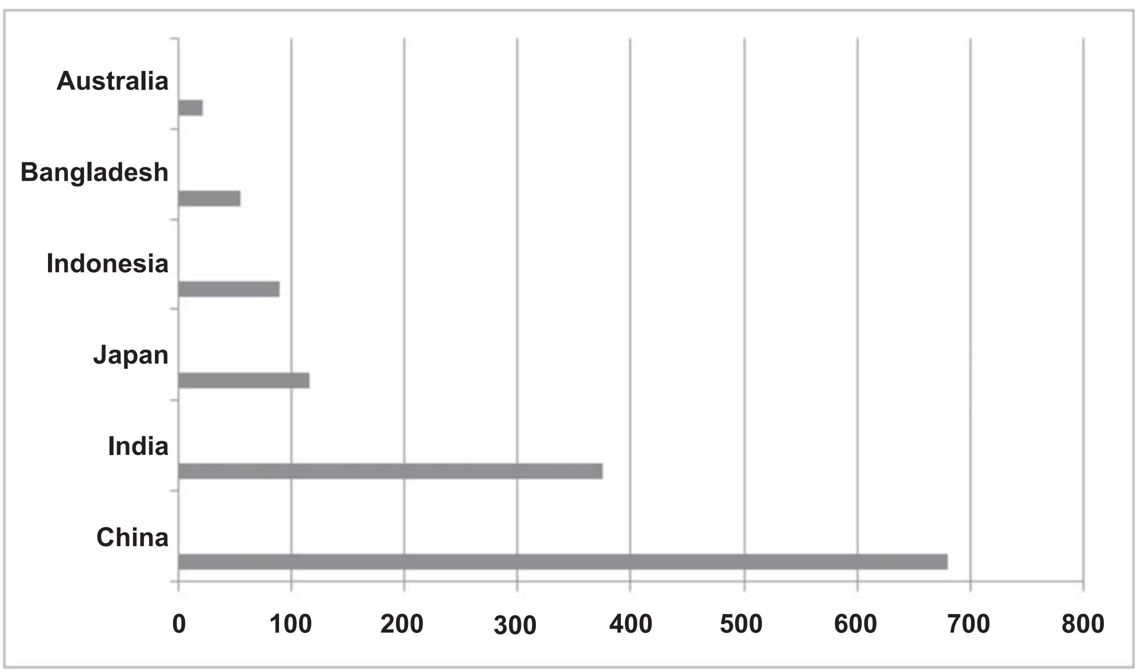
India has more than 375 million internet users which is the second largest user base in the Asia Pacific region. This is despite a minuscule 28 percent Internet penetration.

Research Methodology

In this paper, quantitative analysis and evaluation has been conducted upon secondary data availed from 'statista.com' in the following three broad criteria. First, in terms of the growing number of internet users over a recent period of time and on the growth in terms of business, due to a steady surge in the number of consumers of internet based services that has been culled from the above source. Second, the increase in the financial profits of two leading online companies has been comparatively evaluated based on the data available from the above source on the parameters of demographic internet accessibility and trends of innovation. Third, the scope for success giving birth to various utility based internet companies and the metamorphosis of the utilities and services provided by internet based companies, has been further established by evaluating the leading online applications and global and Indian websites offering internet based services.

The following Reference Table is a showcase of the number of internet users in the given countries as of January 2016, in millions: (Source: www.statista.com)

Country	Number of Internet Users in Millions
Australia	21.18
Bangladesh	53.94
Indonesia	88.1
Japan	115
India	375
China	680



The following bar chart is a showcase of the number of internet users in the Asia Pacific region as of January 2016, in millions: (Source: Based on the above table). **Figure 1**

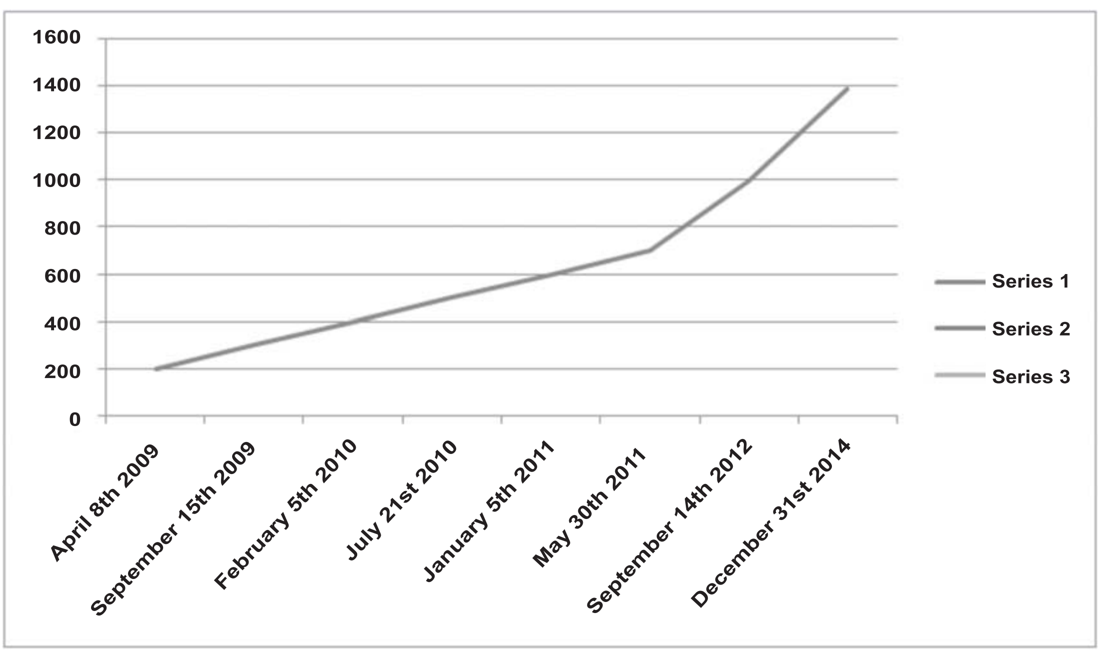
The above figure shows the surge in the number of internet users. This has fuelled the rise in the number of consumers of internet based services, thus leading to the success and growth of online based industry. To showcase this, the above analysis has been substantiated by the case study of Facebook, a leading online service provider.

Case Study

'**Facebook**' is a social networking site that has transformed the world into a global village, by bringing people together. Founded by Mark Zuckerberg along with his college roommate and Harvard alumni Eduardo Saverin, 'Facebook' was launched in February 2004. The concept of coming together on an online social platform spread like wildfire and propelled the company into a 190 billion dollar company. The following is a chart that showcases the steady growth of 'Facebook' users over the years. 'Facebook' has constantly enhanced its innovative features in terms of utility and user-friendliness and is also available as a mobile phone app.

Table showcasing the growth of 'Facebook' in terms of **consumers**. (Source: www.statista.com)

Date	Users in Millions
February 4th 2004	0
August 26th 2008	100
April 8th 2009	200
September 15th 2009	300
February 5th 2010	400
July 21st 2010	500
January 5th 2011	600
May 30th 2011	700
September 14th 2012	1000
December 31st 2014	1390



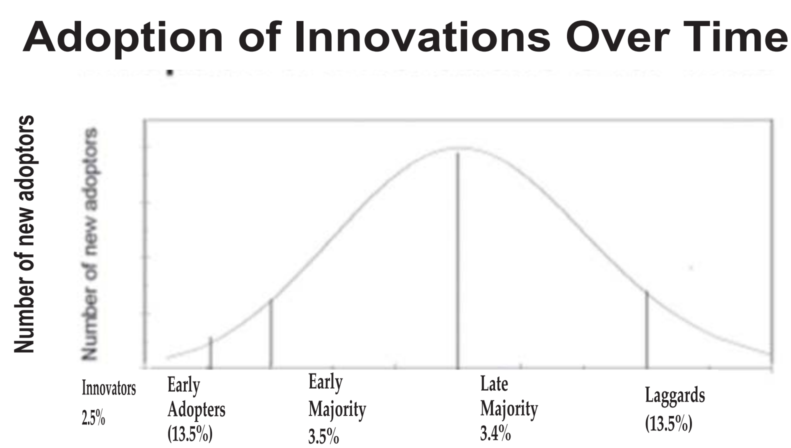
Graph Showcasing the Growth of 'Facebook' in terms of Consumers. (Source: Self Created) Figure 2.

The above chart shows that the rapid increase is a showcase of the adoption of the innovative measures of internet based social networking site establishing the Diffusion of Innovation Theory. As postulated by Everett M. Rogers, he defines diffusion as 'the process by which an innovation is communicated through certain channels over time among the members of a social system'.

The **'Diffusion of Innovation'** is a showcase of the tendency, of new products, trends and ideas to disseminate among people, in a step by step process over a period of time, during which the innovation is adopted in the following order of consumer classification.

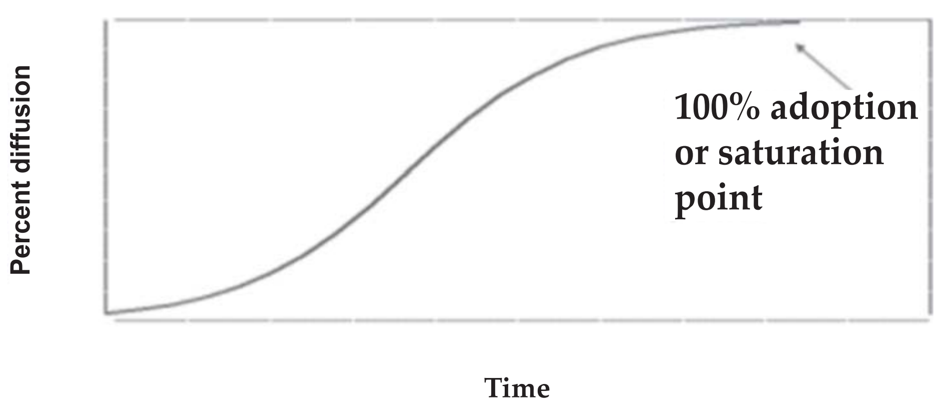
1. **Innovators** - These are people who want to be the first to try the innovation. They are the adventuresome and interested in new ideas. These people are very willing to take risks.
2. **Early Adopters** - These are people who represent opinion leaders. They enjoy leadership roles, and embrace change opportunities. They are already aware of the need to change and so are very comfortable adopting new ideas.
3. **Early Majority** - These people are rarely leaders, but they do adopt new ideas before the average person.
4. **Late Majority** - These people are skeptical of change, and will only adopt an innovation after it has been tried by the majority.
5. **Laggards** - These people are bound by tradition and very conservative. They are very skeptical of change and are the hardest group to bring on board.

The following diagrams are a representation of the above.



(Source: http://www.consumerpsychologist.com**) Figure 3.**

The bell shaped curve is a showcase of the rate of adoption of a new product. Cumulative adoptions are reflected by the S-shaped curve. The **saturation point** is arrived at, when the maximum proportion of consumers likely to adopt an innovation, is on board, as is showcased in the following diagram.



(Source: http://www.consumerpsychologist.com**) Figure 4.**

On comparison of the postulated 'Diffusion of Innovation' curve in application (Figure 2), as is presented in the case study of 'Facebook', along with the original graphic representations of the conceptual model (Figure 3 and Figure 4), we find that there is once again a successful application of the model yet again, as is evident from the similarities.

On the similar logic, other social networking applications have established themselves such as '**Watsapp**', '**Snapchat**' and '**Hike Messenger**'.

Indian Perspective

India's presence in the world scenario as an integral market with large prospective, has attracted immense investments and attention. The Indian Government has successfully implemented significant policies to further strengthen the economic image and credentials of the nation, to transform it into one of the leading economies of the world. India is genuinely becoming a home to start-up companies that focus on areas with a high growth rate such as e-commerce, mobility and other specific services and solutions. This is leading to the creation of new trade markets and is encouraging innovation.

Mobile internet access is an integral area which has developed across the world in recent years. In the year 2012, 22.40 percent of the population accessed the internet using a mobile browser or an installed application. One year later, this figure grew to 25.90 percent of the population. This rate is expected to rise further on a yearly basis, until 2018 in the least. This trend has enhanced the scope for internet based commercial growth manifold and is expected to break new barriers in the near future.

Simultaneously trending innovations linked to each other have given rise to upgraded marketing methods and techniques. The façade of the fundamentals of marketing have changed considerably with the arrival of the internet. Consumer behavior can be evaluated more accurately and thus the target audience for any campaign can be easily identified and catered to.

The overall favorable climate for the growth of internet based services and utilities have attracted a large number of investors to India and this has resulted in the generation of web based attitudes amongst the masses that are conducive to online commerce and industry. The ecosystem of Indian startups has progressed immensely riding the potent influx of foreign capital. Thus thousands of popular websites and mobile applications have positively changed the lives of the people. Basic needs and necessities are fulfilled using mobile applications related to transport, healthcare, finances and more.

The following are the top Internet based Indian companies:

'**Flipkart'** was founded by Sachin Bansal and Binny Bansal in 2007. It is a shopping destination located on the world wide web. It is presently valued at USD 11 billion. Although incorporated in Singapore, all of the entity's operations are based in India. Until now, it has received funding worth 2.5 billion dollars through 11 rounds, from 16 investors from international companies such as 'Tiger Global', 'Naspers', 'Baillie Gifford', 'DST Global' and others. Flipkart has acquired some other companies as well, such as, '**Myntra**', '**LetsBuy.com**', '**weRead**', '**Chakpak**' and '**Mime360**'.

'**Snapdeal**' was founded in 2010. It started as a deal offering site and later transformed into an e Commerce marketplace. It is presently valued at 2 billion dollars. Founded by Kunal Bahl and Rohit Bansal, the company has secured funding worth 1.1 billion dollars through 8 rounds from 16 investors that include 'Bessemer Venture Partners', 'Indus Ventures', 'Nexus Venture Partners' among others.

'**Paytm**', which is owned by One97 Communications, is a web based and mobile platform for digital financial transactions. Its value stands at 1.5 billion dollars. Paytm's parent company secured a total capital of 610 million dollars from investors that include 'Ant Financial', 'SAIF Partners', 'Intel Capital', 'SAP Ventures' and 'Silicon Valley Bank'. It was founded in 2010 by Vijay Shekhar Sharma.

The online cab booking service '**Olacabs**' was founded in 2010 by Bhavish Aggarwal and Ankit Bhati. It is currently worth 1 billion dollars. The company has acquired funds worth 276.8 million in 5 rounds from 9 investors which include 'Tiger Global', 'Soft Bank', 'Sequoia Capital', 'Steadview Capital', 'Matrix Partners' and others.

Global Perspective

As we evaluate the global scenario in terms of the growth of internet based companies and their innovativeness in terms of the services provided, we are presented with an insight into the changing likes and dislikes, uses and their gratification and that of demand and supply.

The face of online services has changed considerably. The dotcom bubble of the late 90s and the early 2000, laid the foundation for the modern internet. Earlier the utilities that were popular amongst the masses were entertainment based. Music in the form of Mp3, videos of different types and the ability to communicate through Email revolutionized the lives of the people.

Websites such as '**Napster'** explored communication models based on sharing. This made the general communication process, a lot more interpersonal. Napster was one of the earliest music file sharing websites. It had to face various lawsuits and finally had to shut shop after being purchased out by '**Roxio**' followed by '**Best Buy**' and after its merger with another company called 'Rhapsody'. Co-founder Sean Fanning went on to construct various failed ventures such as '**Snowcap**', '**Rupture**' (2006) and '**Path**'(2010), until finally reuniting with Napster co-founder Sean Parker to build 'Airtime', a live video website. Parker had also been associated with '**Plaxo**', '**Spotify**' and '**Facebook**'.

'**Yahoo**' is a market giant that originated in the nineties and continues to be a commendable force in the world of the internet. 'Yahoo' was founded by Jerry Yang and David Filo in 1994, entrepreneurs and philanthropists, none the less. Yang eventually left the company and went on to found more than fifty startups through his company 'AME Cloud Ventures'. David Filo still is a part of the governing board. He is very active in his charitable efforts like the Stanford Interdisciplinary Graduate Fellowship, K12 Start Fund and the Yellow Chair Foundation. 'Yahoo' is all set for a revamp after it was announced recently that its core business would be sold to Verizon for the amount of 4.8 billion dollars.

'**Geocities**', the web hosting service was founded in 1994 by David Bohnett and John Rezner in 1994. It was made open to the public in 1998 and was taken over by 'Yahoo'. Bohett is presently furthering his philanthropic efforts through his charity 'David Bohett Foundation' and invests in new companies through his fund 'Baroda Ventures'. Rezner consolidated 100 million dollars after the sale of 'GeoCities' and is presently one of the board of directors at '**Acesis**', a web based healthcare platform.

'**Altavista**' was one of the first search engine platforms on the internet. It was created by Louis Monier and Michael Burrows in 1995. In a year, 'Altavista' was supplying all the results to searches, for 'yahoo.com'. As 'Altavista' eventually lost ground to '**Google**', it was acquired by 'Yahoo' in 2003 and finally shut down in 2013. Burrows moved to '**Microsoft**' and then to 'Google' where he is still associated. Monier also associated himself with 'eBay' and 'Google' and went on to co-found '**Qwiki**', a video sharing startup which was taken over by 'Yahoo' in 2014.

In 1996, '**Google** ' began as a research project by Larry Page and Sergay Brin, both PHD students at Stanford university. According to the Forbes list of the most valuable brands of the world, as of May 2016', Google comes in second place with a brand value of 82.5 billion dollars with a total number of 53,600 employees.

'**YouTube**' was founded by Chad Hurley, Steve Chen and Jawed Karim, who were all employees of '**PayPal**', an online payment gateway. 'Youtube' was activated in February 2005 and the first video called 'Me at the Zoo', was uploaded that year in July and featured co-founder Jawed Karim. In the year 2006, 'Youtube' was one of the fastest growing websites. It was recorded that more than 65,000 new videos were uploaded accumulating 100 million views per day. This was far more than the popular entertainment sites of those times, such as '**Myspace**'. In 2006 'Youtube' was purchased by 'Google' for 1.65 billion dollars in stock.

Although entertainment remains a primary service provided by internet based companies, over the past few years, there has been a surge in the E Commerce industry that has witnessed the rise of business giants such as '**Alibaba**' and '**EBay**'.

'EBay' was founded in 1995 and opened to the public in 1998. 'eBay' platforms are available across the globe**. 'eBay' operates its primary platform as ebay.com. Its other sites around the world are localized in terms of its URL. For example – Platforms such as 'eBay.de', 'eBay.in' and 'eBay.co.uk'. Also, the '**eBay' mobile application is available in 8 languages across 190 countries.

'Alibaba' was founded in 1999 and opened to the public in 2014. Alibaba substantially receives all of its revenue, from China. It is not in the least as global as 'eBay'. T**he following retail marketplaces are operated by 'Alibaba', for consumers in China:**

'Taobao Marketplace' which is China's largest online shopping destination.

'**Tmall Platform'** which is China's largest third-party platform for brands and retailers.

'**Juhuasuan'** which is China's most popular group buying marketplace by its monthly active users.

Also, apart from these, 'Alibaba' offers its services as **'Alibaba.com'**, a global wholesale marketplace,

'1688.com', a Chinese wholesale marketplace and **'AliExpress'** a global consumer marketplace.

Comparative Study

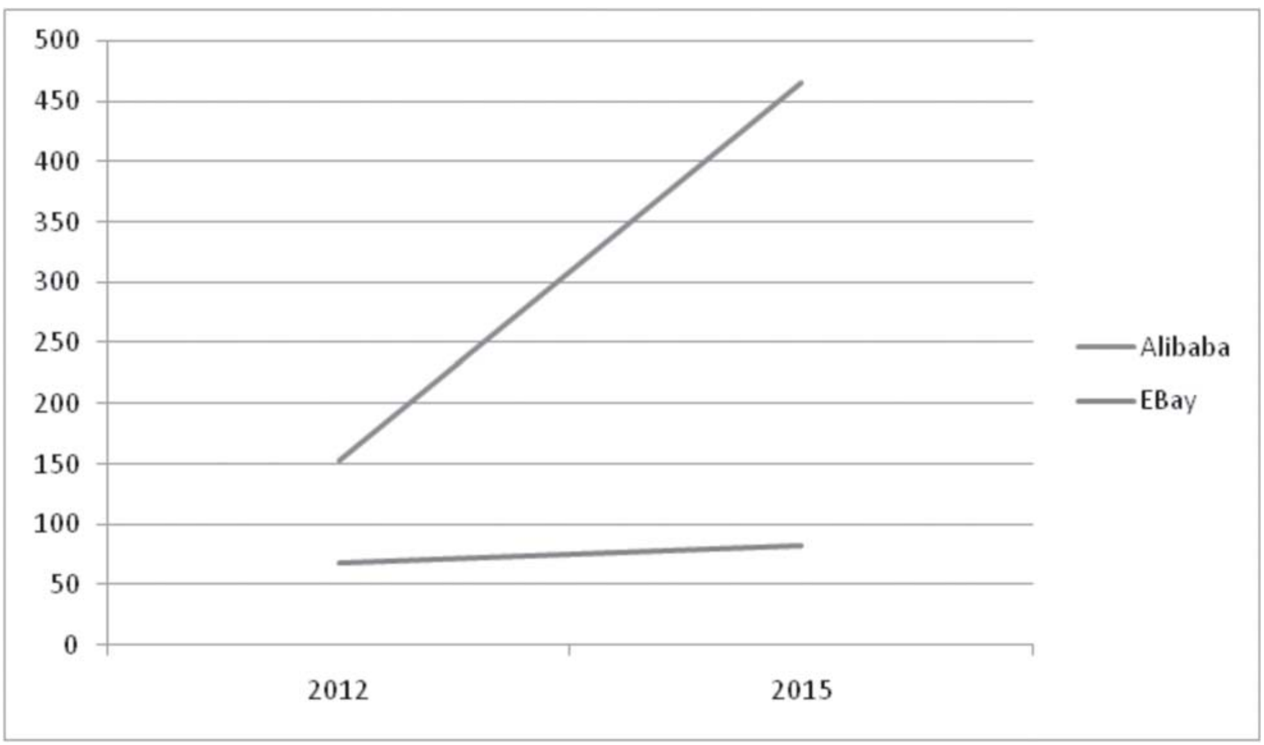
On comparison, it is evident that the strategy of the two world's leading e-commerce platforms, 'Alibaba' and 'eBay' share similar business strategies but the results differ manifold on the basis of extraneous parameters. Both the 'Alibaba' and 'EBay' strategy models have the following, in common. Both have built platforms that connect prospective buyers with sellers. These web markets enable individuals, entities and organizations to purchase and sell online, just like a real marketplace where both entities must be physically present. None of the companies provide the service of online inspection and transaction, and thus do not hold the goods and products in an inventory, unlike Amazon. Revenue is primarily generated from the transactions and also from the marketing services offered.

A comparative study between the two internet giants provides a reference to the growth trends of similar service providers operating in two different parts of the world.

Comparative showcase of Gross Merchandise Volume Valuation in dollars over time (Source: www.statista.com).

	Alibaba	Ebay
2012	1530000000	680000000
2015	4660000000	820000000
Percentage Increase	67.1%	20.5%

"**Gross Merchandise Volume or GMV** is defined as the comprehensive value of confirmed orders or closed transactions over their marketplace based platforms, regardless of whether the buyer and the seller actually complete or settle the transaction". Thus GMV is a parameter that measures the volume of commerce enabled by the platform.



Comparative Gross Merchandise Volume Valuation in dollars (Source: Self created). Figure 5.

The growth in terms of the GMV of 'Alibaba' was much faster than that of 'eBay', from 2012 to 2015. In 2012, the GMV of 'Alibaba' was 153 billion dollars and that of 'eBay' was 68 billion dollars. So, **in the year 2012, the GMV of Alibaba was 2.3 times more than the GMV of EBay.** In the year 2015, the GMV of Alibaba climbed to 466 billion dollars, whereas the GMV of EBay reached 82 billion dollars. So, **in 2015, the GMV of Alibaba was recorded as 5.7 times more than the GMV of 'EBay'.**

Thus, the growth rate of the two companies, providing similar service and sharing similar business strategy, is different due to reasons which are extraneous parameters such as individual differences in the pool of prospective consumers, as is postulated in the **Individual Difference Theory of Mass Communication** that establishes that, individuals respond differently to the mass media according to their psychological needs, and that individuals consume the mass media to satisfy those needs. Individuals representing different demographics and geographical area react differently to a similar stimulus. Thus the stimulus in case of 'Alibaba' and 'EBay' may be the same, but adoption of innovation, as a reaction, happens at a different rate.

Conclusion

The gigantic increase in the market size, purchasing power, and the concept of consumerism has thus contributed comprehensively to the transformation of the world that stands in its present day fuelled considerably by an information, entertainment and utility based digital network, that has furthered the possibilities of life and living, considerably. This research paper henceforth showcases the following outcomes.

Firstly, it has been established that the online population or rather the number of users of the internet, is presently, a large mass of individuals from all over the world. Hence there is no dearth of users' awareness of the social media service.

Secondly, it has been established that the large online populace, who are prospective consumers have attracted industry in terms of various innovative internet based utilities and services. Such innovative services are increasing by the day and their success is further inspiring other innovations.

Thirdly, the transformation of internet users into consumers who are adopting internet based innovations in the prescribed manner has been identified and has been justified using the Diffusion of Innovation Theory of Mass Communication.

Fourthly, a comparative study of two leading similar services showcases that the growth and success is also influenced by individual differences as is justified by the Individual theory of Mass Communication.

With the advent of smart phones and mobile applications, the digital system is on the brink of a massive leap that shall further revolutionize life as we know it. This is nothing less than the scientific evolution and metamorphosis of an entity, which is a human construct. With greater internet speed and with the transcendence of the internet from computers to smart phones, the world is all set to change further and uses and their gratification shall completely be revolutionized. We are on the verge of a major step towards the global advancement into a virtual world, as has been explained in this research paper.

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IJAR&D
Vol. 2, No. 2, July-December, 2016, pp. 38-44

Pulse of the "Make In India" Campaign: Talent Management

Dr. Hira Anwar

*Research Associate, Department of Commerce,
Aligarh Muslim University, Aligarh, U.P.*

Abstract

"Make in India" is the international marketing slogan coined by the Honourable Prime Minister of India, Narendra Modi on September 25, 2014 to attract business from around the world to invest and manufacture in India. The campaign 'Make in India' is aimed at making India a manufacturing hub and economic transformation in India. The "Make in India" programme includes major new initiatives designed to facilitate investment, foster innovation, project intellectual property and build best-in-class manufacturing infrastructure. With the fast changes in business dynamics, globalization and intense market competitiveness, success is heavily dependent on fully leveraging the strength of its people. HR has to play a leadership role here. However alignment of HR strategy with the business strategy is critical and key to success of the organization. The challenges which organizations encounter today are attracting and developing human capital, talent acquisition and relevance cum retention of Gen "Y" and ensuring fundamental and long lasting changes. "Talented Employees build an organization and are the gateways to success"- human resource managers, the world over, have come to realize this fact and are burning the midnight oil in working out strategies towards this end. It is the employee's talents and skills that define the future of a business by giving it a competitive edge over others.

So it is essential for manufacturing industry to take human resources more seriously in this day and age as the good practice of talent management will maintain and attract highly qualified personnel therefore placing the organization at a competitive advantage. The main aim behind this paper is to highlight the importance of the role of Talent Management in making "MAKE IN INDIA" campaign a success; making INDIA a manufacturing hub and a bench mark of development and prosperity.

Key Words: *Human Resources, Talent Management, Employees, Manufacturing Industry.*

Introduction

The 15th and current Prime Minister of INDIA "Mr. Narendra Modi" unveiled the "MAKE IN INDIA" program on September 25th 2014 in New Delhi. He along extending an invitation to foreign firms to invest in INDIA also solicited the CEOs of domestic firms to invest in INDIA by saying that, "There is no need to leave the nation. We want our companies to shine as MNCs". The MAKE IN INDIA program laid the foundation of India's new national manufacturing policy and rolled out the red carpet to both domestic and international industrialists with an aim to make India a manufacturing hub that will in turn boost the employment and overall growth of India. The program lays emphasis on 25 sectors such as automobiles, chemicals, IT, pharmaceuticals, textiles, ports, aviation, leather, tourism and hospitality, wellness, railways, auto components, design manufacturing, renewable energy, mining, bio-technology, pharmaceuticals, electronics, etc. with focus on job creation, skill enhancement, economic, technical as well as overall infrastructure development. It also focuses on giving Indian industry a global recognition. The Prime Minister of India Mr. Narendra Modi has made a strong pitch for Make in India to promote manufacturing in India. One of the major objectives of this campaign is to make India a manufacturing hub with the aim of creating more jobs and to attract investments and talent to create and build innovative & quality products in India. In short the campaign is conceived and designed to achieve multiple objectives and far reaching impact on the economy.

The campaign has driven the Human Resource departments of organizations in India to rethink their strategies owing to the change in requirements which include the following aspects: Organisation's vision towards human resource *management and expectations from workforce, Strategies for talent attraction, development and retention and Strategies for employee relations (Jones & Newhouse, 2004). Despite the high decibel campaign, budgetary provisions & incentives, the Make in India campaign may trip over a most insidious HR issue of Talent Availability.*

A discussion on Talent Management would be incomplete without an understanding of the word "Talent". Talent in general parlance refers to a natural recurring pattern of thought, feeling or behavior that can be productively applied (Berger & Berger, 2004). Talent is natural and innate but knowledge and skills needs to be acquired through learning and practice. Talent enlarged with skill and knowledge leads to individual strengths (Buckingham & Clifton, 2001). The term talent management is an extension of the word talent and includes the entire gamut of activities and steps that organizations undertake to retain talent worthy individuals.

"Talented workforce" is the only scarce resource and corporate have come to realize this fact. This is the very reason why retention occupies the topmost seat in the human resource manager's "to – do" list. Retaining talent is the need of the hour, in today's dynamic and competitive era (Michaels, Handfield-Jones & Axelrod, 2001). This is exactly what led human resource managers the world over to search for a newer way out of this crisis because the traditional approaches were no longer able to sustain employees. This quest for a better concept led to the birth of talent management – a newer approach conceptualized to move towards retention of talent ship. Since then, there was no looking back and the field of literature on talent management started growing leaps and bounds and within a short span of time "Talent Management" has become the mantra for corporate success (Singh & Sabbarwal, 2010). Though the concept is not of recent origin its value augmenting ability has been recognized only recently. Companies which initially thought of talent management as a means to solve high employee turnover, have learnt to incorporate it in their corporate strategy itself with a key responsibility placed on the line managers (Reilly, 2008). However, in the Indian context, talent management as a concept is quite young, leaving room for a lot of ambiguity and lack of clarity to exist for practicing professionals (Nair, 2009).

The success of Make in India will largely depend on whether Make in India campaign will be able to attract requisite talent to the manufacturing sector or not. This talent management issue is more than a knowledge and skill issue, it is an Attitude issue.

Objectives of the Study

1. To describe the concept of Make In India.
2. To study benefits of talent management practices to an individual or an organization.
3. To find out the key success factor (s) for Make in India campaign.

Need of the Study

The idea of developing talent is not new; the need for talented employees has always been existent right from times immemorial. However, the crisis for talented employees has struck the manufacturing industry only today, due to the changing paradigms of workforce in the present era. With mobility no longer a concern for workforce and shift in the psyche of the Gen Y, retaining talent is becoming a crucial job of the human resource managers. This has led to a global war amongst conglomerates for devising and incorporating suitable talent management practices into their systems. All these factors have brought talent management- as a discipline of study, at the helm of affairs. The present study was conceptualized due to this very fact itself and In order to develop India as a manufacturing hub, match expectations with the opportunities; the role of talented human resource cannot be overlooked. And if talent management is ignored, the MAKE IN INDIA will just become a slogan and nothing more.

Talent Management in Manufacturing Industry

Manufacturing is defined in Factories Act, 1948 as "Manufacturing process means any process for:

- Making, altering, repairing, ornamenting, finishing, packing, oiling, washing, cleaning, breaking up, demolishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal or
- Pumping oil, water, sewage or any other substance or
- Generating, transforming or transmitting power or
- Composing types for printing, printing by letter press, lithography, photogravure of other similar process or book binding,

- Constructing, reconstructing, repairing, refitting, finishing or breaking up ships or vessels,
- Preserving or storing any article in cold storage

Manufacturing holds a key position in the Indian economy, accounting for nearly 16 per cent of real GDP in FY12 and employing about 12.0 per cent of India's labor force (India Brand Equity foundation, 2012). In absolute terms, India is 12th in the world in terms of nominal factory output.

Talent Management in Manufacturing as given by (Guay, 2014)

- Identify competence requirements for every employee in the organization, or at least those that affect product quality.
- Adapt the system to capture all of the components of competency (e.g. education, skills, training and experience) and can support the method an organizations uses to determine competency requirements for a specific employee.
- Identify individual competence and skill gaps, and assign targeted actions, and create development plans as part of the evaluation process.
- Initiate a competency assessment outside of the scheduled performance appraisal process.
- Evaluate and demonstrate the effectiveness of actions taken to improve competence.

Talent management becomes crucial in manufacturing industry as often employers spend huge amount of time and money in training their employees in areas such as six sigma, lean and in other technical areas (Dimba & K'Obonyo, 2009).

Industrial manufacturing companies are having difficulty filling jobs, even with relatively high unemployment rates in many countries. The problem is getting the right people for the available jobs (Kuvaas & Dysvik, 2005). There is increasing competition for talent and manufacturing is not always viewed as offering the most attractive career prospects. For some, the memory of industry layoffs and worker concessions during the economic downturn have eroded loyalty and tarnished the view of manufacturing as a relatively safe place to build a career (Ordonez de Pablos, 2004). For young people, manufacturing holds no cache. It is not regarded as a place to build a professional career. Even now, with manufacturing once again growing and profitable, the industry is not drawing the talent it needs to support growth (Philip & Chauhan, 2011).

Manufacturing in India has typically been perceived as noisy, dusty, polluted, dimly lit, poorly ventilated, claustrophobic workplace spread with too many rickety machines making rattling sounds and the drab, colourless buildings called sheds situated on the remote industrial areas where people have to work with helmets on their head, mask on their mouth, steel toe shoes and possibly an earplug as well (Singh & Sabbarwal, 2010). Commuting from their distant homes in nearby town to the factory over a pot-holed road sap their energy even before they reach the factory in a worn out bus wearing same uniform and who possibly cannot be recognized from their backs. People have to shout on the shop floor to converse with a colleague (Nair, 2009).

Cut to an IT or service organization where a swanky, air-conditioned, glass building office in the most happening business centre of town with spacious cabins, vacuum-cleaned carpeted floors, soft background music with a fresh whiff of room fragrance marked by the sounds of clicks of mouse, taps of keyboard and occasional melodious ringtone of latest model mobile phone awaits employees getting down from AC cabs dressed in latest fashion designer clothes and trendy suits (Philip & Chauhan, 2011). They occasionally wear earplugs but only to listen to their favourite music on their mobile phone/ tablet/ laptop or to chat over long phone calls (Nair, 2009). Employees talk in so low voice that an occasional shout draws the attention of all the fellow office colleagues.

Over recent years, the culture of hard working has been pushed down the cliff in favour of smart working and smartness is now associated more with design and style elements rather than inherent cognitive function. Smartness has now become a more feminine attribute. It's the dressing, lifestyle, looks, gadgets and accessories which has redefined the word smart. A smart workplace is defined due to its smart employees and an employee working for IT or service epitomizes the smartness (Nair, 2009). Attraction of job profile involving overseas travels, jet hopping, meeting rooms, fancy presentations, weekend parties have lured most of the best talent to IT & services sector. Manufacturing jobs are considered so drab in comparison that people working in manufacturing are viewed as labour. Why would an IIT/IIM graduate prefer to work on manufacturing shop floor than an IT cabin?

Has Make in India campaign factored in and plugged the prevailing cultural and social loopholes to project or make manufacturing an attractive career destination? The initial data and statistical indicators like IIP & GDP do not infuse much confidence.

Many manufacturing executives are aware of this challenge. Nearly half of the manufacturing CEOs in the 17th Annual Global PwC CEO Survey 2 say they are worried about the availability of key skills. They clearly recognize the importance of talent strategies in moving their business forward, with two-thirds saying that creating a skilled workforce is a priority for their companies (Wyatt, 2003). And nearly half of manufacturing CEOs say they plan to add staff this year.

Only 32 percent have implemented policies to attract or retain needed talent. This disconnects between aspiration and action is likely to cause a further gap in the future, unless companies take steps to reassess their human resource (HR) policies and make them more effective.

The art of talent management is focused on attracting and retaining the best people. It looks at whether a business has the right people to deliver, both in terms of quality as well as quantity. It looks at the key talent pool and determines which skills exist internally and what other skills are needed, now and in the future. This is by no means a simple task; and most CEOs do not believe their HR departments are well prepared to deal with the challenge (Zechmeister & Shaughnessy, 1997).

Companies know they must meet certain basic requirements in terms of pay, benefits, job security, and advancement opportunities. But, increasingly, this is not enough. Management needs to ensure that employees, especially top talent, are engaged and motivated to perform at a high level and that they have the tools they need to be successful (Berger & Berger, 2004). Management also needs to address the changing expectations of employees, particularly those in the millennial generation that are starting to enter the workforce. The industry needs to develop a value proposition for employees as compelling as the one it provides for customers (Reilly, 2008).

An IT or service organization is able to offer much higher salaries because of minimal infrastructure cost and high linkage of return with investment into human resources. A manufacturing company cannot compete with services sector for attracting talent. What incentive Make in India offers for modern youth to join manufacturing organization? Moreover perception plays an important role in creating a pull and attraction of talent towards a particular industry or company.

Benefits of Talent Management Practices

Talent management practices benefits both the individual and organization. So the discussion doesn’t categorize the individual and organizational benefits since they are interconnected in nature. Talent management alignment to organizational strategy has a clear impact on the success of projects meeting their original goals and business intent (Reilly, 2008). Organizations in which talent management is aligned to organizational strategy have an average project success rate of 72 percent, while organizations in which talent management is not effectively aligned to organizational strategy have an average project success rate of 58 percent. The difference of 14 percentage points in project success rates equates to risking 50 percent more project dollars when talent management is not effectively aligned with strategy (Nair, 2009).

Talent management would anticipate human resource activities such as recruitment and selection, coaching, training and development, as well as performance management (Hamid, n.d.). The executive talent management process helps to build competencies, skills and career plans, maximize contribution, preparation for advancement or transitioning to retirement. In addition to contributing to the effective recruitment and retention of employees, an organization’s talent management strategy should also contribute to employee engagement (Hughes & Rog, 2008).

Talent management practices also reaps benefits like meeting common talent challenges, implementing career paths, reducing communication challenges (Project Management Institute, 2013). Talent management allows organization’s senior management to focus on employee potential and identify current and future career needs, highlights not only the career aspirations, but contribute to the organization through mentoring and knowledge transfer.

Effective talent management will have an indirect positive relationship with organizational performance, mediated by work motivation, organizational commitment, and extra role behaviour acting separately or in combination with one another (Collings & Mellahi, 2009).

Talent management systems are deployed to elicit desired role behaviours among the organization’s talent pool and assist in realizing the organizations (Lepak & Shaw, 2008). Talent management if given the proper development of skills and increased responsibility seeks to focus on an employee's potential, meaning an employee's future performance (Hamid, n.d.).

Talent Management strategies develop innovation capability and achieve a high level of performance. Talent management exercise adds rigor and structure for a more meaningful discussion with superiors.

Executive talent management process creates opportunity to connect with your executives about their interests; enables better support them in career development. Manager practicing talent management practices helps to know executives' needs, aspirations, willingness, and readiness for new challenges helps support succession planning and ensures that executives are well placed in their current roles (Reilly, 2008).

Talent Management enables the public service to keep and attract skilled leaders. Robust and progressive talent management will better equip the public service to have the right people, in the right place at the right time. Public service secretariat department of Newfoundland Labrador Government mentioned about the benefits of talent management practices (Public Service Secretariat - Government of Newfoundland Labrador, 2008).

Key Success Factors for Make in India

The basis of any manufacturing organization is money invested in it and human resource employed in it. In order to make India a most preferred destination for domestic as well as foreign investors, it is must to focus on financial and non financial (HR etc) activities. Indian work force is talented and adaptable.

India's youth population is both, a strength and threat. In order to bring the huge chunk of unemployed youth power in to employment stream, India needs to create millions of jobs every year. The new government, I believe, is aware of this fact and that's why the Make in India is so earnestly launched by the Prime Minister. Most of the western countries and even China are rapidly ageing, whereas India will continue to remain young for next 2-3 decades. So the aging world will have to depend a lot on India. Therefore, Make in India is not a short term programme. It will be an ongoing process, irrespective of the fact that whichever government is in power, the drive has to continue with the same thrust.

The success of any business depends on having the right talent in the right place at the right time. Matching talent to business needs is the name of the game. In short, talent management professionals have to execute the organisation's talent management process. Talent management has to start from the interview process to check if the employee is a right fit to the organization till employee separation where the employee parts the organization.

HR managers should have detailed discussions with employees regarding the key enablers of performance in a given role job and develop individual growth plans to the extent possible. This activity should include an assessment of the competencies, knowledge, experience and personal attributes required from the incumbent of the role. The document should serve as a single reference point for the entire spectrum of talent management activities throughout the employee life cycle, especially for designing training interventions for 'need up gradation' areas. This ensures that employees see HR as an enabler, thus assisting them in not just performing better but being more capable and skilled individuals.

Talent strategy should be closely aligned with business strategy of the manufacturing industry in India. Effective talent management requires that the company's business goals and strategies drive the quality and quantity of the talent.

Develop people for current as well as future roles. It is very important to have proactively managed career transitions. Effective talent management requires not only developing people for current roles but also priming them for their next roles. Equating talent management with senior leadership succession management is a thing of the past. The novel approach requires talent management encompassing a far broader portion of the employee population so as to have leaders at every level of operations, thereby creating a culture of high performance. This will also in the long run reduce dependency on the market and will place the organisation in a position of home-grown advantage.

Age and maturity are not synonyms. Talent management is all about putting the right attitude at the right place. Functional skills, a go-getter attitude and an innate drive to excel are what today's a leader need and that is no longer dependent on the number of years spent working. As they say, the years in your life are not as important as the life in those years.

Invest in the best. It is extremely important to have the best people work for you, especially when the competition is fierce and the market is dynamic. To be able to do that, you need to ensure that the selection process is impeccable and focused on evaluating functional, intuitive and cognitive skills. Using psychometric tools along with your gut feel will ensure you get the right person always.

Engage employees outside cubicles. Create a value proposition for individuals by offering work-life balance, stability and logistical convenience. To ensure consistent performance, it is very important to regularly communicate with your employees, through formal and informal channels. This coupled with activities like sports tournaments, hobby classes, outbound leadership trainings, etc, will ensure people continuously see staying with you as a value addition to their lives.

Customise your plan. While it is important to follow these strategies; it is equally critical to stay relevant and keep adapting them according to your business goals, market situations and upcoming trends. Change is the only constant and hence, HR professionals must always be open and willing to course-correct and maintain agility to be ready for anything the future throws up.

It also has to be noted that talent management practices will differ across different levels and industries and hence proper care has to be taken to ensure that the right approach is taken for better results. With the increasing competition, dearth of talent, globalization and ever growing need to manage talent the scope for study of talent management practice gains importance.

Conclusion

To revive Make in India, the government will have to do extra efforts to make manufacturing career option an 'In thing'. Government will have to make requisite legal, social, economical and cultural changes to reinvent manufacturing in India. Skilled labour force is mandatory and it requires huge monetary support. Unlike in Korea, Japan and Germany which have about 80% of its population skilled, only 12% of India's population is skilled. In order to develop make in India and for its sustainable growth, it is very much important to develop the human resources working on it. If work force is skilled then automatically it will help in cost reduction, reduce the defect rate of products, increase the sales, and help in overall growth of manufacturing sector. Make in India is an ambitious project, but it is one that India desperately needs to kick-start and sustains its growth momentum. With relentless policies towards this end, it is possible to make India the powerhouse of manufacturing sector in the world. Make in India does not have to compete with Made in China, rather it has to first compete with its own services and other sector to attract requisite talent to be able to truly Make in India.

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IJAR&D
Vol. 2, No. 2, July-December, 2016, pp. 45-53

Does Demonetisation affect on Black Money in India?

Dr. Ombir Singh

Assistant Professor, School of Management,
Gautam Buddha University, Greater Noida, U.P.

Abstract

Demonetisation withdraw high currency notes a challenging task for the government. This move by the government is likely to have long term benefits for the economy. Consumption oriented sectors, which witness a sizable magnitude of cash transaction, jewellery, retail, travel and tourism and trade are likely to be most affected in the shortrun. Indian economy is badly affected by black money as it is underestimating GDP, increasing inequality of income, increasing illegal activities etc. Over the past 60 years, the government has at various times announced several schemes offering opportunities to bring black money overboard but the result are not so effective. This paper discusses the impact of demonetization on different sectors of the economy. The present paper helps to know about present status of black money in INDIA and impact of demonetisation on economy.

Key Words: *Black Money; Corruption; Demonetisation; Indian Economy*

Introduction

The PM surgical strike of November 8, 2016 is the policy enacted by the government of India on Black economy. The demonetisation of 500 and 1,000 banknotes was a policy decision by the Government of India on 8 November 2016, ceasing the usage of all 500 and 1,000 banknotes of the Mahatma Gandhi Series as legal tender in India from 9 November 2016. The demonetization process is estimated to mop up 86 percent of India's currency in value terms. Indian Economy is the highest producer and consumer of currency notes after china around 90 billion banknotes were circulating in India till March 2015.

The announcement was made by the Prime Minister of India Narendra Modi in an unscheduled live televised address at 20:00 Indian Standard Time (IST) on 8 November. In the announcement, Modi declared that use of all 500 and 1,000 banknotes of the Mahatma Gandhi Series would be invalid past midnight, and announced the issuance of new 500 and 2,000 banknotes of the Mahatma Gandhi New Series in exchange for the old banknotes. The banknotes of 100, 50, 20, 10 and 5 of the Mahatma Gandhi Series and 2 and 1 remained legal tender and were unaffected by the policy.

The government claimed that the demonetisation was an effort to stop counterfeiting of the current banknotes allegedly used for funding terrorism, as well as a crack down on black money in the country. The move was also described as an effort to reduce corruption, the use of drugs, and smuggling.

However, in the days following the demonetisation, banks and ATMs across the country faced severe cash shortages with severe detrimental effects on a number of small businesses, agriculture, and transportation. People seeking to exchange their notes had to stand in lengthy queues, and several deaths were linked to the inconveniences caused due to the rush to exchange cash. Also, following the announcement, the BSE SENSEX and NIFTY 50 stock indices crashed for the next two days.

Historically, previous Indian governments had demonetised bank notes. In January 1954, banknotes of 100 and 1,000 rupees were withdrawn and new notes of 100, 500 and 1000 rupees were introduced in 1954. The Janata Party coalition government demonetised banknotes of 1000, 5000 and 10000 rupees on 16 January 1978 as a means of curbing counterfeit money and black money.

In 2012, the Central Board of Direct Taxes had recommended against demonetisation, saying in a report that "demonetisation may not be a solution for tackling black money or economy, which is largely held in the form *of benami properties, bullion and jewellery". According to data from income tax probes, black money holders keep only 6% or less of their ill-gotten wealth as cash, hence targeting this cash may not be a successful strategy.*

On 28 October 2016 the total banknotes in India was Rs. 17.77 trillion (US$260 billion) in circulation. In terms of value, the annual report of Reserve Bank of India (RBI) of 31 March 2016 stated that total bank notes in circulation valued to Rs. 16.42 trillion (US$240 billion) of which nearly 86% (around Rs. 14.18 trillion (US$210 billion)) were 500 and 1,000 banknotes. In terms of volume, the report stated that 24% (around 22.03 billion) of the total 90266 million banknotes were in circulation.

The Reserve Bank of India laid down a detailed procedure for the exchange of the demonetised banknotes with new 500 and 2,000 banknotes of the Mahatma Gandhi New Series and 100 banknotes of the preceding Mahatma Gandhi Series. A window of fifty days until 30 December 2016 was stipulated to deposit the demonetised banknotes as credit in bank accounts. For immediate cash needs, the banknotes could be exchanged over the counter of bank branches upto a limit that varied over the days:

- *Initially, the limit was fixed at 4,000 per person from 8 to 13 November 2016.*
- *This limit was increased to 4,500 per person from 14 to 17 November 2016.*
- *The limit was reduced to 2,000 per person from 18 November 2016.*

All exchange of banknotes was abruptly stopped from 25 November 2016.

Cash withdrawals from bank accounts were restricted to 10,000 per day and 20,000 per week per account from 10 to 13 November 2016. This limit was increased to 24,000 per week from 14 November.

Initially, all ATMs were dispensing banknotes of only 50 and 100 denominations and cash withdrawals from ATMs were restricted to 2000 per day. From 14 November onwards, ATMs recalibrated to dispense new 500 and 2000 notes allowed a maximum withdrawal of 2,500 per day.

However, exceptions were given to petrol, CNG and gas stations, government hospitals, railway and airline booking counters, state-government recognised dairies and ration stores, and crematoriums to accept the old 500 and 1,000 banknotes until 11 November 2016, which was later extended to 14 November 2016 and once again to 24 November 2016. International airports were also instructed to facilitate an exchange of notes amounting to a total value of 5,000 for foreign tourists and out-bound passengers.

Under the revised guidelines issued on 17 November 2016, families were allowed to withdraw 250,000 for wedding expenses from one account provided it was KYC compliant. The rules were also changed for farmers who are permitted to withdraw 25,000 per week from their accounts against crop loan.

Criticism

Many Economists has criticized demonetization for short run. Initially, the move received support from several bankers as well as from some international commentators. It was heavily criticised by members of the opposition parties, leading to debates in both houses of parliament and triggering organised protests against the government in several places across India. As the cash shortages grew in the weeks following the move, the demonetization was heavily criticised by prominent economists, such as Kaushik Basu, Paul Krugman, Amartya Sen and Steve Forbes.

Nobel laureate Indian economist Amartya Sen, severely criticised the demonetisation move calling it a "despotic action" among other things.

Prof Arun Kumar a former professor of economics at the Jawaharlal Nehru University, Delhi describes how this hasty drive will adversely impact demand, employment and investment.

Former Senior Vice-President and Chief Economist of the World Bank, Kaushik Basu, called it a 'major mistake' and said that the 'damage' is likely to be much greater than any possible benefits.

Pronab Sen, former Chief Statistician and Planning Commission of India member, called it a "hollow move" since it did not really address any of the purported goals of tackling black money or fake currency.

Prabhat Patnaik, a former professor of economics at the Jawaharlal Nehru University, Delhi called the move 'witless' and 'anti-people'. He criticised the simple way in which black money was assumed as "a hoard of cash", saying that it would have little effect in eliminating "black activities" while "causing much hardship to common people.".

Noted economist and journalist, T. N. Ninan wrote in the Business Standard that demonetisation 'looks like a bad idea, badly executed on the basis of some half-baked notions'. Deepak Parekh (Chairman of HDFC) had initially appreciated the decision to ban the Rs. 500 and Rs. 1000 notes, but later said that the move had derailed the economy, and expressed skepticism about its outcome.

Chief Ministers of several Indian states like Mamata Banerjee, Arvind Kejriwal and Pinarayi Vijayan have criticised and led major protests against the decision in their states and in parliament. Initially, the move to demonetise and try to hinder black money was appreciated, Several government ministers had declared before the demonetisation that they were holding large amounts of cash, including Arun Jaitley, who had more than 65 lakh rupees in cash. This led to speculation about whether and when the ministers had deposited the cash they held.

Many Economists said that the note ban can affect largely the retails, manufacturing and leads to economic recession.

Steve Forbes described the move as 'Sickening and Immoral'. He stated that "What India has done is commit a massive theft of people's property without even the pretense of due process—a shocking move for a democratically elected government." Nobel laureate Paul Krugman said that it is difficult to see gains from demonetisation, while there may be significant costs to it.

Black Economy in India

'Black Money' There is no uniform definition of black money in the literature or economic theory. In fact, several terms with similar connotations have been in vogue, including 'unaccounted income', 'black income', 'dirty money', 'black wealth', 'underground wealth', 'black economy', 'parallel economy', 'shadow economy', and 'underground' or 'unofficial' economy. All these terms usually refer to any income on which the taxes imposed by government or public authorities have not been paid. Such wealth may consist of income generated from legitimate activities or activities which are illegitimate per se, like smuggling, illicit trade in banned substances, counterfeit currency, arms trafficking, terrorism, and corruption. In its 1985 report on Aspects of Black Economy, the NIPFP defined 'black income' as 'the aggregates of incomes which are taxable but not reported to the tax authorities'. Further, black incomes or unaccounted incomes are 'the extent to which estimates of national income and output are biased downwards because of deliberate, false reporting of incomes, output and transactions for reasons of tax evasion, flouting of other economic controls and relative motives' (Ministry of Finance, 2012). 'black money' can be defined as assets or resources which comes from uncounted sources not reported and disclosed to public authorities at any point of time. Any sum which is undisclosed to tax authorities, generated through smuggling, act of corruption and by other illegal means. Black money spoiling the prospects of the country's true economic growth (Economic Times 2016).

Rajni Arora (2012) research paper discusses the status of black money in INDIA & its future challenges. It discusses sources from where black money is generated and its uses in the country at different levels. It also studies the one of the main reason behind the generation of black money i.e. corruption. The corruption leads to its generation which has considerable impact on various sections of the society. This paper presents the different aspects of black money and its relationship with policy and administrative measures in our country. It also reflects the policy and strategies that the Government has been pursuing in the context of recent initiatives, or need to take up in the near future, in order to address the issue of black money and corruption in public life. There is no doubt that existence of black money has a significant impact on social, economic and political levels of our lives which has a significant effect on the institutions of governance and conduct of public policy in the country.

Sukanta Sarkar (2010) conducted a study on the parallel economy in India: Causes, impacts & government initiatives in which he focused on the existence of causes and impacts of black money in India. According to him, the main reason behind the generation of black money is the Indian Political System i.e Indian govt. just focused on making committees rather than to implement it. So, he concluded that laws should be implemented properly to control black money in our economy.

Kumar, A (1999) wrote a book on The Black Economy in India and discuss the various aspect of Black economy in India.

Kavita Rani and Sanjiv Kumar discuss the how Black Money causes the prices of commodities to increase to a level beyond normal. People with black money are able to give bribes to the administrators and politicians for getting whatever they want. To control the generation of black money there should be a strong and appropriate legislative framework.

Atul Sood, Ashapurna Baruah (2017) discusses in his paper on "The New Moral Economy Demonetisation, Digitalisation and India's Core Economic Problems" digitalisation is a panacea for the country's growth challenges and a solution to its core economic problems requires constructing a new moral economy, and a "different" imaging of India in the minds of the people.

About the estimation of Black Economy in India, there are various research papers on estimation on black economy in India. But these sources are not reliable because it's uncounted economy.

The Direct Taxes Enquiry Committee (Wanchoo Committee) followed the method adopted by Kaldor with some modifications. It estimated assessable non-salary income for the year 1961-62 at ' 2686 crore and non-salary income actually assessed to tax to be of the order of ' 1875 crore. Accordingly the income which escaped income tax was of the order of ' 811 crore. After making rough adjustments for exemptions and deductions, the Wanchoo Committee found that 'the estimated income on which tax has been evaded (black income) would probably be '700 crore and 1000 crore for the years 1961-62 and 1965-66 respectively'. 'Projecting this estimate further to 1968-69 on the basis of percentage increase in national income from 1961-62 to 1968-69, the income on which tax was evaded for 1968-69 was estimated as '1800 crore.' Rangnekar's estimate: Dr D.K. Rangnekar, a member of the Wanchoo Committee, dissented from the estimates made by the Wanchoo Committee. According to him, tax-evaded income for 1961-62 was of the order of ' 1150 crore as compared to the Wanchoo Committee's estimate of ' 811 crore. For 1965-66, it was ' 2,350 crore against the ' 1000 crore estimated by the Wanchoo Committee. The projections for 1968-69 and 1969-70 were ' 2833 crore and ' 3080 crore respectively. Chopra's study estimated unaccounted income to have increased from ' 916 crore in 1960-61, i.e. 6.5 per cent of gross national product (GNP) at factor cost, to ' 8098 crore in 1976-77 (11.4 per cent of GNP). The NIPFP study suggested with some degree of confidence that black income generation in the Indian economy in 1983-84 was not less than18 per cent of GDP at factor cost or 16 per cent of GDP at market prices.

Impact of Demonetisation on Different Sectors

Economist said it was too early to predict the impact of demonetization on different sectors. It has longrun impact on growth rate of the economy. It has both positive as well as negative impact on different sector of the economy.

Positive Effects

Human Trafficking Halted

This announcement will go a long way in fighting exploitation of children and corruption in an organized manner. It is a positive step towards creating a more prosperous India for the future generations", as said by Satyarthi a day ateri maa ki fter demonetisation, who won the 2014 Nobel Peace Prize jointly with Pakistani schoolgirl Malala Yousefzai. A month later The Guardian reported that "India currency note ban sparks 'dramatic fall' in sex trafficking".

Tax Collection

The government gets the benefits of demonetization. Undisclosed cash that comes into bank accounts will enable the income tax department to collect taxes. The fear of losing it, all, increase revenue for the government. The tax collection by local bodies have surged over 260% and more than 15000 crore mare after 14 days of demonetization. The government allowed to pay taxes in the form of old banknotes, which was welcomed by people as well as defaulters to pay up their taxes. The total indirect tax collection rose to 14.2% only in the month of December according to Finance Minister Arun Jaitley. This move is likely to lead to better tax compliance, raise the Tax to GDP ratio and improved tax collection. This could lead to lower borrowing and better fiscal management. Also with lower cash transactions in the near term, inflation may see downtrend in the near term. Also with higher tax to GDP ratio, the government may also get enough headroom to reduce the income tax rates, which can lead to higher disposable income with people and can improve consumption demand in the medium to long term.

Maoist and Naxalites Surrenders

The Demonetization has badly hit Maoist and Naxalites as well. The Demonetisation has broken the backbone of Naxals to a great extent. With their current finances largely in demonetized notes, they will not be able to buy weapons. The surrender rate has reached its highest since the demonetization is announced. It is said that the money these organizations have collected over the years have left with no value and it has caused them to reach to this decision. The demonetization destroys the Naxal's war chest. Extortion money collected over the years will go waste. In an interview between Chhattisgarh CM Raman Singh and The Economic times told that "the ban on old 500 and 1000 notes will result in most of the 400-500 crore that naxals extort annually in Chhattisgarh becoming dead money"

Terrorism

The withdrawal of existing high denomination bank notes will curb funding of terrorists. It will eliminate black money which casts long shadow of the parallel economy on our real economy. Transborder terrorism, Left wing extremism and domestic terrorism are being funded by black money. High denomination notes have been misused by terrorists and are known to facilitate generation and hoarding of black money.

Real Estate

The Real Estate sector directly hit by the demonetization. There is excessive use of cash in the real estate sector due to large cash transaction in purchase of land and housing property. The real estate prices get pushed up artificially by the dealer in the market. This reduces the availability of affordable housing for the middle and lower income group. Greater over the board transaction will lead to a decline in real estate prices making affordable to all.

Negative Effects

Cash Shortage

As money supply has been severely contracted, certain sector badly hit and people are facing problems in their transactions. People make long queue outside banks to deposit and exchange old Rs. 500 and Rs.1000 banknotes after 09 November 2016 upto 30 December 2016. Even after January 10, 2017 the problem of cash is not sorted out in remote areas. There were still long queues at banks and ATMs.

The scarcity of cash due to demonetisation led to chaos, and most people holding old banknotes faced difficulties exchanging them due to endless lines outside banks and ATMs across India, which became a daily routine for millions of people waiting to deposit or exchange the Rs.500 and Rs.1000 banknotes since 9 November. ATMs were running out of cash after a few hours of being functional, and around half the ATMs in the country were non-functional. Sporadic violence was reported in New Delhi, but there were no reports of any grievous injury, people attacked bank premises and ATMs, and a ration shop was looted in Madhya Pradesh after the shop owner refused to accept Rs.500 banknotes. It has already been pointed out that demonetisation by creating a shortage of currency has impacted the money supply through the money multiplier. It has also affected the velocity of circulation so that the transactions in the economy have been forced to contract leading to an impact on production and income generation (Kumar, 2017).

Deaths

Several people were reported to have died from standing in queues for hours to exchange their old banknotes. Deaths were also attributed to lack of medical help due to refusal of old banknotes by hospitals. As of 15 November 2016, the attributed death toll was 25. and 33 deaths as of 18 November. In an interview, Chief Minister of Delhi Arvind Kejriwal lashed out at a BBC reporter who asked him to justify his 19 November claim that 55 deaths were linked to demonetisation. By the end of the year, opposition leaders claimed that over 100 people had died due to demonetisation.

Stock Market Crash

As a combined effect of demonetisation and US presidential election, the stock market indices dropped to an around six-month low in the week following the announcement. The day after the demonetisation announcement, BSE SENSEX crashed nearly 1,689 points and NIFTY 50 plunged by over 541 points. By the end of the intraday trading section on 15 November 2016, the BSE SENSEX index was lower by 565 points and the NIFTY 50 index was below 8100 intraday. The government's move to demonetize in a bid to eliminate has begun to raise red flags. Investors are concerned about the impact it could have on small and medium size businesses which largely run on cash.

Transportation Halts

After the demonetisation was announced, about 800,000 truck drivers were affected with scarcity of cash, with around 400,000 trucks stranded at major highways across India were reported. While major highway toll junctions on the Gujarat and Delhi-Mumbai highways also saw long queues as toll plaza operators refused the old banknotes.

Nitin Gadkari, the Minister of Transport, subsequently announced a suspension of toll collections on all national highways across India until midnight of 11 November, later extended until 14 November and again until midnight of 18 November, and again till 2 December.

Agriculture

Transactions in the Indian agriculture sector are heavily dependent on cash and were adversely affected by the demonetisation of 500 and 1,000 banknotes. It is the sowing seasons for the rabi crop in some part of the country. Due to scarcity of the new banknotes, many farmers have insufficient cash to purchase seeds, fertilisers and pesticides needed for the plantation of rabi crops usually sown around mid-November. Kharif crops are also coming in market. Most purchase and sale made in cash. Farmers and their unions conducted protest rallies in Gujarat, Amritsar and Muzaffarnagar against the demonetisation as well as against restrictions imposed by the Reserve Bank of India on district cooperative central banks which were ordered not to accept or exchange the demonetised banknotes.

Banking

Due to demonetization, banks get the liquidity in terms of old notes. Their bad loans recovery increase and flow of currency also increase. It reduces interest rates and expand credit and business. In the first four days after the announcement of the step, about Rs.3 trillion (US$45 billion) in the form of old Rs.500 and Rs.1,000 banknotes had been deposited in the banking system and about Rs.500 billion (US$7.4 billion) had been dispensed via withdrawals from bank accounts, ATMs as well as exchanges over the bank counters. Within these four days, the banking system has handled about 180 million transactions. The State Bank of India reported to have received more than Rs. 300 billion (US$4.5 billion) in bank deposit in first two days after demonetisation. A spike in the usage of debit card and credit card post demonetisation was also reported.

Between November 10 and November 27, banks reported exchange and deposits of demonetised banknotes worth Rs. 8.45 trillion (US$130 billion) (exchange of Rs. 339.48 billion (US$5.0 billion) and deposits of 8.11 trillion (US$120 billion)). During this period, an amount of Rs. 2.16 lakh crore (US$32 billion) had been withdrawn by people from their accounts.

Business

By the second week after demonetisation of Rs. 500 and Rs. 1,000 banknotes, cigarette sales across India witnessed a fall of 30–40%, while E-commerce companies saw up to a 30% decline in cash on delivery (COD) orders. Business worst hit where the cash transaction is held. Several e-commerce companies hailed the demonetisation decision as an impetus to an increase in digital payments. They believe that it would lead to a decline in COD returns which is expected to cut down their costs.

Peoples are struggling to do routine transaction as these notes constituted 86 percent of currency in circulation. Realty, gold and informal sectors have been hit the hardest since they relied heavily on cash.The demand for point of sales (POS) or card swipe machines has increased. E-payment options like PayTM and PayUMoney has also seen a rise. According to data of Pine Labs, the demand for its POS machines doubled after the decision. Further it states that the debit card transactions rose by 108% and credit card transactions by 60% on 9 November 2016.

Income Tax Raids and Cash Seizures

The Finance Ministry instructed all revenue intelligence agencies to join the crackdown on forex traders, hawala operators and jewellers besides tracking movement of demonetised currency notes. It was reported that the Prime Minister's Office (PMO) and the Prime Minister Modi himself were directly coordinating the raids conducted by the Income Tax, Enforcement Directorate (ED) and other agencies. As of 23 December, PMO received around 700 calls giving information about black money and it directly forwarded the information to various law enforcement agencies for further action.

Income Tax departments raided various illegal tax-evasive businesses in Delhi, Mumbai, Chandigarh, Ludhiana and other cities that traded with demonetised currency. The Enforcement Directorate issued several FEMA notices to forex and gold traders. Large sum of cash in defunct notes were seized in different parts of the country. In Chhattisgarh liquid cash worth of Rs. 4.4 million (US$65,000) was seized.

As of December 28, official sources said that the Income Tax department detected over Rs. 4,172 crore of un-disclosed income and seized new notes worth Rs. 105 crore as part of its country-wide operations. The department carried out a total of 983 search, survey and enquiry operations under the provisions of the Income Tax Act and has issued 5,027 notices to various entities on charges of tax evasion and hawala-like dealings. The department also seized cash and jewellery worth over Rs. 549 crore out of which the new currency seized (majority of them Rs. 2000 notes) is valued at about Rs. 105 crore. The department also referred a total of 477 cases to other agencies like the CBI and the Enforcement Directorate (ED) to probe other financial crimes like money laundering, disproportionate assets and corruption.

Seizures of 2000 Notes

Huge amounts of cash in the form of new notes were seized all over the country after the demonetisation. As of December 2016, over 4 crore in new banknotes of Rs.2000 were seized from four persons in Bangalore, Rs. 33 lakh in Rs. 2000 notes were recovered from Manish Sharma, an expelled BJP leader in West Bengal, and Rs. 1.5 crore was seized in Goa. 900 notes of the new Rs. 2000 notes were seized from a BJP leader in Tamil Nadu. Around Rs.10 crore in new notes were seized in Chennai.

It was announced by the government that the seized notes will be brought into the mainstream as soon as possible to ease out the cash problem. Earlier, agencies kept all seized material, including cash seizures, in their strong rooms as evidence till the case was adjudicated by the courts. The seized money was then deposited into the Consolidated Fund of India. Sometimes, income tax cases took years to resolve, still all seized material was kept in safe lockers of the tax department.

Insurgent Groups

The move also reportedly crippled Communist guerrilla groups (Naxalites) financing through money laundering. On 10 November the police arrested a petrol pump owner at Ranchi when he reportedly tried to deposit Rs. 2.5 billion, belonging to a person affiliated with the banned Communist Party of India (Maoist). According to Chhattisgarh Police demonetisation has affected the Naxalite activities. It is reported that insurgents have stashed more than Rs. 70 billion in the Bastar region. Mumbai Police reported a setback to Hawala operations. Hawala dealers in Kerala were also affected. The Jammu and Kashmir Police reported the effect of demonetisation on hawala transactions of separatists. While Manohar Parrikar claimed that the move has also helped in reducing the incidents of stone-pelting in valley, his claim has been disputed.

Railways

As of November 2016, Indian Railways did not have the option to make payment with cards at the counters. After the demonetisation move, the government announced to make card payment options available at railway counters in the country. Many people book their tickets in old currency and after they cancelled and got new currency.

Evasion Attempts

Gold Purchases

In Gujarat, Delhi and many other major cities, sales of gold increased on 9 November, with an increased 20 to 30% premium surging the price as much as Rs. 45,000 (US$670) from the ruling price of Rs. 31,900 (US$470) per 10 grams (0.35 oz). Holders of black money tried to re-invest their money in gold. People having cash start buying gold on the late night on 8 November 2016.

Income Tax officials raided multiple branches of Axis Bank and found bank officials involved in money laundering acts, exchanging old notes for gold.

Donations

The donation boxes of the temple are filled by the old currency notes. Authorities of Sri Jalakanteswarar temple at Vellore discovered cash worth 4.4 million (US$65,000) from the temple hundi, or cash collection box.

Multiple Bank Transactions

There have also been reports of people circumventing the restrictions imposed on exchange transactions and also attempting to convert black money into white by making multiple transactions at different bank branches. People were also getting rid of large amounts of banned currency by sending people in groups to exchange their money at banks. Many firms send their staff to get the note exchanged. In response, the government announced that it would start marking customers with indelible ink. This was in addition to other measures proposed to ensure that the exchange transactions are carried out only once by each person. On 17 November, the government reduced the exchange amount to Rs. 2,000 (US$30) to discourage attempts to convert black money into legitimate money.

Railway Bookings

As soon as the demonetisation was announced, it was observed by the Indian Railways authorities that a large number of people started booking tickets particularly in classes 1A and 2A for the longest distance possible, to get rid of unaccounted cash. A senior official said, “On November 13, 42.7 million passengers were nationally booked across all classes. Of these, only 1,209 were 1A and 16,999 for 2A. It is a sharp dip from the number of passengers booked on November 9, when 27,237 passengers had booked tickets in 1A and 69,950 in 2A.”

The Railways Ministry and the Railway Board responded swiftly and decided that cancellation and refund of tickets of value Rs.10,000 and above will not be allowed by any means involving cash. The payment can only be through cheque/electronic payment. Tickets above Rs.10,000 can be refunded by filing ticket deposit receipt only on surrendering the original ticket. A copy of the PAN card must be submitted for any cash transaction above Rs.50,000. The railway claimed that since the Railway Board on 10 November imposed a number of restrictions to book and cancel tickets, the number of people booking 1A and 2A tickets came down.

Municipal and Local Tax Payments

As the use of the demonetised notes had been allowed by the government for the payment of municipal and local body taxes, it led to people using the demonetised 500 and 1,000 notes to pay large amounts of outstanding and advance taxes. As a result, revenue collections of the local civic bodies jumped.

Backdated Accounting

The Enforcement Directorate raided several forex establishments making back dated entries. Money laundering using backdated accounting was carried out by co-operative banks, jewellers, sellers of iPhones, and several other businesses

Conclusion

The immediate consequences of the demonetization of 500 and 1000 rupee notes and their replacement by new currency of 500 and 2000 rupee notes have been widely discussed. This has less obvious intermediate and long term consequences. Demonetisation is a revolutionary step made by the government to curb the black economy, counterfeit currency, terror financing and corruption. In its submission to Parliament's standing committee on finance, RBI said the decision to demonetize came in the background of the central bank, in consultation with the government, working on new notes with improved security features. The introduction of new series of notes could provide an opportunity to tackle counterfeiting terror financing and black money. It can catalyse long term economic reform. Low Inflation, more affordable real estate and possibility of lower tax rates as the net could become wider are among the fruits of demonetization which reap in the longrun. Black money places an unfair burden on honest citizens of the country. Many scheme announced by the government has impact on the direct and indirect taxes. It reduces the risk of tax evasion, widens the tax base and curbs the black economy in many aspects. There are many other sources of black money available in the market e.g Real estate, Gold etc. Experts said that most people with large amount of black money donot keep in cash.

Many Business activities in rural and urban areas neither paid tax not registered. Their earnings were spent on buying luxurious items and increase prices and direct money to wasteful consumption rather than investment. By sucking money out of the economy, demonetization would help control in inflation.

A trust has been made for increasing the digital payments in the economy through debit and credit cards, internet banking, mobile apps and e-wallets. It also increases the digitalization of the economy through using of technology in transaction activities. The government believes that this will hasten the shift to a cashless economy, making life both easier and more transparent.

All these impact are good for the economy in the long run. But the government should start a series of economic reform to achieve the double digit growth rate of the economy.

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IJAR&D
Vol. 2, No. 2, July-December, 2016, pp. 54-73

Transition from BASEL I to BASEL III: A Critical Review

Dr. Masroor Ahmed Beg

Principal,

Zakir Hussain Delhi College (Evening), University of Delhi, Delhi

Abstract

Basel Accords are a set of standards and practices developed for global banks to ensure that they maintain adequate capital to withstand periods of economic strain. It is a comprehensive set of reform measures designed to improve the regulation, disclosures and risk management within the banking sector. Basel Accord I was introduced in 1988 by the Basel Committee on Banking Supervision (BCBS) under the auspices of Bank for International Settlements (BIS) and focused almost entirely on credit risk. It defined capital requirement and structure of risk weights for banks. Basel Accord II was introduced in 2004 to address the loopholes of Basel I and laid down guidelines for capital adequacy, risk management and disclosure requirements. The question arises as to why Basel Accord III? It is widely felt that the shortcomings of Basel II led to the global financial crisis of 2008. That is because Basel II did not have any explicit regulation on the debt that banks could take on their books, and focused more on individual financial institutions, while ignoring systemic risk. To ensure that banks don't take on excessive debt, and that they don't rely too much on short term funds, Basel III was proposed in 2010. Through this research paper, I intend to critically analyse the three tiers of banking regulatory reforms namely, Basel I, Basel II and the Basel III and the loopholes of each of the preceding Basel Accords which has given way to the next. An insight into the Indian banking sector with respect to these Accords shall also be given. A case study of the State Bank of India regarding its current position as per Basel II and the necessary shift to Basel III is formulated and explicated here.

Key Words:*Basel I, Basel II, Basel III, Investment Market, Securitization, Capital Adequacy*

Introduction

Banks play a pivotal role in the economy. They have easy access to funds through ways like collection of saver's wealth, issuing debt securities, or borrowing on the inter-bank markets. These funds mobilized are invested in short-term and long-term risky assets, which consist mainly of credits to various economic agents like individuals, companies, government etc. Banks help maintain the supply of money in the economy by centralizing any money surplus and injecting it back into the economy as and when required. It is therefore obvious that such institutions that play a pivotal role in the management of funds in the economy shall be subject to stringent constraints and regulations.

Bank capital plays an important role in the safety and soundness of individual banks and the banking system.Basel Committee on Banking Supervision (BCBS) under the auspices of Bank for International Settlements (BIS) has prescribed a set of norms for the capital requirement of banks in 1988 known as Basel Accord I. This Accord was formulated after many rounds of discussion by the member states of BCBS.

BCBS, a committee of banking supervisory authorities was established by the governors of central bank of the Group of Ten (G10) countries in 1974 in response to the messy liquidation of a Cologne-based bank (Herstatt Bank) in the same year. On 26 June 1974, a number of banks had released Deutsche Mark (German Mark) to the Herstatt Bank in exchange for dollar payments deliverable in New York. On account of differences in the time zones, there was a lag in the dollar payment to the counterparty banks, and during this gap, and before the dollar payments could be effected in New York, the Herstatt Bank was liquidated by German regulators.This incident prompted the G10 nations to form the Basel Committee on Banking Supervision under the auspices of the Bank for International Settlements (BIS) located in Basel, Switzerland, and hence was coined the name of the committee. The G10 countries included Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom, and the United States and has now *been expanded to include Argentina, Australia, Brazil, China, Hong Kong SAR, India, Indonesia, Korea, Luxembourg, Mexico, Russia, Saudi Arabia, Singapore, South Africa, Spain and Turkey also.*

BCBSprovides a forum for regular cooperation onbanking supervisory matters and aims at enhancing the understanding of key, supervisory issuesand improving the quality of banking supervisions worldwide[1]. Representatives of the central banks of these countries and their banking supervisory authority participated in many rounds of discussions before the Committee came out with the first Basel Accord – Basel I in 1988.It defined capital requirement and structure of risk weights for banks. Basel II was introduced in 2004 in response to the growing level of sophistication of lenders' operations and risk management and to overcome some of the distortions caused by the lack of granularity of Basel I. The lenders, under Basel I, were able to reduce required capital in ways that did not reflect lower real risk. This came to be known as the 'regulatory capital arbitrage'. The intention of Basel II was to align required minimum capital more closely with lenders' real risk profile. However, Basel II also proved to be inadequate as the global economy was hit by the financial crisis of 2008. Thus embarking on a new journey was the Basel Committee, entering into a third and fresh round of discussions on improving and upgrading the Basel Accord II to Basel Accord III. Basel Accord III has been introduced in January, 2013 and is to be implemented in a phased manner tentatively by 2015 but the implementation has been extended upto 2019.Basel III is supposed to strengthen bank capital requirements by increasing bank liquidity and bank leverage and further immune the banking system to financial shocks.

Review of Literature

Saidenberg and Schuermann (2003) provide an overview of the objectives of the Basel Accord II, its analytical foundations and also its main features. They have also analysed the impact of the proposals on the global banking system through possible changes in bank behaviour by different uses of the risk measurement framework. The paper also highlights the issues brought about by Pillar 2 (supervisory review) and Pillar 3 (public disclosure) of the Accord.

Elizalde (2006) presents a dynamic model of banking supervision to analyse the impact of the three pillars of Basel Accord II on banks' risk taking ability. This paper finds that while in Pillar II (Supervisory Review) the supervisor audits more frequently low rated banks and restricts their dividend payments in order to build capital, in Pillar 3 (Market Discipline) the supervisor reduces the level of deposit insurance coverage compelling not-fully insured depositors to adjust interest rates contingent on the bank's external rating. The risk sensitiveness of Pillar 1 (Capital Requirements) is also analysed concluding that all three Pillars reduce banks' risk taking incentives.

Herring (2007) analyses the Federal Reserve's bifurcated approach to implement Basel II reflecting inherent weakness in the structure. It also studies the original Basel Accord on Capital Adequacy (Basel I) and a summary of the Basel Accord II approach with emphasis on Pillar I weights on credit risk. It concludes with the consideration of whether it may have been possible to achieve equivalent improvements in risk management with lower compliance costs and less uncertainty about the impact on financial stability.

Balin (2008), looks to fill the gap between the technicality of the Basel Accords and the lack of understanding by the interested scholars and non-technical policymakers caused due to the same by detailing the origin, regulation, implementation, criticism, and results of both Basel I and Basel II. It also analyses the loopholes of Basel I and Basel II and the often ignored implications of each of the aforementioned norms in emerging market economies which acts as a drawback to each of these norms. It elucidates that the inclusion of the interest of and factors affecting emerging market economies is of paramount importance to make them globally competitive.

Jablecki (2009) attempts to investigate the influence of the 1988 Basel Accord on bank behaviour and monetary policy. He argues that the Accord was successful in that it forced commercial banks in all of G10 countries to maintain higher capital ratios. Tentative research suggests, however, that – at least among American banks – the Accord also encouraged the widespread resort to regulatory capital arbitrage techniques, in particular securitization. The paper also reviews the literature on the transmission mechanism of monetary policy and shows that the Basel Accord has affected the bank lending channel. It concludes on the note that due to adverse selection problems and possible capital depletion resulting from the maturity mismatch, banks mindful of the capital requirements will reduce lending in response to a monetary policy tightening, amplifying the bank lending channel. This result will be stronger with lower capital-to-risk-weighted-assets ratio. Finally, it has been argued that the new Basel II framework is likely to strengthen monetary policy even further, yet conclusive empirical research to support this hypothesis is still needed.

Atkinson and Blundell-Wignall (2010) look at how the Basel III proposals address the issues of helping to reduce the chance of another crisis like the current financial slowdown. It highlights the key features of Basel III capital proposals like leverage ratio, capital buffer and the proposal to deal with pro-cyclicality through dynamic provisioning based on expected losses that make it stronger than its preceding Accords. However, this report also identifies some major concerns. For example, Basel III does not properly address the most fundamental regulatory problem that the 'promises' that make up any financial system are not treated equally. This issue has many implications for the reform process, including reform of the structure of the supervision and regulation process and whether the shadow banking system should be incorporated into the regulatory framework and, if so, how. Finally, modifications in the overall risk-weighted assetframework are suggested that would deal with concentration issues.

Research Objective

This research paper focuses on the following objectives:

1. Evaluate the three tiers of Basel Accords namely Basel I, Basel II and Basel III with respect to:
    a. Reasons for the formation of Basel Committee on Banking Supervision
    b. Guidelines of Basel Accords I, II and III as stipulated by Bank for International Settlements and Reserve Bank of India
    c. Loopholes in the Basel I and II that gave way to the next tier of Basel Accord
    d. Implementation of the three tier of Basel Accords
2. Case Study on State Bank of India as a transition from Basel II to Basel III

Analysis and Discussions

Brief History of the Indian Banking Sector since the (post-liberalisation) Banking Sector Reforms

The foundation for the growth of the banking sector in India post-liberalisation was laid with the introduction of the financial sector reforms as per the first Narasimham Committee[2] (chaired by Mr. M. Narasimham) in November 1991, which made path breaking recommendations with focus on increased competition and prudential regulations to increase efficiency and productivity.

These reforms resulted in a tremendous transformation of the banking sector in the economy. The reforms had a major impact on the overall efficiency and stability of the banking system. The outreach of banks increased in terms of the number of branch and ATM (Automated Teller Machine) presence geographically across the country and amongst various segments of the population.

Banks' balance sheet and the overall banking activitiescoupled with financial and investment banking services grew in size and scope. The financial performance of the Indian banks improved by leaps and bounds with increased competition between public sector banks and the new generation technology-oriented private sector banks. This was reflected in their profitability, Net Interest Margin (NIM), Return on Asset (ROA) and Return on Equity (ROE). The capital position improved significantly and the banks were able to bring down their Non Performing Assets (NPAs) sharply. This reform phase also introduced technology which in turn helped improve customer service and customer base.

The progressive growth of banks was reviewed by the second Narasimham Committee[3] (chaired by Mr. M. Narasimham) in accordance with their recommendations submitted to the Government in April, 1998. They also designed a programme for further strengthening the financial system of India. Since this time the Basel Accord I had been introduced by BCBS. The committee recommendations focused on various areas such as capital adequacy, bank mergers, bank legislation, etc. The concept of narrow banking was introduced to rehabilitate weak banks with high NPAs (as a percentage of their assets)by allowing them to place funds only in short term and risk free assets. To improve the inherent strength of the Indian banking system the committee recommended that the government should continue with the prescribed capital adequacy norms as it would also improve the banks' shock absorbing capacity. Reserve Bank of India (RBI), with effect from 1992 introduced Basel I in India with a conservative Capital Adequacy Ratio (CAR) of 9%, a per cent above the global norms of the Basel Committee at 8%.

While financial stability is not explicitly stated as an objective under the RBI Act, 1934, various measures were undertaken from time to time to strengthen the financial stability in the system which covered a wide arena. This approach has evolved from past experiences and a constant interaction between the micro level supervisory processes and macroeconomic assessments. In the Indian context, the multiple indicator approach to monetary policy as well as prudent financial sector management, together with a synergetic approach through close coordination between RBI and other financial sector regulators has ensured financial stability. Some of the other policy measures include capital account management, management of systemic interconnectedness, strengthening the prudential framework and initiatives for improving and broadening the financial marketing infrastructure. Systemic issues arising out of interconnectedness among banks and between banks andNon Banking Financial Companies (NBFCs) and from common exposures were addressed by placing prudential limits on aggregate inter-bank liabilities as a proportion of banks' net worth, restricting access to uncollateralized funding market for banks and primary dealers with caps on both borrowing and lending, increasingly subjecting NBFCs to contain regulatory arbitrage. The other noticeable aspect regarding policy measures has been the innovative use of countercyclical policies to address the pro-cyclicality issues. The counter cyclical policies were introduced as early as 2004 by using time varying sectoral risk weights and provisioning, though RBI had used them sporadically even earlier. These unconventional measures taken in response to emerging risks are now widely acknowledged to have played a significant role in protecting the Indian Financial system from key vulnerabilities[4].

Basel Accord I Introduced

Rapid transformation of the financial system around the globe has brought about sweeping changes in the banking sector across the countries. Though new avenues and opportunities have been opened up for increasing the revenue generation for banks, yet new processes and technological progress has also exposed the banks to higher risk. Therefore, the need was felt for strengthening the soundness and stability of banks and to protect the depositors and the financial system from disastrous developments which could threaten the banks' solvency. Basel Committee on Banking Supervision (BCBS) under the auspices of Bank for International Settlements (BIS) took the initiative of putting in place adequate safeguards against bank failure with central banks across the globe.

Basel Accord I, II and III, drafted in 1988, 2004 and 2010 respectively are products of the Basel Committee on Banking Supervision (BCBS) – a group of eleven nations that, after the messy 1974 liquidation of the Cologne-based Herstatt Bank, decided to form a cooperative council to harmonize banking standards and regulations within and between all member states[5]. It provides a forum for regular cooperation and discussions on banking supervisory matters. Its objective is to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide.

As stated in the first Basel Concordat of the Basel Committee, the need for cooperation between banks across the globe has been stated as '…it is desirable not only that all foreign banking establishments are supervised but that this supervision is adequate, judged by the standard of both host and parent authorities[6]'. The second Concordat states '…that no foreign banking establishment should escape supervision; and …that the supervision should be adequate'[7]. To achieve this goal, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom, the United States, and Luxembourg agreed in Basel, Switzerland to form a quarterly committee comprising of each country's central banker and lead bank supervisory authority. At each meeting, the authorities of each country discussed the status of the international banking system and proposed common standards that can assist the Committee in achieving its goals. But as the Concordat states, the Basel Committee cannot enact legally binding banking standards and it is entirely up to the member states themselves to implement and enforce the recommendations of the Basel Committee

Drafted with the purpose of advocating codes of bank supervision and promoting financial stability amidst economic crisis, these Accords have initiated a new era of international banking cooperation. Through quantitative and technical standards, the three accords have helped harmonize banking supervision, regulation, and capital adequacy standards across the member countries of the Basel Group and many other emerging market economies.

Soon after the creation of the Basel Committee, its member states started discussing a formal standard to ensure the proper capitalization of internationally active banks. During the 1970s and 80s, some international banks were able to escape regulatory norms by exploiting the inherent geographical limits of national banking legislation. Moreover, these banks also encouraged a regulatory 'race to the bottom', where they would relocate to countries with less strict regulations, thus pushing developing economies to loosen their regulatory norms. With the end of the petrodollar boom[8] and the resultant banking crises of the early 1980s, this desire for a common banking capitalization standard came to the forefront of the agendas of the Basel Committee's member states. Six years of deliberations followed. In July of 1988, the Committee's member countries came to a final agreement: the '*International Convergence of Capital Measurements and Capital Standards*', known informally as Basel Accord I.

This first of its kind initiative from BIS identified with Basel Accord I with over 100 central banks in different countries accepting the framework stipulated by the agreement, provided a structure for fair and reasonable degree of consistency in the capital standards in different countries, on a shared definition of capital.

The four 'Pillars' of Basel I

The 1988 Basel Accord (Basel I), established minimum capital standards for the banking industry by linking the banks' capital requirement to their capital exposures. Basel I primarily focused on credit risk.

The Basel Accord Iis divided into four 'pillars':

The first 'pillar', known as '*The Constituents of Capital*', defines both what types of on-hand capital are counted as a bank's capital and how much of each type of the on-hand capital a bank can hold. The accord divides capital into two tiers. Capital in the first tier, known as 'Tier 1 Capital', consists of only two types of funds—disclosed cash reserves (general and legal reserves) and the capital paid for by the sale of bank equity, i.e. stock and preference shares. 'Tier 2 Capital' is a bit more ambiguously defined. This capital can include reserves created to cover potential loan losses (general loan-loss provision), holdings of subordinated term debt (with a maturity of over 5 years), hybrid debt/equity instrument holdings, undisclosed reserves (i.e. other provisions against probable losses) and potential gains from the sale of assets purchased through the sale of bank stock. The deductions allowed from the capital thus mentioned include investments in unconsolidated banking and financial subsidiary companies and investments in the capital of other banks and financial institutions as also goodwill. To follow the Basel Accord, banks must hold the same quantity (in dollar terms) of Tier 1 and Tier 2 capital.

The second 'pillar' of the Basel I Accord, '*Risk Weighting*', creates a comprehensive system to risk-weight a bank's assets, or in other words, its loan book. Five risk categories (0%, 20%, 50%, 100% and variable risk percentage) encompass all assets on a bank's balance sheet.

The first category weights assets at 0%, effectively characterizing these assets as 'riskless'. Such 'riskless' assets are defined by Basel I as cash held by a bank, sovereign debt held and funded in domestic currency, all OECD (Organisation for Economic Cooperation and Development) debt, and other claims on OECD central governments.

The second risk category weights assets at 20%, showing that instruments in this category are of low risk. Securities in this category include multilateral development bank debt, bank debt created by banks incorporated in the OECD, non-OECD bank debt with a residual maturity of less than one year, cash items in collection, and loans guaranteed by OECD public sector entities.

The third, 'moderate risk' category only includes one type of asset – residential mortgages – and weights these assets at 50%.

The fourth, 'high risk' category is weighted at 100% of an asset's value, and includes a bank's claims on the private sector, non-OECD bank debt with residual maturity of more than one year, claims on non-OECD dollar-denominated debt or Eurobonds, claims on commercial companies owned by the public sector, premises, plant and equipment, and other fixed assets, real estate and other investments, capital instrument issued by other banks (unless deducted from capital), and all other assets.

The fifth, 'variable' category encompasses claims on domestic public sector entities, excluding central governments, and loans guaranteed by securities issued by such entities and can be valued at 0, 10, 20, or 50% depending on the central bank's discretion.

The third 'pillar', *A Target Standard Ratio*, unites the first and second pillars of the Basel Accord I. It sets a universal standard whereby 8% of a bank's risk-weighted assets must be covered by Tier 1 and Tier 2 capital reserves. Therefore, to calculate the required capital, a bank would multiply the assets in each risk category by the category's risk weight and then multiply the result by 8%.

Mathematically,

$$Cooke\ Ratio = \frac{Total\ Regulatory\ Capital\ \left(Tier\ I + Tier\ II\right)}{Risk\ Weighter\ Assets\ \left(Credit\ Risk\right)}$$

The Cooke Ratio, thus calculated must be at least 8%. The ratio is named after Peter Cooke (Bank of England) who was the chairman of the Basel Committee.

Moreover, Tier 1 capital must cover 4% of a bank's risk-weighted assets. This ratio is seen as 'minimally adequate' to protect against credit risk in deposit insurance-backed international banks in all Basel Committee member states.

The fourth 'pillar', *Transitional and Implementing Agreements*, sets the stage for the implementation of the Basel Accords. Each country's central bank is requested to create strong surveillance and enforcement mechanisms to ensure the Basel Accords are followed, and 'transition weights' are given so that Basel Committee banks can adapt over a four-year period to the standards of the accord.

Implementation

Basel I's adaptation and implementation occurred rather smoothly in the Basel Committee states. With the exception of Japan (which, due to the severity of its banking crisis in the late 1980s, could not immediately adopt Basel I's recommendations), all Basel Committee members implemented Basel I's recommendations—including the 8% capital adequacy target—by the end of 1992. Japan later harmonized its policies with those of Basel I in 1996. Although they were not intended to be included in the Basel I framework, other emerging market economies also adopted its recommendations. In contrast to the pointed warnings written into Basel I against implementation in industrializing countries, the adoption of Basel I standards was seen by large investment banks as a sign of regulatory strength and financial stability in emerging markets, causing capital-hungry states such as Mexico to assuage to Basel I in order to receive cheaper bank financing. By 1999, nearly all countries, including China, Russia, and India, had – at least on paper – implemented the Basel Accord.

Criticism of Basel I

The critics of the Basel Accord I argue that Basel I only covers credit risk and only targets G10 countries, and therefore is seen as too narrow in its scope to ensure adequate financial stability in the international financial system. Also, Basel I's omission of market discipline is seen to limit the accord's ability to influence countries and banks to follow its guidelines.

The second group of criticisms deals with the way in which Basel I was publicized and implemented by banking authorities. The inability of these authorities to translate Basel I's recommendations properly into 'layman's terms' and the strong desire to enact its terms quickly caused regulators to over-generalize and oversell the terms of Basel I to the G10's public. This, in turn, created a misconception that Basel I was the primary and last accord a country needed to implement so as to achieve banking sector stability. While G10 regulators saw this result as rather benign because they already had most of the known regulatory foundations for long-term growth in place, they did not realize that the 'over sale' of Basel I would influence large private banks in such a way that they would begin to demand that emerging market economies follow Basel I.

Thirdly, those critical of Basel I concentrates on the misaligned incentives the Accord gives to banks. Due to the wide breath and absoluteness of Basel I's risk weightings, banks have found ways to wiggle around Basel I's standards to put more risk on their loan books than what was intended by the framers of the Basel Accord.

This is Done in Two Ways

In the first strategy, banks securitize their corporate loans and sell off the least risky securitized assets. By splicing the least risky bank loans from its loan book, a bank makes its assets more risky in *de facto* terms, but, in the *de jure* terms of Basel I, the risk weight given to the bank's corporate loans does not change. Moreover, the money gained through this securitization can be added to a bank's asset reserves, allowing it to give out even more risky loans. This method creates on paper that banks are properly protecting themselves against credit risk, but in reality are taking on quantities of risk far greater than what Basel I intended.

The second method through which banks can cosmetically maintain a low risk profile under Basel I while taking on increasing amounts of risk is through the sale and resale of short-term non-OECD bank debt. Since short-term bank debt created by non-OECD banks is weighted at 20% and long-term debt in this category is weighted at 100%, banks can 'swap' their long-term debt holdings for a series of short-term debt instruments. Therefore, the risk associated with holding longer-term debt—namely, the risk of default in volatile emerging markets—remains, while the bank's risk weighting is reduced.

Fourthly, it has been pointed out that credit risk assessment under Basel I is not risk-sensitive enough. Capital based assessment under Basel Accord I was not being able to differentiate between banks with lower risks and banks with higher risks. For example, exposure on a company with AAA rating and a company with B rating are treated identically for the purpose of capital adequacy. Both will be placed in 100% risk weight category, although risks associated with them would be quite different. It also promotes financial decision-making by banks on the basis of regulatory constraints rather than on the basis of economic opportunities. The risk weights were based on what the parties to the Accord negotiated rather than on the actual risk of each asset. Risk weights did not flow from any particular insolvency probability standard and were for most part, arbitrary.

Although these standards were not legally binding, they have made substantial and significant impact on banking supervision in general, and bank capital provisioning and adequacy in particular. However, Basel I comprised of some rigidities, as it did not discriminate between different grades of risks for the same loan type. As a result, a loan to an established corporate borrower was considered as risky as a loan to a new business. So, all loans given to corporate borrowers were subject to the same capital requirements, without taking into account the ability of the counterparties to repay. It also did not take cognizance of the credit rating, credit history and corporate governance structure of all corporate borrowers (explained in previous paragraph). As mentioned above, it did not adequately address the risk involved in increasing the use of financial innovations like securitization of assets and derivatives and credit risk inherent in these developments. The important category of risk i.e., operational risk also was not given the attention it deserved. All these shortcomings gave way to a new Capital Accord which later came to be known as the Basel Accord II.

Basel I Replaced by Basel II

Recognizing the need for a more comprehensive, broad based and flexible framework, Basel committee proposed an improved version of the Basel Accord I in 1999, which provides for better alignment of regulatory capital with underlying risk and also addresses the risk arising from financial innovation thereby contributing to enhanced risk management and control. It was also in response to the banking sector crisis of the 1990s that a more comprehensive capital adequacy accord was proposed. This sophisticated and superior framework was formally endorsed by central bank governors and heads of banking supervisory authorities of various countries on June 26, 2004 under the name '*Revised Framework on International Convergence of Capital Measurement and Capital Standards*', popularly known as Basel Accord II or New Basel Capital Accord. While maintaining the "pillar" framework of Basel I, each pillar is greatly expanded in Basel II to cover new approaches to credit risk, adapt to the securitization of bank assets, cover market, operational, and interest rate risk, and incorporate market-based surveillance and regulation.

This new set of international standards requires banks to maintain a minimum level of capital, to ensure that they can meet their obligations, cover unexpected losses and improve public confidence. Basel II captures the risk on a consolidated basis for internationally active banks and attempts to ensure that capital is recognized and set aside in capital adequacy measures and provides adequate protection to depositors. It brings into focus the contemporary risk management techniques and seeks to establish a more risk responsive linkage between the bank operations and their capital requirements. It also provides strong incentive to banks to upgrade their risk management standards. The accord is a cornerstone of the current international financial architecture. Its overriding goal is to promote safety and soundness in the international financial system. The provisioning of adequate capital cushion is central to this goal and the committee ensures that this framework maintains the overall level of capital currently in the banking system.

The objectives of the new Basel Accord as enunciated by BIS are fivefold:

1. Promoting safety and soundness of financial system
2. Enhancing competitive equality
3. Greater sensitivity to the degree of risk involved in banking activities
4. Constituting a more comprehensive approach to addressing risk; and
5. Focusing on internationally active banks with capability of the Accords being applicable on banks with varying level of complexity and supervision

The three 'Pillars' of Basel II

The structure of Basel II framework has its foundation on three mutually reinforcing pillars that allow banks and their supervisors to evaluate properly the various risks that banks face and realign regulatory capital more closely with the inherent risks. These three pillars are:

1. Pillar I: Minimum Capital Requirement
2. Pillar II: Supervisory Review Process
3. Pillar III: Market Discipline

The Basel I dealt with only parts of each of these pillars such as with respect to the first Basel II pillar, only one risk, credit risk, was dealt with in a simple manner while market risk was an afterthought; operational risk was not dealt with at all.

While Basel I required lenders to calculate a minimum level of capital based on a single risk weight for each of a limited number of asset classes, e.g., mortgages, consumer lending, corporate loans, and exposures to sovereigns, Basel II goes well beyond this, allowing some lenders to use their own risk measurement models to calculate required regulatory capital whilst seeking to ensure that lenders establish a culture with risk management at the heart of the organisation up to the highest managerial level.

These Pillars Are

Pillar I: The first 'pillar', known again as '*Minimum Capital Requirements*', shows the greatest amount of expansion since Basel I. As in Basel I, Basel II also has same provisions relating to regulatory capital requirements i.e. 8 % Capital Adequacy Ratio (CAR). CAR under Basel II is the ratio of Regulatory Capital to risk weighted assets that is the amount of regulatory capital to be maintained by banks to guard from various risks of the banking system. However India is following a conservative approach on this front and has maintained the CAR at 9%, a per cent higher than Basel II guidelines.

Mathematically,

$$CAR = \frac{Total\ Regulatory\ Capital\ \left(Tier\ I + Tier\ II\right)}{Risk\ Weighter\ Assets\ \left(Credit\ Risk + Market\ Risk + Operational\ Risk\right)}$$

The risks covered under CAR in Basel II are credit risk, market risk and operational risk. Pillar I focuses on new approaches for calculating minimum capital requirements under credit risk, market risk and operational risk which vary from simple to sophisticated and allow bank supervisors to choose an approach that seems most appropriate according to their risk profile, activities and internal control.Other risks are not considered fully quantifiable at this stage.

In response to Basel I's critics, Basel II creates a more sensitive measurement of a bank's risk-weighted assets and tries to eliminate the loopholes in Basel I which allowed banks to take on additional risk while cosmetically assuaging to minimum capital adequacy requirements. Its first mandate is to broaden the scope of regulation to include assets of the holding company of an internationally active bank. This is done to avoid the risk that a bank will hide risk-taking by transferring its assets to other subsidiaries and also to incorporate the financial health of the entire firm in the calculation of capital requirements for its subsidiary bank.

The New Basel Accord or Basel II has included the measurement of two more risks in calculation of the Risk Weighted Assets (RWA). These include the market risk and the operational risk apart from the credit risk which was already a part of the RWA in Basel I.

These risks and their computation has been given below:

1. **Credit Risk:** If the counter party does not settle the dues within the stipulated time or thereafter, this type of risk arises. It includes risk on derivatives, replacement risk and principal risk. For measuring the risk the following approaches have been used:
   i. Standardised Approach
   ii. Internal Rating Based Foundation Approach
   iii. Internal Rating Based Advanced Approach
2. **Market Risk:** This is the risk or loss arising on or off Balance Sheet due to the movement of prices in foreign currencies, commodities, equities and bonds. With regards to market risk, there are two methods for computation.
   i. Standardised Duration Approach
   ii. Internal Model Approach
3. **Operation Risk:** This type of risk or loss results from inadequate failure in the corporate governance or internal processes, people or system. Following techniques can be adopted for its calculation.

i. Basic Indicator Approach
ii. Standardised Approach
iii. Advanced Measurement Approach

While the standard method uses external rating for determining risk weights, the Foundation or Basic Internal Ratings Based Approach requires bank to compute only the probability of default and the Advanced Ratings based Approach requires bank to compute all risk components (except effective maturity).

Banks in India have been calculating credit risk capital charge under the Standardised Approach. As per the Annual Monetary Policy Statement 2011-12, announced on 3rd May, 2011, it was mentioned vide paragraph 109 on 'Implementation of Advanced Approaches under Basel II Framework' that Guidelines for Internal Rating based Approach (IRB) for credit risk was under preparation. As on 10th August, 2011, RBI has advised banks that they can apply for migrating to Internal Rating Based Approach (IRB) for Credit Risk from 1st April, 2012 onwards.

The Market Risk in India is measured through the Standardised Duration Approach from 31st March, 2009 as per RBI guidelines. No particular type of VAR model (e.g. variance-covariance, historical simulation, or Monte Carlo) is prescribed. However, the model used must be able to capture adequately all of the material risks embodied in equity returns including both general market risk and specific risk[9]exposure of the institution's equity portfolio[10].

Operations Risk is calculated on the basis of the Basic Indicator Approach in India from 31st March, 2008 as per RBI guidelines.

Having regard to the necessary up-gradation of risk management framework as also capital efficiency likely to accrue to the banks by adoption of the advanced approaches envisaged under the Basel II Framework and the emerging international trend in this regard, it is considered desirable to lay down a timeframe for implementation of the advanced approaches in India. This would enable the banks to plan and prepare for their migration to the advanced approaches for credit risk and operational risk, as also for the Internal Models Approach (IMA) for market risk[11]. However all banks have been advised by RBI to undertake an internal assessment of their preparedness for mitigation to advanced approaches, in the light of the criteria envisaged in the Basel II document as per the aforesaid time schedule, and take a decision, with the approval of their Boards, whether they would like to migrate to any of the advanced approaches. The time schedule for the implementation of the advanced approaches for the regulatory capital measurement has been tabulated below (Table 1):

Table 1: Advanced Approaches for the Regulatory Capital Measurement

S. No.	Approach	The earliest date of making application by banks to the RBI	Likely date of approval by the RBI
a.	Internal Models Approach* (IMA) for Market Risk	1st April, 2010	31st March, 2011
b.	The Standardised Approach (TSA) for Operational Risk	1st April, 2010	30th September. 2010
c.	Advanced Measurement Approach (AMA) for Operational Risk	1st April, 2012	31st March, 2014
d.	Internal Ratings-Based (IRB) Approaches for Credit Risk (Foundation- as well Advanced IRB)	1st April, 2012	31st March, 2014

Source: Introduction of Advanced Approach of Basel II Framework in India – Time Schedule (Reserve Bank of India, dated 7th July, 2009)

Total Capital Adequacy: Once a bank has calculated the reserves it needs on hand to guard against operational and market risk and has adjusted its asset base according to credit risk, it can calculate the on-hand capital reserves it needs to achieve "capital adequacy" as defined by Basel II. Because of the wide range of methodologies used by banks and the diversity of bank loanbooks, Basel II allows a great deal of variation in its calculated reserve requirements. Additionally, no change is given to both the requirement that Tier 2 capital reserves must be equal to the amount of Tier 1 capital reserves and the 8% reserve requirement (as per global guidelines) for credit-default capital adequacy, making these two regulations applicable in Basel II. In sum, a bank's needed reserves for 'capital adequacy' is calculated as follows:

Mathematically,

Capital Adequacy

= (0.08) * (Risk Weighted Assets

+ Operational Risk Reserves

+ Market Risk Reseves)

2. Pillar II: Also known as the 'S*upervisory ReviewProcess*', the Second Pillar of Basel II provides key principles for supervisory review, risk management guidance and supervisory transparency and accountability as under:
   a. Banks should have a process for assessing their overall capital adequacy in relation to their risk profile and a strategy for maintaining their capital levels.
   b. Supervisors should review and evaluate banks' internal capital adequacy assessments and strategies, as well as their ability to monitor and ensure their compliance with regulatory capital ratios and should take appropriate action if they are not satisfied with the result of this process.
   c. Supervisors should expect banks to operate above the minimum regulatory capital ratios.
   d. Supervisors should intervene at an early stage to prevent capital from declining below benchmark level.

Pillar II cast responsibility on the supervisors to exercise best ways to manage the risks specific to that bank and also to review and validate banks risk measurement modes.

All the supervisors should evaluate the activities and risk profiles of individual banks to determine whether those organizations should hold higher levels of capital than the minimum requirements and to see whether is any need for remedial action to ensure that each financial institution adopts effective internal processing for risk management.

Pillar III:

The objective of Pillar III or '*Market Discipline*' is to improve market discipline through effective public disclosure to complement requirements under Pillar I and Pillar II. Pillar III relates to periodical disclosures to regulators, board of bank and market about various parameters which indicate risk profile of the bank. It introduces substantial new public disclosure requirements and allows market participants to analyse key pieces of information on the scope of application, risk exposures, risk assessment and management processes and hence the capital adequacy of the institution. The disclosures provided under Pillar III must fulfil the criteria of comprehensiveness, relevance, timeliness, reliability, comparability and materiality of disclosure to enable the interested parties to make informed decision about the bank.

The three pillars of Basel II framework provides a kind of "triple protection " by encompassing three complementary approaches that work together towards ensuring the capital adequacy of institutional practices prevalent in the banks .Taken individually each pillar has its merits, but they are even more efficient when they are synergized in a common framework.

Implementation

After its drafting in 1999, Basel II underwent seven years of deliberation and two revisions—one in September and another in November of 2005—before a final agreement was agreed upon by all G10 nations and representatives from Spain in July 2006.Regulators in most jurisdictions around the world plan to implement the new accord, but with widely varying timelines and use of the varying methodologies being restricted. The United States' various regulators have agreed on a final approach. They have required the Internal Ratings-Based approach for the largest banks, and the standardized approach will be available for smaller banks. March 2009 has been set as the deadline for U.S. banks. The deadline set by RBI for adoption of Basel II for banks in India initially was 31st March 2007 though it was later extended to 31st March, 2009. Indian banks with overseas branch operations need to comply with Basel II norms by March 2008.

Table 2 below gives the latest update on CAR values for some important public or private sector banks of India as on 30th September, 2012

Table 2: Capital Adequacy Ratio (Basel II)

Capital Adequacy Ratio (Basel II) as on September 30, 2012	
Bank Name	**CAR (%)**
State Bank of India	1263.00%
ICICI Bank	18.28
HDFC Bank	17
Axis Bank	12.99
Kotak Mahindra Bank	15.4
IndusInd Bank	11.76
YES Bank	17.5
Canara Bank	13.07
Federal Bank	15.79
Bank of India	11.1
Bank of Baroda	12.91
Union Bank of India	11.39
IDBI Bank	13.91
Punjab National Bank	11.73

Source:http://files.shareholder.com/ downloads/ONE/0x0x617685/7587291B- D488-4CC8-80C4-4B4BC973817A/ Basel_II_Pillar_III_disclosure_-_Sep_12.pdf

Criticism

The recent global financial crisis of 2008 has revealed weaknesses in the whole approach to risk management that has been developed through the Basel II process. Risks have come from sources that Basel II did not adequately anticipate such as a collapse in market liquidity as investor confidence disappeared, and deep losses in the market value of securities held by banks.

Assumptions about the liquidity of financial instruments such as mortgage backed securities (MBS) that were based on past performance have proven to be unfounded as has the reliability of credit ratings on many of these MBS.

The financial crisis has also shown that at times of severe stress the inter linkages amongst banks and between banks and other financial institutions have the potential to create a domino effect whereby seemingly safe lenders can be put at risk by exposures to counterparties that turned out to be less safe than thought.

As a result of the above, policymakers have proposed and are implementing changes to Basel II. These changes are being considered by both the Basel Committee and at an European Union level, where the Capital Requirement Directive (CRD), which implements Basel II, is being updated through a range of changes embodied in legislative revisions known as CRD2, 3 and 4.

Another Round of Revision: Basel III –The NewestAccord

Basel III is the regulatory response to the causes and consequences of the global financial crisis of 2008. From the macroeconomic perspective, the global financial crisis has been attributed to the persistence of global imbalances. It is often said that the solution to a previous crisis becomes the cause for the next crisis. The previous crisis was the Asian crisis of 1997-98 and one of the important lessons learnt by Asian countries was to build a war chest of foreign exchange reserves to fight against the attack of the country's currency. Therefore, Asia and in particular, China and some other emerging economies produced goods at a cheaper rate and pursued a policy of export-led growth and accumulated huge foreign exchange reserves. As a corollary, the USA and Europe consumed that produce and became net importers.

The foreign exchange reserves accumulated by Asian and other emerging economies were necessarily to be invested in advanced economies which have deep markets. The huge amount of capital that flowed from the emerging economies, depressed yields in the financial markets of advanced economies. In the 'search of yield' to improve returns on investment market, players indulged in financial innovation and engineering. They developed structured financial products like securitization and re-securitization based on sub-prime mortgage backed securities (MBS), collateralized debt obligations (CDOs) and CDO squared etc. Credit default swaps (CDS) were also used to create synthetic structures which increased their illiquidity and complexity. Without realizing the inherent risks created by these features, securitizations continued to grow by leaps and bounds, leading to the spiralling of subprime lending with impending disastrous consequences.

At the micro level, the business models of banks and financial institutions also were causal to the crisis. The over reliance on financial innovation or securitization type instruments did not create any incentive for banks for better appraisal and supervision of such mortgages. Their reliance on wholesale funding markets created gaps in liquidity risk management. Short term funds were used for creating long term assets. The availability of plenty and cheap funds encouraged banks to be highly leveraged, that too, by borrowing short term funds. The crisis has also been attributed to the inadequate corporate governance and inappropriate compensation system for senior management in the banks, a failure of Pillar II and ineffective measurement of the Operation Risk under Pillar I of the Basel Accord II.

Post crisis, the global initiatives to strengthen the financial regulatory system are driven by the leadership of G20 under the auspices of Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS). Immediately after the crisis, the Basel Committee, in July 2009 came out with certain measures as enhancement to Basel II to plug the loopholes in its capital rules, which were exploited to arbitrage capital by parking certain banking book positions in the trading book which required less capital. The Basel committee published its Basel III rules in December 2010.

The key elements in Basel III include the following:

1. The definition of capital is made more stringent, capital buffers introduced, and loss absorptive capacity of Tier I and Tier II capital instrument of internationally active banks is proposed to be enhanced
2. Forward looking provisioning is prescribed
3. Modifications are made in counterparty credit weights
4. New parameter of leverage ratio is introduced
5. Global liquidity standard is prescribed

The aforementioned points have been elucidated below:

The proposed Basel III guidelines seek to enhance the minimum core capital (after stringent deductions), introduce a capital conservation buffer (with defined triggers) and prescribe a counter-cyclical buffer (to be built in times of excessive credit growth at the national level).

Capital Conservation buffer – The Basel Committee suggests that a new buffer of 2.5 % of risk weighted assets (RWA) over the minimum capital requirement of core capital requirement of 4.5 % be created by banks. Although the Committee does not view the capital conservation buffer as the new minimum standard, considering the restrictions imposed on banks and also because of the reputational issues, 7 % is likely to become the new minimum capital requirement.

The main purpose of the proposed capital conservation buffer is two-fold:

1. It can be dipped into in times of stress to meet the minimum regulatory requirement on core capital
2. Once accessed, certain triggers would get activated conserving the internally generated capital. This would happen as in this scenario, the bank would be restrained in using its earnings to make the discretionary pay-outs. (e.g. dividends, share buybacks and discretionary bonus)

Countercyclical buffer – The Basel committee has suggested a countercyclical buffer constituting of equity or fully loss absorbing capital that can be fixed by the central bank upon the constituent commercial banks once a year and the buffer could range from 0 to 2.5% of RWA depending on the changes in credit to GDP ratio. The primary objective of having the Counter cyclical buffer is to protect the banking sector from system wide risks arising out of excessive aggregate credit growth. This could be achieved through a pro cyclical build-up of the buffer in good times. Typically, excessive credit growth could lead to the requirement for building up a higher countercyclical buffer; however the requirement could reduce in times of stress, thereby releasing the capital for absorption of losses or for protection of banks against the impact of potential problems.

Deductions from Core Tier 1

Minority interest - The excess capital above the minimum of a subsidiary that is a bank will be deducted in proportion to the minority interest share. Investments in other financial institutions - The gross long positions may be deducted net of short and the proposals now include an underwriting exemption. Minority interest in a banking subsidiary is strictly excluded from the parent bank's common equity if the parent bank or affiliate has entered into any arrangements to fund directly or indirectly minority investment in the subsidiary whether through an SPV or through another vehicle or arrangement.

Other Deductions

The other deductions from Common Equity Tier 1 are:

a. Goodwill and other intangibles (excluding Mortgage Servicing Rights), Deferred Tax Assets, investments in own shares, other investments in financial institutions, shortfall of provision to expected losses, cash flow hedge reserve, cumulative changes in own credit risk and pension fund assets.

b. The following items may each receive limited recognition when calculating the common equity component of Tier 1, with recognition capped at 10% of the bank's common equity component:

   - Significant investments in the common shares of unconsolidated financial institutions (banks, insurance and other financial entities). "Significant" means more than 10% of the issued share capital;
   - Mortgage servicing rights (MSRs); and
   - Deferred tax assets (DTAs) that arise from timing differences.

c. A bank must deduct the amount by which the aggregate of the three items above exceeds 15% of its common equity component of Tier 1.

d. Certain regulatory deductions (material holdings, deferred tax assets, mortgage servicing rights etc.) that are currently applied to Tier I capital and/or Tier II capital or treated as RWA will now be deducted from core equity capital. This will also be progressively phased in over a five year period commencing 2014.

Implementation

With the RBI flagging off the implementation of Basel III guidelines, Indian banks have to plan for more capital in the years ahead. They are well placed to meet the higher capital requirements and can strengthen their competitive positions vis-à-vis international banks – provided the government can deliver on its own responsibilities towards public sector banks. The RBI has set a more demanding schedule for Basel III implementation than BIS. The BIS has set the deadline for the full implementation as 2019. The RBI would like the Indian banks to comply by 2017

The minimum capital for common equity, the highest form of loss absorbing capital, will be raised from the current 2% level, before the application of regulatory adjustments to 4.5%, after the application of regulatory adjustments. This increase was to be phased in to apply from Jan 1, 2013 but the deadline has been extended to 1st April, 2013. In addition to the above, the committee recommended a 2.5% of additional core equity capital as a conservation buffer above the regulatory minimum taking the aggregate minimum core equity required to 7%. The conservation buffer is phased in to apply from Jan 1, 2016 and will come into full effect from Jan 1, 2017. Hence, as per Basel III norms the total capital requirement of 10.5% has been set that includes Tier I and Tier II capital along with capital buffer. However, RBI has yet again chosen a conservative approach and proposed even more stringent guidelines than the Basel III guidelines to set the Tier I capital requirement of 6.5% and Tier II also of 6.5%, making it equal to 13%. The total capital requirement of 13% is inclusive of the capital buffer of 2.5% which can form a part of wither Tier I or Tier II.

Table 3 gives the tier wise calibration of the capital framework as to how much (in percentage terms) of Tier I and Tier II CAR must be maintained to abide by the global standards for Basel III. It also gives the capital buffer requirement as per Basel III (also in percentage terms). Table 4talks about the phase-wise implementation of Basel III over the stipulated time period of six financial years from 2013 to 1st January 2019

Table 3[12]: Tier Wise Calibration of the Capital Framework

Calibration of the Capital Framework

Calibration of the Capital Framework Capital Requirements and Buffers (all numbers in percent)			
	Common Equity Tier 1	**Tier 1 Capital**	**Total Capital**
Minimum	4.5	6.0	8.0
Conservation buffer	2.5		
Minimum plus conservation buffer	7.0	8.5	10.5
Countercyclical buffer range'	0-2.5		

Table 4[13]: Phase-wise implementation of Basel III

Phase-in arrangements

(shading indicates transition periods-all dates are as of 1 January)

	2011	2012	2013	2014	2015	2016	2017	2018	As of 1 January 2019
Leverage Ratio	Supervisory monitoring		Parallel run 1 Jan 2013 – 1 Jan 2017 Disclosure starts 1 Jan 2015					Migration to Pillar 1	
Minimum Common Equity Capital Ratio			3.5%	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%
Capital Conservation Buffer						0.625%	1.25%	1.875%	2.50%
Minimum common equity plus capital conservation buffer			3.5%	4.0%	4.5%	5.125%	5.75%	6.375%	7.0%
Phase-in of deductions from CET1 (including amounts exceeding the limit for DTAs, MSRs and financials)				20%	40%	60%	80%	100%	100%
Minimum Tier 1 Capital			4.5%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Minimum Total Capital			8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Minimum Total Capital plus conservation buffer			8.0%	8.0%	8.0%	8.625%	9.25%	9.875%	10.5%
Capital instruments that no longer qualify as non-core Tier 1 capital or Tier 2 capital			Phased out over 10 year horizon beginning 2013						
Liquidity coverage ratio	Observation period begins				Introduce minimum standard				
Net stable funding ratio	Observation period begins							Introduce minimum standard	

Leverage Ra

The major highlights of the draft guidelines released by the Reserve Bank of India on Basel III Capital Regulations are[14]:

Minimum Capital Requirements

- Common Equity Tier 1 (CET1) must be at least 5.5% of risk-weighted assets (RWAs)
- Tier 1 capital must be at least 7% of RWAs; and
- Total Capital must be at least 9% of RWAs

Capital Conservation Buffer

- The capital conservation buffer in the form of Common Equity of 2.5% of RWAs

Transitional Arrangements

- It is proposed that the implementation period of minimum capital requirements and deduction from Common Equity will begin from January 1, 2013 and be fully implemented as on March 31, 2017
- Capital Conservation Buffer requirement is proposed to be implemented between March 31, 2014 and March 31, 2017
- The implementation schedule indicated above will be finalized taking into account the feedback received on these guidelines
- Instruments which no longer qualify as regulatory capital instruments will be phased-out during the period beginning from January 1, 2013 to March 3q, 2022

Enhancing Risk Coverage

- For Over-the-Counter (OTC) derivatives, in addition to the capital charge for counterparty default risk under Current Exposure Method, banks will be required to compute an additional credit value adjustments (CVA) risk capital charge.

Leverage Ratio

- The parallel run for the leverage ratio will be from January 1, 2013 to January 1, 2017 during which banks would be expected to strive to operate at a minimum Tier 1 leverage ratio of 5%. The leverage ratio requirement will be finalized taking into account the final proposal of the Basel Committee

Learning the lessons from the crisis, the objectives of Basel III has been to minimize the probability of recurrence of a crisis of such magnitude. Towards this end, the Basel III has set its objectives to improve the shock absorbing capacity of each and every individual bank as the first order of defence. Basel III has measures to ensure that the banking system as a whole does not crumble and its spill-over impact on the real economy is minimized. Basel III has in effect, some micro–prudential elements so that risk is contained in each individual institution and macro prudential overlay that will 'lean against the wind' to take care of issues relating to the systemic crisis. The Basel III framework sets out higher and better quality capital, enhanced risk coverage, the introduction of a leverage ratio as a back-stop to the risk-based requirement, measures to promote the build-up of capital that can be drawn down in times of stress and the introduction of compliance to global liquidity standards.

Case Study on State Bank of India

State Bank of India (BSE: SBI), a public sector bank, is the largest banking and financial services company (by turnover and total assets) in India, with its headquarters in Mumbai, India and accounts for almost one-fifth of the nation's loans. One of the oldest commercial bank in India, it is a massive organization with its own 21 subsidiaries and associate branches all across the country and offices in as many as 32 other countries. Besides personal and corporate banking, SBI is also involved in in NRI services through its network in India and overseas.

This case study has been formulated on SBI and deals with the transition of the bank from Basel II to Basel III in terms of various components of its Balance Sheet and the CAR (Capital Adequacy Ratio) or the CRAR (Capital to Risk Weighted Assets Ratio). The data for the same has been obtained from the Annual Reports of SBI which is readily available on its website www.sbi.co.in . The data has been taken for the preceding five financial years (FY) that is from FY 2007-08 to FY 2011-12. Data from the Annual Reports have been obtained for (with the Schedules mentioned alongside):

- Capital (Schedule 1)
- Reserves and Surplus (Schedule 2)
- Advances (Schedule 9)
- Investment (Schedule 8)
- CRAR Ratio as per Basel II (Schedule 18 – Notes on Accounts)

Table 5: Projection of the RWA for FY 2012-13

Year Ending	Capital (in Rs. '000)	Reserves and Surplus (in Rs. '000)	Total Regulatory Capital (in Rs. '000)	CRAR	RWA (in Rs. '000)
2008	6314704	484011911	484013919	12.64%	3829224043
2009	6348802	573128162	573130171	14.25%	4021966112
2010	6348826	653143160	653145170	13.39%	4877857879
2011	6349990	643510442	643512453	11.98%	5371556369
2012	6710448	832801610	832803622	13.86%	6008684141

Firstly, Total Regulatory Capital was calculated by summing up the values in the column Capital with those in Reserves and Surplus for all the FY. The CRAR or CAR has been listed alongside. Using the formula given below, the Risk Weighted Assets (RWA) has been calculated for various years.

$$Risk\ Weighted\ Asset = \frac{Total\ \ Regulatory\ Capital\ \left(Capital + Reserves\ and\ Surplus\right)}{Capital\ Adequacy\ Ratio\ \left(Car\ or\ CRAR\right)}$$

A projection of the RWA has been made for FY 2012-13 as the annual reports have yet not been prepared for the same. All this has been listed in Table 5 and the technique for projecting RWA for FY 2012-13 is explained later.

In Table 6 given below, the year-on-year growth of Capital, Advances, Investment and CRAR is calculated. Here we have taken the Risk Weighted Assets to comprise of variable Credit Risk and variable Market Risk, keeping Operation Risk Constant. The Credit Risk is indicated by the Advances and the Market Risk by the Investments. To compute the RWA projection for FY 2012-13, firstly the year-on-year growth rate of Advances and Investments is calculated. The average of the year-on-year growth rate of the Advances and Investments is then found out. The average growth rate for advances was computed to be 20.26% and that for investment to be 14.56%. Finally the growth rate for FY 2012-13 of the RWAs is calculated as the mean of the average growth rate of Advances and Investments (since Operation Risk is taken as constant). This comes out to be 17.41%. The percentage finally obtained is used to forecast the value of RWA for FY 2012-13 using the RWA value of FY 2011-12. Thus an increment of 17.41% to RWA of Rs. 60,57,08,55,56,000 gives us a projected RWA of Rs. 71,11,62,41,51,000.

Table 6: The Year-On-Year Growth of Capital, Advances, Investment and CRAR

Year Ending	Capital (in Rs. '000)	Capital YOY Growth Rate (%)	Advances (in Rs. '000)	Adv. YOY Growth Rate (%)	Investment (in Rs. '000)	Inv. YOY Growth Rate (%)	CRAR	CRAR YOY Growth Rate
2008	6314704		4,16,76,81,962.00		1895012709		12.64%	
2009	6348802	0.539978%	5,42,50,32,042.00	30.17%	2759539569	45.62%	14.25%	12.74%
2010	6348826	0.000378%	6,31,91,41,520.00	16.48%	2857900706	3.56%	13.39%	-6.04%
2011	6349990	0.018334%	7,56,71,94,480.00	19.75%	2956005690	3.43%	11.98%	-10.5%
2012	6710448	5.676513%	8,67,57,88,901.00	14.65%	3121976103	5.61%	13.86%	15.69%

The objectives to achieve from this computation are:

a. Comparative analysis of year-on-year growth rate of Capital, Advances and Investment with itself for various years

b. Inter component analysis of the above mentioned items and their effect on CRAR

c. Additional capital required for the next FY to abide by Basel III norms

d. Ways of raising the additional capital

a. Comparative analysis of year-on-year growth rate of Capital, Advances, Investment and CRAR with itself for various year and also with each other

Advances: The Advances of SBI has increased from Rs. 41,67,68,19,62,000 to Rs. 86,75,78,89,01,000 over the five years period from FY 2007-08 to FY 2011-12. The overall growth rate has been 108.16% which means an increase by 2.08 times. The average rate of growth has been 20.26% (calculated as an average of the year-on-year growth rate). The highest percentage increase over the years has been over FY 2008-09 at a rate of 30.17% and the lowest over FY 2011-12 at a rate of 14.65%. Over these years, the trend has been marked by fluctuating change in this percentage with an absolute increase in the value of Advances. The marked decrease in year-on-year growth of Advances that took place from 30.17% for FY 2008-09 to 16.48% for FY 2009-10 can be attributed to the major decrease in Advances to banks from Rs. 3,34,21,74,000 to Rs. 2,65,69,38,000, bills purchased and discounted (which is due outside India) from Rs. 2,93,08,58,76,000 to Rs. 2,52,94,02,88,000 as well as in syndicated loans due from outside India which saw a decline from Rs. 2,70,94,47,16,000 to Rs. 2,64,75,21,13,000.

Investments: This component has increased from Rs. 18,95,01,27,09,000 toRs. 31,21,97,61,03,000 over the five years period by 64.75% or by 1.65 times. The average rate of growth has been 14.56% (calculated as an average of the year-on-year growth rate) mainly attributed to major investments by SBI in FY 2008-09. The highest percentage increase has been over FY 2008-09 by a massive 45.62%. Since then the percentage increase has been maintained at a level of around 4% showing that no further large-scale investments have been made. The tremendous growth rate of 45.62% in FY 2008-09 can be attributed to huge investment in government securities which had also offset the divestment in other approved securities, shares, debentures and bonds and subsidiaries and/or joint ventures. Investment in government securities has been increased from Rs. 14,07,34,03,68,000 to Rs. 22,62,17,47,04,000. The investments outside India also almost doubled in this time frame from Rs. 3,94,23,41,000 to Rs. 7,42,59,28,000 for government securities and from Rs. 6,13,80,25,000 to Rs. 12,55,45,95,000 for subsidiaries and/or joint ventures.

Capital: Major capital infusion has taken place in FY 2011-12 with the year-on-year growth rate reaching a high of 5.67% from less than 1% year-on-year growth rate in preceding four years to FY 2011-12. Average growth rate is at 1.5588%. This sudden increase in capital is marked by an increase of the issue of equity share by 3,60,45,243 units (i.e. from 63,50,83,106 units to 67,11,28,349 units. The total outstanding equity shares as of now is 67,11,28,349 units of Rs. 10 each.

b. CRAR or CAR can be mathematically written as:

CRAR year-on-year growth decreased and in fact observed to be negative for FY 2009-10 and FY 2010-11. However the required CRAR rate of 9% as per RBI guidelines was sufficiently maintained for all these years. As mentioned before, as a component of RWA Advances are taken to cover Credit Risk and Investments to cover Market Risk while Operation risk is taken to be constant. Total Regulatory Capital is taken as the sum of Capital and Reserves & Surplus. The negative year-on-year growth of CRAR in FY 2009-10 means that the CRAR over this period has decreased or Total Capital as a percentage of RWA has decreased. It can put this way also: the percentage increase in Advances and Investments taken together has been more than the percentage increase in Total capital for the same year. In other words, increase in Capital has not been commensurate with the increase in RWA. As the Total Capital sees a negative year-on-year growth of (-) 1.46%, the CRAR year-on-year growth dips even further to (-) 10.53%. The year-on-year growth of Total Capital along with relevant figures is shown in Table 7 below.

Table 7: Year-On-Year Growth of Total Capital

Year Ending	Capital YOY Growth Rate (%)	Total Capital (in Rs. '000)	Total Cap. YOY Growth in %	Adv. YOY Growth Rate (%)	CRAR Growth Rate	CRAR YOY
2008		490326615			12.64%	
2009	0.539978%	579476964	18.18%	30.17%	45.62%	12.74%
2010	0.000378%	659491986	13.81%	16.48%	3.56%	-6.04%
2011	0.018334%	649860432	-1.46%	19.75%	3.43%	-10.53%
2012	5.676513%	839512058	29.18%	14.65%	5.61%	15.69%

Otherwise, CRAR has been at a safe 13.86% which is well above the RBI guidelines of 9% and the global benchmark of a minimum 8%.

c. Additional capital required for the next FY to abide by Basel III norms

It is assumed that the CRAR will remain constant for FY 2012-13 as well at 13.86%. Out of this SBI already maintains a core capital of 4.5% as per RBI guidelines. So, the remaining value is 9.36%. As per RBI guidelines, banks are supposed to maintain a minimum of 9% for capital adequacy. 4.5% has already been accounted for. So further, 4.5% is subtracted and the remaining value is 4.86%.

As per Basel III, changes have taken place with respect to increasing core capital by a minimum of 2% as a component of Tier I capital and introducing a capital buffer of 2.5%

As per Basel II, Indian banks maintain Tier I capital adequacy at 4.5%. This has to be increased by 2% that gives 6.5%. This is higher than the BCBS norms of a minimum of 6% CRAR for Tier I capital as per Basel III. Capital buffer requirement has already been taken care of by the extra 4.86% CRAR maintained by Indian banks as mentioned above. Note that capital buffer is not a separate component and

can be maintained from Tier I or Tier II capital.

Thus the fourth objective is to raise this additional 2% of core capital as a component of Tier I capital.

d. Ways of raising the additional core capital of 2%

Tier I capital consists of two components: equity capital and non-equity Tier I capital. SBI can easily raise the equity capital with the only constraint being that market is bearish at present. But with its strong presence across the country, this does not look difficult. However to raise the non-equity Tier I capital, SBI might find it difficult as it could be hard to convince investors about the safety of the hybrid instruments which form part of non-equity Tier I capital. It is the complex nature of these debt instruments which have many underlying risks that dissuades investors from investing. This is also because the instruments' features are riskier under Basel III than was under Basel II. The instrument carries higher risk, given their equity-like features such as discretion on coupon payments and the likelihood of coupon non-repayment and principal loss if a bank's equity capital falls below the prescribed thresholds. This will limit investor appetite for such instruments and reduce their attractiveness for banks as these will be costlier to raise than those under Basel II. However, non-equity tier I capital will still be cheaper than Tier II capital under Basel III.

It is therefore imperative to develop the country's bond market and build investor confidence in the efficacy of these instruments to help banks like SBI raise non-equity capital component and find the proportion in which they can raise both the equity and non-equity Tier I capital so that the overall cost incurred is minimum.

The various year-on-year graphs can be shown for the various year ending below:

- Capital year-on-year growth
- Total Capital year-on-year growth
- Advances year-on-year growth
- Investment year-on-year growth
- CRAR for various years
- CRAR year-on-year growth

Recommendations

a. Following the debacle of new and innovative instruments, there is a need to assimilation and watch than creating an overlay and urge by RBI to expect all the Indian Banks to comply with Basel III standards in hurry, even before the full compliance with Basel II by some weak banks in the Indian economy. Before the onslaught of the global financial crisis originating from the west, even the US and Europe was not seriously concerned about compliance with Basel Accords. Now, the US and Europe are forced to do so, due to the international pressure. Given the above background, it is rather surprising that RBI would expect the Indian banks to be ready to comply with Basel standards so early by March 2017, earlier than the 2019 time frame laid down in the original Basel III framework.

b. Risk management in banks is abstract and draws heavily on advances in statistics and financial economics. Much of the risk management within banks is carried out using internally developed proprietary models. The data on these aspects is not disclosed by the banks for reasons citing 'confidentiality' or 'competitiveness' and the prudent investor or saver or borrower loses out on critical information that would help him make the best choice between various banks suiting his needs as also reducing the cost to him.

c. The link between nonperforming assets (NPAs), capital adequacy and provisioning is well known to be highlighted here. The challenge is to provide incentives for banks or financial institutions to recognize losses on account of NPAs as per Basel Accords. More than four years after the financial crisis began, it is so widely accepted that many of the world's banks are burying or hiding losses and overstating their asset values; even the BIS is saying so in writing. It fully expects the taxpayers to pick up the tab, should the need arise.

d. The lack of transparency, credibility in banks' balance sheet fuels a vicious circle. When investors cannot trust the books, lenders can't raise capital and may have to fall back on their home countries 'governments for help. This further pressures sovereign finances, which in turn, weaken the banks even more. The adage 'too big to fail' does not easily become applicable to banks often as the size of the bank's capital, operations, NPA and provisioning increases. This issue needs separate discussion as the challenge is greater and real.

e. Finally, it is significant to note that new and private sector banks, with their high capital adequacy ratios, enhanced proportion of common equity and better IT and other modern financial skills of the personnel, are well placed to comply with Basel III Accords in general. PSU banks although dominant banks in the Indian financial system may take more time and face challenges in following the Basel III guidelines.

Conclusion

Basel standards, by and large, were an outcome of international cooperation among central banks on the face of indiscriminate cross – border bank lending and debt repudiation from certain debtor countries. India had always set an example in implementing these standards, but the compliance was gradual and easy-paced, so as not to disrupt the banking system. The compliance levels were relaxed from time to time to accommodate even the weakest link in the banking chain. The idea was to enable the entire system to adapt these standards over a fixed time line in a way that the overall investor response and the capital market in the economy is ready for the huge resource mobilization requirements posed by the compliance by the Indian banks . However, the real issue is now whether the banks would be able to raise funds from the capital market when the investors are rather wary about the performance and returns from the banks or industries in general in the context of a general slowdown in industries coupled with inflation prevailing in the economy. The loopholes in this new Accord – Basel III can only be pin-pointed once banks globally accept this as the standard norm and make amendments to the capital requirements accordingly.

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IJAR&D
Vol. 2, No. 2, July-December, 2016, pp. 74-77

Orgainzation Citizenship Behavior

Dr. Sunita Nambiyar

Professor, Faculty of Social Work,
The Maharaja Sayajirao University of Baroda.Vadodara, Gujarat

In Organizations where hierarchical structures may be flatter, or less emphasized, especially in smaller medium-sized businesses, it is important to have good relationships among co-workers. Being helpful and supportive of colleagues in a way that benefits the organisation, working towards the organization's goals – this is embodied in the definition of citizenship behaviour (Deww Zhang, 2011). Organizational citizenship behaviour (OCB) has garnered much academic attention since its conception. It is perceived to be something intangible; OCB is not always formally recognized or rewarded, and concepts like 'helpfulness' or 'friendliness' are also difficult to quantify. Yet OCB has been shown to have a considerable positive impact at the organizational level, enhancing organizational effectiveness from 18 to 38% across different dimensions of measurement (Podsakoff, MacKenzie, Paine &Bachrach, 2000; Ehrhart, 2004).

Organizational citizenship behavior is the technical psychological term for what can be simply defined as the compilation of individual behaviors in a group setting. Organizational citizenship behavior was first defined by Dennis Organ in 1988 as "an individual behavior which is not rewarded by a formal reward system ... but that, when combined with the same behavior in a group, results in effectiveness." OCB refers to anything that employees choose to do, spontaneously and of their own accord, which often lies outside of their specifiedcontractualobligations.In other words, it is discretionary. OCB may not always be directly and formally recognized or rewarded by the company, through salary increments or promotions for example, though of course OCB may be reflected in favorable supervisor and co-worker ratings, or better performance appraisals. In this way it can facilitate future reward gain indirectly. Finally, and critically, OCB must 'promote the effective functioning of the organisation' (Organ, 1988, p. 4).

OCB is conceptualized as synonymous with the concept of contextual performance, defined as 'performance that supports the social and psychological environment in which task performance takes place' (Organ, 1997, p. 95). While this reflects the flexible nature of workers' roles in the modern workplace, and acknowledges the fact that employees do get recognized and rewarded for engaging in OCB (Van Scotter, Motowidlo& Cross, 2000; Werner, 1994), the colloquial understanding of OCB as going 'the extra mile' or 'above and beyond' to help others at work is an idea that many are familiar with, and these ideas continue to be a popular way of conceptualizing OCB. (Deww Zhang, 2011)

The effects on employee performance are threefold. Firstly, workers who engage in OCB tend to receive better performance ratings by their managers (Podsakoff et al., 2009). This could be because employees who engage in OCB are simply liked more and perceived more favorably (this has become known as the 'halo effect'), or it may be due to more work-related reasons such as the manager's belief that OCB plays a significant role in the organization's overall success, or perception of OCB as a form of employee commitment due to its voluntary nature (Organ et al., 2006). Regardless of the reason, the second effect is that a better performance rating is linked to gaining rewards (Podsakoff et al., 2009) – such as pay increments, bonuses, promotions or work-related benefits. Thirdly, because these employees have better performance ratings and receive greater rewards, when the company is downsizing e.g. during an economic recession, these employees will have a lower chance of being made redundant (Organ et al, 2006).

The reason why OCB has such gripping effects on the individual and the success of an organisation are offered by Organ et al. (2006) through the following suggestions.

OCB can

- Enhance productivity (helping new co-workers; helping colleagues meet deadlines, helping individuals in community set-up to live life with more ease.)
- Free up resources [autonomous, cooperative employees give managers more time to clear their work; helpful behaviour facilitates cohesiveness (as part of group maintenance behaviour in cooperative societies, civil societies, and various other groups formed in community)].
- Attract and retain good employees (through creating and maintaining a friendly, supportive working environment and a sense of belonging)
- Create social capital (better communication and stronger networks facilitate accurate information transfer and improve efficiency; this would also form strong bond amongst people socially and lead to a strong social community and build healthier social relations in community.)

There are five dimensions of OCBs

Altruism

Altruism is defined as the desire to help or otherwise assist another individual, while not expecting a reward in compensation for that assistance. Oxford Dictionary defines altruism as 'Disinterested and selfless concern for the well-being of others.'

A example in the community can be when someone who drives a neighbor to work when their car has broken down, while not expecting money or favors in compensation. In a business setting, altruistic behavior is generally related to the work or project that the business group is working on. Someone exhibiting altruistic behavior in a group setting might volunteer to work on certain special projects, voluntarily helping or assisting other employees with their work or with other tasks, and volunteering to do additional work in order to help other employees reduce their own work load.

In India, on the other hand, in ABC ltd., when the workers went on strike, the office staff, though from various backgrounds of education and training , helped the management by working on machines and manufacturing the required number of toothbrushes for dispatch in order to meet the deadline of orders.

Altruism in the workplace leads to productivity and effectiveness because it encourages good inter-employee relations; it can also reduce the stress load on other employees, such as those who are overwhelmed without a little bit of help, which will in turn increase productivity.

Altruism in the community can reinstall the faith of people in other people and keep alive the feeling of togetherness, kindness and goodness. These small acts of kindness put a smile on people's face. They help a lot in building good social relationships in community.

Courtesy

Courtesy is defined as behavior which is polite and considerate towards other people. Oxford Dictionary explains Courtesy as

'The showing of politeness in one's attitude and behaviour towards others'

For Courtesy instances in community set-up, in Canada, a most relevant example would be tipping the waiters at the restaurants at the end of the meal.

These days the bill amount is inclusive of 15% of the billing amount as a tip for the waiter. The bare minimum expected is 15% of the total price of the bill, but over-tipping in the case of exceptionally good service is common as well. Failing to tip (or under-tipping) is considered extremely rude and will probably generate some sort of immediate reaction, even if only a subtle one. Simple daily acts like that of greeting people early in the morning whilst on the morning walk schedule, opening doors for a lady while entering restaurants, offices, movie theatres etc... Inquiring from a neighbor if their child's health is fine and how the elderly in the house doing et al are acts of courtesy.

In a business context, courtesy is usually exhibited through behaviors such as inquiring about personal subjects that a coworker has previously brought up, asking if a coworker is having any trouble with a certain work related project, and informing coworkers about prior commitments or any other problems that might cause them to reduce their workload or be absent from work.

Courtesy not only encourages positive social interactions between employees, which improve the work environment, but they can reduce any potential stress that might occur from employees who do not have the courtesy to inform their coworkers about issues such as upcoming absences from work—and so on.

Sportsmanship

Sportsmanship is defined as exhibiting no negative behavior when something does not go as planned—

or when something is being perceived as annoying, difficult, frustrating or otherwise negative.

When the child loses a gully-cricket match and doesn't blame others for his failure he demonstrates sportsmanship. In adult context, when a dish on the dinner menu goes a bit off track and turns out to be salty despite of that if the cook accepts the mistake and improvises it, s/he too demonstrate same behaviour.

In the context of corporate, good sportsmanship is usually related to potential complaints about work or workloads in addition to negativity surrounding work-related surprises.

Corporate examples of sportsmanship not sulking when a collegue is better rated in the performance . Open appreciation / acknowledging excellence of other teams of their initiative or innovativeness is a way to display sportsmanship.

Conscientiousness

Conscientiousness is defined as behavior that suggests a reasonable level of self-control and discipline, which extends beyond the minimum requirements expected in that situation. Oxford dictionary defines it as 'Wishing to do one's work or duty well and thoroughly.'

It is a fundamental personality trait that influences people to set and keep long-range goals, deliberate over choices or behave impulsively, and take their obligations to others seriously. Conscientiousness is a key ingredient in success, but the off-the-charts conscientious may court perfectionism by setting their goals too high.

For example, people who are conscientious are more planned, organized and proactive in their approach. They always tend to go beyond what is expected from them. They are particular in their method and always get things right.

In the context of a business setting, conscientiousness is observed when an employee not only meets their employer's requirements—such as coming into work on time and completing assignments on time—but exceeds them. Exceeding these requirements, and thereby showing conscientiousness, could be observed—for example—by an employee planning ahead to ensure that they, and their coworkers, do not become overwhelmed in their work.

Conscientiousness as a behavioral trait to be exhibited depends on the personality of an individual irrespective of what part of globe s/he belongs to. Conscientiousness refers to adjectives such as neat, punctual, careful, and self disciplined, and reliable. Employees high on conscientiousness could also be predisposed to develop behaviors which extend beyond the expected task performance behaviors. A positive correlation of conscientious and OCB might be assumed because OCB is a type of behaviour which extends beyond the expected task performance (A. Singh & A. Singh, 2009).

There are organizations who state in their value statement of the organizations, values like Boundaryless, Stretch and recognize employees through the employee engagement activities**.**

Civic Virtue

Civic virtue is defined as behavior which exhibits how well a person represents an organization/community with which they are associated, and how well that person supports their organization/community outside of an official capacity.

In a community setting one example in Indian context would be most fresh to cite that of Swatchh Bharat. An individual who goes that extra bit for caring for the community exhibits civic virtue. With relevance to example this person can pick up the trash on the road that s/he sees and thinks that it is their responsibility and feels like volunteering to make India, their community cleaner exhibits Civic Virtue in its true sense.

Civic virtue encourages a sense of community within a business setting, which has been shown to be linked to job performance and job satisfaction in employees. Employees who feel a stronger connection with their place of employment are more likely to be productive and effective workers, when compared to those who do not share a sense of community.

Citizenship status often implies some responsibilities and duties. This also implies working towards the betterment of one's community through economic participation, public service, volunteer work and other such efforts to improve life for all citizens. Bateman and Organ (1983) developed the first scales to measure OCB.

According to them, OCB include any of those gestures often taken for granted that lubricate the social machinery. Examples like helping coworkers with job related problems, accepting orders without a fuss, tolerating temporary impositions without complaints, helping to keep work area clean or uncluttered, making timely and constructive statements about the work unit or its head to outsiders, promoting a work climate that is tolerable and minimizing distractions created by interpersonal conflict, and protecting and conserving organizational resources, for lack of a better term are referred by the authors as "Citizenship Behaviors."

Most of the characteristics of OCB in India have fallout from the basic religious and cultural philosophy that guide individual and public behavior. The Indian ethos which get reflected in the religious texts like the Vedas and the Upanishad has immense bearing on the values such as Altruism and Conscientiousness .The Indian philosophy of 'VasudevanKutubam' (The world is one family) is a virtue which enlarges perspective from self to to others. Orientation to the values at workplace does impact , however that is gradual which begins as part of the formal orientation program of the organization and has to be continued consciously by the individual for personal and organizational effectiveness.

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IJAR&D
Vol. 2, No. 2, July-December, 2016, pp. 78-81

Perceptible Inclusive Growth: Challenges of Sustainable Policies

Dr. Kaushiki Singh

Assistant Professor, Faculty of Commerce, Dr. Shakuntala Mishra University, Lucknow, U.P.

Inclusive growth refers to a process whereby broad based benefit emanates and ensures equality of opportunity for all indiscriminately. This is possible through percolation effects. The inclusive growth implies an equitable allocation of resources with benefits accruing to every section of society. Inclusive growth is announced with the pro-poor growth i.e. growth results in reduction of poverty, human development, heath benefits and provides work opportunity.

Inclusive and sustainable growth involves four attributes. They are opportunity, capability, access and security. The opportunity attribute focuses a generating more and more opportunity to the people and increasing their income. The capability attribute concentrates on providing the means for people to create or enhance their capabilities in order to exploit available opportunities. The Access attributes focus on providing the mean to bring opportunities and capabilities together. The security attribute provides the means for people to protect themselves against a temporary or permanent loss of livelihood.

The research paper is descriptive and analytical in nature based on secondary sources like books and WebPages.

Need for Inclusive and Sustainable Growth in India

National and per capita income of India is increasing at a high rate, year after year but their growth continue to include a large majority of Indians living in villages and they have been excluded from India's growth story. There is vast inequality of income and wealth in India. According to credit Suisse the top 1% of the population own 15.9% of India's wealth and top 10% have 52.9% of India's wealth. This mean 90% of Indian both urban and rural have very small share in National wealth. This vast inequalities in income and wealth should be removed and the benefits of growth should reach each and every section of the society, so that people deprived of even basic necessities can link themselves to the national march to development and do not take the path of crime.

Elements of inclusive growth Inclusive growth should include following elements

1. Reduction in poverty
2. Increase in quality and quantity of employment.
3. Agricultural development.
4. Increase in literacy among poor
5. Balanced regional development or reduction in regional disparaties.

Disparities in Some Socio Economic IndicatorS

	Average around 1990	Average Recent	Recent year	Recent year
			(Best State)	(Worth State)
Per capita NNP	7321	11799	16679	3557
Consumption poverty	36.0	27.8	5.2	46.5
Literacy Male	64.1	75.3	94.2	59.7
Literacy Female	39.3	53.7	87.7	33.1

Attending Elementary school	55.3	71.1	103.1	55.8
Infanct mortality Rate (2003)	80	6.0	11	83

Problems or Difficulties Before inclusive Growth Strategies in India

For a developing country like India the need of inclusive growth is vital to achieve the over all progress of the country. The following are the major areas of concern for developing countries like India to achieve the inclusive growth

i. Poverty

ii. Unemployment

iii. Backwardness of agriculture.

iv. Problems in social development

v. Regional disparities.

(i) Poverty: The world bank estimates that 456 million Indian (42% of the total Indian population) now live under the global poverty line of $ 1.25 per day (PPP). This means that a third of global poor now reside in India. Although planning commission estimated that 27.5% of the population was living below the poverty line. Unless the menace of poverty in removed the dream of inclusive and sustainable growth would remain a dream for the country.

(ii) Unemployment: unemployment is a major hurdle for inclusive growth in India. The quality and quantity of employment in India is very low due to illiteracy and due to over dependency on agricultural employment.

Unorganized employed people in India are around 85% workers in this sector do not have social security. The generation of productive employment for labour force in the economy is the toughest task for the country. The country is also facing the problem of generating sufficient employment in all sectors, regions and for all socio economic groups.

(iii) Agriculture: India is agriculture based economy and majority of Indian are still dependent on agriculture sector for livelihood. This sector is facing many problems.

a. Decline is per capita land availability and shrinking of farm size.

b. Low productivity in agriculture sector.

c. Problem of irrigation and power

d. Diparities in growth rate across regions and states.

All these problems are a hurdle for the development of agriculture sector and also for the objective of achieving inclusive and sustainable growth.

(iv) Problem in Social Development : Social development is also a grey area and a major concern for inclusive and sustainable growth. Some of the major problems of this sector are:

i. Regional, social and gender disparities

ii. Slow growth in medical and health.

iii. Low rank on the Index of human development.

iv. Malnutrition among children.

The vision of inclusiveness must go beyond the traditional objective of poverty alleviation to encompass equality of opportunity as well as economic and social mobility for all section of society, with affirmative action towards SC, ST and women.

(v) Regional Disparities: Due to the development in agriculture and industrial sector some regions in India developed fast and some other places still are facing the scarcity. Some of the glaring regional disparities are:

i. Per capita income in highest at Rs. 16,679/- in, Punjab and Lowest per capita income is at Bihar with Rs. 3557/-

ii. Female infant mortality varies from 12 in Kerala to 88 in Madhaya Pradesh.

iii. Female literacy varies from 33.6 in Bihar to 88% in Kerala.

iv. Richer states grew faster than the poorer states.

Challenges of inclusive and sustainable growth in India

The main element of the inclusive growth strategy included a sharp increase in investment in rural areas, rural infrastructure and agriculture spurt in credit for formers, increase in rural employment through a unique social safety net and sharp increase in public spending on education and health cell.

The challenges and opportunities before inclusive growth strategies in India are:-

i. Poverty alleviation is one of the big challenges for India Eradication of poverty in India is generally only considered to be a long term goal. Poverty alleviation is expected to make better progress in the next 50 years as a trickle down effect of the growing middle class. Increasing stress on education, reservation in govt. jobs and increasing empowerment of women and economically weaker section of society are expected to contribute to the alleviation of poverty.

ii. For agricultural growth, the private players can participate to bridge the gap including providing micro finance contract farming setting up storage facilities for agro produce and purchasing them from farmers. The government should lower from credit rate for increase in agricultural growth.

iii. Government schemes should target eradication of both poverty and unemployment and should attempt to solve the problem by providing financial assistance for setting up businesses, skill having setting up public sector enterprises, reservations in government etc.

iv. Child labour is a complex problem that is basically rooted in poverty. The India government is implementing the world's largest child labor elimination programme. With primary education targeted for around 250 million numerous non-government and voluntary organizations are also involved. Special investigation cells have been set up in states to enforce existing law banning employment of children (under 14) in hazardous industries.

v. Social development is possible through achieving women empowerment and eradicating the regional disparities. Though the government is giving the women empowerment by giving special reservation, the women's advancement in India is still not matched the expectations for inclusive growth.

vi. To bring in inclusive growth, it is necessary to enhance growth, it is necessary to enhance the capabilities of women by providing education, so that they get the opportunity of getting employed.

XII Five year plan and inclusive growth:

Planning commission is focusing on installing "inclusive and sustainable growth". The XII five year plan (2012-2017) is expected to be one that encourages the development of India's agriculture, education, health and social welfare through govt. spending. It is also expected to create employment through developing India's manufacturing sector and move the nation higher up the value chair. The commission is likely to strive to enough policies that will achieve somewhere around a 10 percent growth rate in factories and a 4 percent growth rate in farm produce.

The quantitative rates of the XII five year plan are

i. A target of GDP growth in the a percent from 9% to 9.5 percent range.

ii. An increase in literacy rates to 100 percent between the plan's period from 2012 to 2017.

iii. An increase and expenditure on health for 1.3 to 20 percent of GDP.

The basic objective as stated in the planning commission presentation is "Faster more inclusive and sustainable growth". It was said that the priority areas in the 12 five year plan would be betterment of farmers, small industries, cottage industries etc. It is asserted by the planning commission that for growth to be more inclusive we need:

i. Better performance in agriculture

ii. Faster creation of jobs, especially in manufacturing sector.

iii. Stronger efforts at health, education and skill development.

iv. Improved effectiveness of programme direct at the poor.

v. Special programme for socially vulnerable groups.

vi. Special programme so for disadvantaged or back ward regions.

Conclusion

India has the potential of becoming a leading economy and has the unique opportunity to make that growth inclusive and sustainable provided these is willingness on the part of all sections of society to put in hard and disciplined work together with serious just avoid and purposeful planning. Better governance more and better educational, institutional, higher agricultural productivity, controlled inflation and permanent in infrastructure are some of the major and more important steps required to achieve inclusive and sustainable growth.

Agriculture in extremely important for inclusive growth, since a large majority of the Indian population in dependent on this sector. Improved agricultural productivity would bring in its wake increased family incomes for this vast majority. This together with better infrastructures in irrigation would and tremendously in irrigation, would aid tremendously in tackling rural poverty and all this will increase overall prosperity of the national.

India has been endowed with some of the world's most essential minerals, beautiful places diverse cultures and capable and talented people. It is time we stop squandering this advantage and make the most of what most countries can never ever dream of. These is much to be done but if due correctly then nothing can stop us from reaching the pinnacle of the world.

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IJAR&D
Vol. 2, No. 2, July-December, 2016, pp. 82-88

Changing Perception of Indian Women Regarding Two Wheeler: A Survey of Kolkata

Dr. Soumik Gangopadhyay

Head – Media Studies, Institute of Leadership Entrepreneurship and Development (ILEAD), Kolkata

Dr. Soma Sur

Professor & H.O.D (CMM & Mgmt.), West Bengal State University, Berunanpukuria, Malikapur, Barasat, West Bengal

Abstract

Riding two wheelers by Indian women is still an urban phenomenon. Penetration of the vehicle is still in nascent stage. Cosmopolitan outlook, globalization are still having a weak psychological effect on Indian society. Driving two wheelers by the women is more than a compulsion rather than choice. Physical inability, traditional outlook, joint family are the conventional impediment that affect the purchase decision of two wheelers among Indian women. Initiative has been taken by few two wheeler marketing companies to break the myth of impossible task through innovative design. A large market is untapped as indicated by their survey. Little is happening. Under this backdrop this study is an initiative to convert the compulsion into choice after studying the mass opinion based on primary field survey. Three groups of women were chosen by purposive sampling namely working women, student and homemaker. It is indicating interesting result signaling choice disparity. Social value, Functional value, Epistemic value and Accessibility are the independent factors studied among the target population. The data so obtained and analysed using the software (STATA) significantly denotes the first factor effecting the decision of purchase of two wheeler by an Indian women is highly influenced by Functional value and Epistemic value of the purchase. Social value of the purchase is the third important factor that influences the motivation of purchasing a two wheeler. It is important to understand that, due to conventional practice, Indian women assume negativity towards the social value of driving two wheelers. Moreover, the interesting indication of negative effect of social value in the choice of two wheelers as opined by the female students denoting a social revolution depicting individualism. Epistemic value and accessibility is showing a co-linearity which is a matter of concern from the marketing perspective. However a psychological revolution is indicated by a group of Indian women. The effect is yet to observe and it is rather a challenge of the marketing companies to convert the chance into choice in future.

Key Words *- Social value, Functional value, Epistemic value, Accessibility, Homemaker, Student, Working women*

Introduction

The Indian two-wheeler (2W) industry recorded sales volumes of 13.4 million units in 2011-12, a growth of 14.0% over the previous year. In a year wherein growth in other automobile segments particularly, passenger vehicle (PV) and medium and heavy commercial vehicle (M&HCV), slowed down to single digits - marred by demand slowdown due to northward movement of inflation, fuel prices and interest rates - the 14% growth recorded by the 2W industry remained steady. Overall, ICRA expects the domestic 2W industry to report a volume growth of 8-9% in 2012-13 as base effect catches up with the industry that has demonstrated a strong volume expansion over the last three years at cumulative annual growth rate (CAGR) of 21.8%. Over the medium term, the 2W industry is expected to report a volume CAGR of 9-11% to reach a size of 24-26 million units (domestic + exports) by 2016-17. According to ICRA irrespective of global economic meltdown two wheeler market didn't stop growing due to under developed public transport system, growing urbanization, strong replacement demand and moderate share of financed purchases remain intact in Asian *market. India is in no exception being the dominant player of the sector. Change is been observed as the sales of mopeds are showing an energetic domestic growth of sales in India for the last two financial years (more than 20%). A good part of these are purchased for the use of feminine gender of Indian urban society. But a cause of concern for the Indian urban middleclass is increasing price of fuel that creates a mounting recurring cost. Competition among the 2W marketer is absolutely focused on best mileage, speed, comfort and style targeting the age group of 18-40.*

Survey of Literature

The customers or prospective users of any product are the best promoters for an organisation. Their good will and favorable word of mouth to reach other's ears making it easy for the organisation to attract and serve more people. This in turn helps an organisation to seek a favourable image among the public. Marketing scholars and practitioners equally emphasize on the issue of customer satisfaction for generating loyalty among customers, which helps in maintaining existing cash flows and guarantee stable future (Teas, 1994; Zeithaml et al., 1996). Nevertheless, the contradiction in defining customer satisfaction generates further conflicts in defining how to measure it. While the manufacturing sector is concerned with the repurchase, most of the services depend on the continuity and thus focus on customer retention (Anderson et al., 1994). Customer satisfaction constitutes a mental stage in consumer mind where expectation regarding a service or product performance is fulfilled (Goode & Moutinho, 1996; Oliver, 1989). A review of literature reveled that at least two different conceptualizing of customer satisfaction construct exist. Transaction specific conceptualize customer satisfaction as one time post purchase evaluation (Oliver, 1977). On the other hand, cumulative satisfaction refers to overall evaluation after usage for a period of time (Anderson et al., 1994; Fornell, 1992; Fornell et al., 1996). Cumulative construct of satisfaction is more relevant to service sector, especially in case of continuous service providers as is the case in telecommunication. It costs more to gain a new customer than to retain an existing one (Woodruff, 1997). Hence, brand name (Aaker, 1996), price (Cadogan & Foster, 2000), promotion (Cherniawski & Maloney, 1999), and quality stimulates brand loyalty. Even, expectations also serve as a major determinant of a customer's service quality evaluations and satisfaction (O'Connor et al, 2000). So, "Voice of the customer" should be considered during design process using advanced techniques (Pakdil, Aydin, 2007). Moreover, customer satisfaction serves as an exit barrier, helping a firm to retain its customers, directly depends on friendly / helpful / knowledgeable/ courteous employees, quick service, service quality, good value, timeliness, clarity, accuracy of billing and competitive pricing (Fornell, 1992). Customer switching is industry specific, limits the generalization and need to adopt broader perspective (Berry and Parasuraman 1993). Customer switches brands due to pricing, inconvenience, core service failure, service encounter failure, response to service failure, competition, ethical problems, and involuntary switching (Keaveney, 1995). Risks experienced by the customer – customer collects information from personal source, market controlled sources, public sources, personal experiences. As stated by Philip Kotler and Keller (2006) that, consumer's decision to modify, postpone, or avoid a purchase decision is heavily influenced by perceived risk. Consumer may perceive many type of risk in buying & consuming a product:

1. **Functional Risk-** The product does not perform up to expectation.
2. **Physical Risk-** The product poses a threat to the physical well-being or health of the user or others.
3. **Financial Risk-** The product is not worth the price paid.
4. **Social Risk-** The product results in embarrassment from others.
5. **Psychological Risk-** The product affects the mental well-being of the user.
6. **Time Risk-** The failure of the product results in an opportunity cost of finding another satisfactory product.

The amount of perceived risk varies with the amount of money at stake, the amount of attribute uncertainty, & the amount of consumer self-confidence. Consumer develops routines for reducing the uncertainty, & negative consequences of risk, such as decision avoidance, information gathering from friends, & preference for national brand names & warranties. Marketers must understand the factors that provoke a feeling of risk in consumers & provide information

& support to reduce perceived risk. Lower income groups of Indian consumers are becoming the target of the corporate managers as they purport significantly greater materialistic value than the higher income group in the post globalization era (Gupta N., 2011).

Burden of population and complexities of public transport are becoming the prime reason of mounting demand of two wheelers among the urban middle class (Aditi Roy Ghatak, 1984). India, being the second largest manufacturer of two wheeler in the world after China, use the vehicle not for recreation purposes like developed countries but mainly for day to day utility (Rahul Bajaj, 1986; Ranjana Pendharkar, 1979). As evidenced from a pilot study at Kanyakumari, Tamil Nadu by Arumugasamy G. (2012) emanated that demand of two wheeler by the middle class is controlled by both economic and noneconomic factors like price, income, price of substitute, price of complementary goods and taste of consumers. The study has concluded even by saying that the marketing of two wheelers are determined by consumers.

From socio-cultural and economic perspectives women in India find themselves in subordinate positions to men. They are socially, culturally and economically dependent on men. Women are largely excluded from making decisions, have limited access to and control over resources, are restricted in their mobility, and are often under threat of violence from male relatives. Sons are perceived to have economic, social or religious utility; daughters are often felt to be an economic liability because of the dowry system. In general women is less likely to seek appropriate and early care for disease, whatever the socio-economic status of family might be. This gender discrimination becomes more obvious when the women are illiterate, unemployed, widowed or dependent on others. The combination of perceived ill health and lack of support mechanisms contribute to a poor quality of life (Gupta, 2011).

Objective of Study

"If you don't care your customer somebody else will do". Customer is god. In service sector Customer satisfaction directly depends on friendly employees, helpful employees, knowledgeable employees, courteous employees, quick service, service quality, good value, timeliness & clarity & accuracy of billing, competitive pricing. In today's age every customer wants to be served according to his or her unique and individual needs. Due to this reason every industry needs to provide customised solutions tailoring their services based on actual preferences rather than on generalised assumptions. For this reason there is regular study being conducted on customer satisfaction and their expectations. The objective of this study was,

- To know the post purchase evaluation of women in Kolkata regarding two wheeler.
- To identify the factors affecting the preference of purchase of two-wheeler among Kolkata based women.
- To examine the demographical factors and their behavioural disparity in two wheeler purchase by the women community of Kolkata.
- To test the prospective female customer's intention of purchase of two wheeler.

Research Methodology

The present study is based on both primary and secondary data. The primary data used in this study was collected from 300 female respondents and out of which 240 were finally used that equally belong to working class, home maker and college students belonging to the age group between 18 to 40 years of south Kolkata (W.B., India). This selection has been made following purposive sampling procedure. Primary data has been collected during Jun'12 to Oct'12. 3 famous colleges, 15 major bus stops and 7 schools have been chosen as the source of prospective sample. The secondary data which is used in this study has been collected from books, magazines, hospital brochures, web sites, periodicals, publications, news paper clippings of national and international importance. For analyzing the data collected from both primary and secondary sources, techniques like the multiple regression framework, binary logistic regression models (logit, probit models) and other relevant tests have been applied at appropriate places using the software STATA. The relationship between the dependent & independent variable factors can be assumed as,

$Y = a + b\,X(1) + c\,X(2) + d\,X(3) + e\,X(4)$ where,

$X(1)$ = Functional Value

$X(2)$ = Social Value

$X(3)$ = Accessibility

$X(4)$ = Epistemic Value

Y = Customer's purchase intention.

a = constant and b, c, d, e are said to be the coefficients.

Y is the dependent variable, whereas X(1), X(2), X(3), X(4) are independent variables

Y is dichotomous qualitative variable. i.e., Y=1 if the interested and 0, otherwise.

As the dependent variable is a binary variable we cannot apply OLS method to estimate the model. A logit model is accordingly used to estimate the above model. Thus, the dependent variable is binary taking a value of 1 for the interested respondent and 0, otherwise.

P = Probability that the customer will purchase a two wheeler.

Data Interpretation and Analysis – Result found from the study are as follows,

Table 1 : Logit Table Total Studied Population

	Coefficient	Std. Err.	t	P>|t|
Constant	-.9407891	.2216857	-4.24	0.000
Social	.0695824	.0172419	4.04	0.000
Fuctional	.0394688	.0083303	4.74	0.000
Accessibility	.0111414	.0061426	1.81	0.071
Epsistemic Value	.0047206	.0136224	0.35	0.729

Source: Field survey data analysis

Table 2: Multicolinearity Between Independent and Dependent Variable

	Motivation of Purchase	Functional Value	Social Value	Accessibility
Functional Value	0.5567			
Social Value	0.4858	0.5371		
Accessibility	0.2770	0.3230	0.0742	
Epistemic Value	0.3854	0.5276	0.3608	0.5691
Age of respondents	0.7368			
Family income	0.3937			

Source: Field survey data analysis

Table 3: Logit Table of Homemaker

	Coefficient	Std. Err.	t
Constant	-0.9376634	0.4396031	-2.13
Functional	0.0747826	0.0173865	4.30
Social	0.0717807	0.0429239	1.67
Accessibility	0.0125175	0.0127241	0.98
Epsistemic Value	-0.0382846	0.028276	-1.35

Source: Field survey data analysis

Table 4: Logit Table for Variable and Nonvariable Factors Relationship (Student)

	Coefficient	Std. Err.	t
Constant	1.10894	0.3214599	3.45
Epistemic Value	0.0134298	0.0210527	0.64

Functional Value	0.0018798	0.0122652	0.15
Accessibility	0.0041372	0.0100508	0.41
Social Value	-.0235667	0.0287201	-0.82

Source: Field survey data analysis

Table 5: Logit Table for Dependent & Independent Variable Factors Relationship (Working Women)

	Coefficient	**Std. Err.**	**t**
Constant	0.9617412	0.3929048	2.45
Epistemic Value	0.0117655	0.0249408	0.47
Social Value	0.003359	0.0393969	0.09
Fuctional Value	0.0031658	0.0157902	0.20
Accessibility	0.013325	0.0125931	1.06

Source: Field survey data analysis

Table 6: Validity of the Study

	Observation	Parameters	"R-sq"
Homemaker	80	5	0.7560
Student	80	5	0.7600
Working women	80	5	0.8332

Source: Field survey data analysis

Table 7: Opinion of the Respondents

	Housewife		**Student**		**Working Women**	
	Yes	No	Yes	No	Yes	No
Two wheeler is a vehicle made for men	96%	14%	24%	76%	58%	42%
Two wheeler is an accident prone vehicle compared to four wheeler	83%	27%	17%	83%	63%	37%
Two wheeler must be a light weight vehicle for better handling	53%	47%	78%	22%	83%	17%
Training of riding two wheeler can help a women to purchase	32%	68%	69%	21%	73%	27%
It is a low investment to purchase 2W compared to 4W	98%	2%	97%	3%	99%	1%

Source: Field survey data analysis

Table 8: Differentiation of Independent Factors Affecting the Purchase Intension of Women

Type of Women	**Preference of factors to purchase two wheeler**			
Homemaker	Functional value	Social value,	Accessibility	- Epistemic value
Student	Epistemic value	Functional value	- Accessibility	- Social value
Working	Epistemic value	Social value	Functional value	Accessibility

Source: Field survey data analysis

The data analyzed significantly denotes that first factor to decide whether to purchase a two wheeler or not for Indian women is highly affected by Functional value and epistemic value of the purchase. Social value of the purchase is the third important factor that influences the motivation of purchasing a two wheeler. It is important to understand that, due to conventional practice, Indian women assume negativity towards the social value of riding two wheeler. One more aspect influencing the decision of such purchase for the women is the mounting cases of accidents. Moreover, the interesting indication of negative effect of social value in the choice of two wheelers as opined by the female students denoting a social revolution depicting individualism. Accessibility and epistemic value is showing a relationship. It can be said that better accessibility can increase epistemic value of the product. Family income of all the studied population is not showing a good relationship with the two wheeler purchase motivation whereas age is showing a positive strong correlation indicating more aged they are less interested to purchase a two wheeler due to reducing physical inability.

Conclusion

In our study, it is revealed that the women in Kolkata are very much advanced and they are psychologically developed, whether they are consuming the product or not. They are curious but more cautious. A change in lifestyle is also indicated in air as the students and working class are preferring two wheeler as a part of their life style.

In case of homemaker, Epistemic value is negative because they don't have any curiosity as they depend fully on their husband. Accessibility is less important to them, because they have to spend maximum time inside their house. Functional value is not the most important factor for them as they give preference to the views of their society and fear of status of their acceptance in the society to try out a new thing. Naturally, Social value is also more important factor to them. So for them promotional slogan & messages should be designed by showing its image enhancing capacity to influence purchase. Two wheeler driving training should be given to further motivate them.

In second category that is student, it is seen that, Social value & Accessibility is least important as because they don't feel any importance to maintain any social status and have a zeal to do different. But, they fully depend on their guardian so accessibility is negative. To them Epistemic value and Functional value is much more important because they have curiosity to ride two-wheeler and they are also fun loving & interested in experimentation. Functional value is also important because they have to travel long distance for school & tuitions etc. The promotional messages must highlight with the help of a female celebrity endorser who is modern and is an icon of style.

Now the third category is working women. As they are advance in society, to them Accessibility & Functional value is less important because they are already aware of product, its features, and dealers/showrooms. For them Epistemic & social value is important because they are much more curious about two-wheeler's price, ROI (return on investment), EMI etc. as maximum of them invest of their own. And as they are modern, they don't want social acceptance from others. So the advertisement should be designed which will highlight benefit and savings of money and time to them. Physical incapability among this part of Indian women is also being identified as a concern of impediment in the path of smooth growth of two wheelers in the female category. As a traditional practice they want to be driven rather than to drive. Awareness level must be generated to enhance their confidence by the two wheeler companies to establish a new trend.

Rather, it is a challenge for the two wheeler manufacturing company to promote this as a socially acceptable and prestigious product as there is a large untapped market left to be operated in future. Promotional mix must be designed in such a way highlighting its social value so that, it will influence the women to purchase two wheelers. Epistemic value can be increased by designing the product more comfortably, colourfully, variety oriented and adding more features to it.

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IJAR&D
Vol. 2, No. 2, July-December, 2016, pp. 89-99

Empowering Indian Women through Corporate Social Responsibility Way

Priyanka

Assistant Professor, Hospitality and Tourism Management
DDU Kaushal Kendra, RGSC, Banaras Hindu University(BHU), Varanasi, U.P.

Dr. Medha Srivastava

Assistant Professor, School of Management Sciences, Varanasi, U.P.

Abstract

Corporate Social Responsibility (CSR) has evolved from philanthropy to social responsibility aiming at developing significant positive impact on socially diverse areas of the community, and turning one of the standard business practices in recent time. The mandate of the new Companies Act with specific recommendations of provision for Corporate Social Responsibility has astonished many Indian public and private companies. CSR activities have to be measurable with definite budgets. This has increased the scope for meaningful intervention by corporate India towards combating many problem areas and contributing towards inclusive growth. One such issue of serious importance is Women Empowerment. As quoted in Indian mythology about women, "Yatra Naryastu Pujayante Ramante Tatra Devta" the words had meaning in ancient times when women had high status equal to men of the family, and in society as well. But in current times, it becomes thinkable whether the importance of these words still exists or worship is very far from likelihood of women in society, because plight of Indian women is in daily news and is of utmost concern to government. This conceptual paper based on secondary data aims at analyzing contribution of various companies working explicitly to empower women and improvement noticed in their situation through CSR activities of those companies. This may further help in determining the success and failure of CSR activities performed by the companies according to their reach in society.

Keys Words: *Corporate Social Responsibility, CSR Globally, CSR in India, Women Empowerment, Companies – Private and Public.*

Introduction

Corporate Social Responsibility (CSR) also coined in various terms such as Corporate Conscience/ Corporate Citizenship or Sustainable Responsible Business/ Responsible Business is a form of corporate self-regulation incorporated into a business model. It not only aims to determine the responsibilities of a corporate house but it also aims to encourage a positive impact on the environment and stakeholders (consumers, employees, investors, communities, and others). According to the business dictionary Corporate Social Responsibility is defined as "A company's sense of responsibility towards the community and environment (both ecological and social) in which it operates. Companies express this citizenship (i) through their waste and pollution reduction processes, (ii) by contributing educational and social programs and (iii) by earning adequate returns on the employed resources". A broader definition of CSR explains expansion of focus from stakeholders to volunteering and philanthropy. Reasons for association of Sustainability Programs for the betterment of Industries are:

1. ***Help Magnetize and Hold Members:*** *CSR programming and Sustainability not only reduces the risk that members will face but it also strengthens the worth and significance of the association to current and prospective members.*
2. ***Boost Innovation:*** *While driving business and operational benefits, Cost-effective pre-competitive CSR and sustainability collaborations results in industry innovation, enabling the industry to improve its collective CSR impacts.*

3. ***Build Positive Relations:*** *Associations that increase Government and NGO sustainability proficiency are positioned better to contribute positively to regulatory initiatives of government and other agencies and get engaged constructively with NGOs and other stakeholders.*
4. ***Help to Identify Industry Priorities:*** *Many generic global CSR and sustainability initiatives and standards are available, which in return make priority-setting for members difficult. An industry approach support member companies to build up an industry-relevant model customized to the sector's most material risks and opportunities.*
5. ***Accomplish Association Goals:*** *CSR and sustainability is a tool to develop member's profitability and competitiveness. Usually an association's goal is taking assistance of a competitive and profitable member.*
6. ***Build Reputation and Brand:*** *An association's CSR and sustainability program demonstrates the sector's commitment to sustainable practices and leadership. It builds positive relationships with customers, communities, NGOs, suppliers and others. By this, it helps the sector's social license to operate and grow.*
7. ***Improve Employee Recruitment and Retention:*** *CSR programs help corporate to attract and retain their best and brightest employees.*

The policy of CSR functions as a self-regulatory mechanism where a business monitors and ensures its obedience with the spirit of the law, ethical standards and international norms.

Principles on CSR: *Corporate Social Responsibility relies on the following principles:*

- ***Human Rights Declarations:*** *Adopted by United Nations, this declaration tiled way for many international human rights standards for all sectors entities.*
- ***UN Global Compact:*** *It is an internationally accepted body working against exploitation of forced labour, child labour, environmental challenges and responsibility, non discrimination, freedom of associations, collective bargaining, corruption, etc.*
- ***Global Reporting Initiative (GRI):*** *GRI was founded in the year 1997 with the aim to address the standardized approaches for the sustainability of corporate reporting.*
- ***GRI launched Version 3.0 (G3)*** *in the year 2006 stating its Sustainability Reporting Guidelines with clear emphasis on performance indicators, containing a separate section entitled as "Human Rights" containing nine performance indicators.*
- ***Organization for Economic Co-operation and Development (OECD):*** *Guiding principle of OECD carries recommendations on core labour, environmental standards, human rights, competition, taxation, science and technology combating corruption and safe guarding consumer rights.*
- ***Social Accountability 8000:*** *It was created in 2000 by the Council on Economic Priorities Accreditation Agency (CEPAA). SA8000 was developed by an international alliance of businesses, trade unions and non-governmental organizations (NGOs) ,on the basis of International Labor Organization (ILO) conventions the key areas on which SA8000 code of practice is divided are freedom of association & collective bargaining, management systems, child labor, working hours, compensation, forced labor, health & safety, disciplinary practices, and discrimination.*
- ***Principles for Responsible Investment (PRI):*** *It is set of practice adopted globally for responsible investment. It provides a structure for markets which are more sustainable and give better returns on long term investments.*
- ***Equator Principle:*** *Equator principle was launched in the June 2003 and was developed by WestLB, Citigroup, Barclays and ABN AMRO (private sector banks). The equator principle aims at setting benchmarks on global finance projects working for the development of environmental and social issues.*
- ***International Labour Organization (ILO):*** *ILO works for encouraging internationally acknowledged labour, human rights and social justice practices. It also sets the standards of basic labour rights and provides inputs in the formulation of international labour standards in the form of conventions and recommendations.*
- ***International Organization for Standardization (ISO) 26000:*** *All types of organizations working in any country/from any country are mandated to work in socially responsible manner as per the guidelines of ISO 26000. ISO is a body formed with the intention to set international standards, ISO 26000 was published in November 2009 with the aim to develop new standards on Social Responsibility.*
- ***Occupational Health & Safety Advisory Services (OHSAS) Standard:*** *OHSAS 18001 is applicable to any organization which aims to establish a health and safety management system at work.*

Corporate Social Responsibility Globally

With the increase in demands for a more inclusive and sustainable global economy, then (end of the year 1999) United Nations' Secretary General Kofi Annan launched UN Global Compact, the first Corporate Social Responsibility (CSR) initiative internationally. Prime principles of this initiative were

(i) Labour Standards,

(ii) Human Rights

(iii) Environmental Protection.

Though the national governments welcomed the Global Compact they also became apprehensive of their corporate governance strategy. A number of developments such as increasing democratization of governments, creation of newer social and economic institutions, rapid growth of volunteerism in the form of non-profit organizations, increasing consumer awareness, focus on the need to reduce poverty and concern for human rights issues could be easily seen post globalization. Countries reinforced the need to initiate public policy initiatives to incorporate corporate social action and emphasize the concept and practice of corporate social responsiveness. Thus, Corporate Social Responsibility (CSR) is the continuing commitment of business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families, as well as of the local community and society at large. In more recent approaches, CSR is seen as a concept in which companies voluntarily integrate social and environmental concerns into their business operations and interact with their stakeholders regarding the same. Stakeholders include employees, investors, shareholders, customers, business partners, clients, civil society groups, Government and nongovernment organisations, local communities, environment and the society at large.

Corporate Social Responsibility in India

In the rich cultural heritage of India since ages country has been known for charity and social duty which has changed its nature over the period of time, now charity has broadened its horizons and now it is popularly known as Corporate Social Responsibility. From the time of introduction of business in India social and environmental issues have penetrated deep roots in the culture of the country, since late 1800s India posses deeper roots practicing industrial welfare and corporate philanthropy clubbed with religious belief. When initially CSR was introduced in the Indian society very few philanthropic activities were documented, but with the realization of importance of philanthropic activities companies paid attention to the their responsible behaviour towards the society which got support of general public, public dearly welcomed initiatives of corporate, this gave rise to the concept of Corporate Social Responsibility.

As per **Shinde (2005)** there is a growing realization towards contribution to social activities globally with a desire to improve the immediate environment. In 1900s it was fashion in corporations to give funds for charity and to educational institutes to build goodwill in community in backdrop of humanitarian deeds. The corporations actively started participating in philanthropic activities, in mid 90s the philosophy of CSR was focused on the assumption of requirement of business to society.

Post Independence JRD Tata (who is believed as person who gave great deal of emphasis to go beyond conducting oneself and portrayed to be an honest citizen) said that there are many ways in which industrial and business houses can throw in public welfare activities beyond the limits of their normal activities. He advised corporate may use own financial, managerial and human resource in reconstruction measures adopted for the goodness of society. Gradually his advice was taken seriously and it got accepted in theory that corporate had to share overhead costs with the society. Traditionally, CSR was done to society in form of donations to educational institutes, medical and science based researches. But the most important change noticed in 90s was corporates accepting social responsibility as an integral part of management activity.

Tata Iron and Steel Company introduced the concepts of "Social Responsibility" **(Gupta, 2007)**.

Sethi (1975) was the first person to introduce the term corporate social performance, which was later expanded by **Carroll (1979)**, and then **Wartick and Cochran (1985)** refined it. **Sethi (1975)** gave three-level model in which the concept of corporate social performance was discussed in details with the differences explained in various types of corporate behaviors.

According to **Cochran (2007) Sethi's three level model** discussed 'social obligation' meaning response to legal and market constraints; 'social responsibility' meaning congruency with societal norms; and social responsiveness meaning adaptive, anticipatory and preventive behavior. Later years of 20^{th} century witnessed corporates making active participation in the mainstream development of the society and showed greater concern for the disadvantaged groups of the society.

According to **Mohan (2001)** this drive was internally (corporate own will) and externally (increased government and public expectations) inspired. As per the reports of a sample survey conducted in 1984 an amount of 47% was spent on social development through companies programs, 39% was given to outside organizations as aid and 14% was spent through company trusts. India firmly believes that a business cannot flourish in a society which is not developed.

According to **Bajpai (2001)** an ideal CSR has both ethical and philosophical dimensions, particularly in India where there exists a wide gap between sections of people in terms of income and standards as well as socio-economic status.

In words of **Narayan Murthy** (Founder-Infosys) 'social responsibility is to create maximum shareholders value working under the circumstances, where it is fair to all its stakeholders, workers, consumers, the community, government and the environment'.

Commission of the European Communities 2001 stated 'being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing 'more' into human capital, the environment and the relation with stakeholders'.

According to Kumar et al. (2001) Over the time four different models have emerged all of which can be found in India regarding corporate responsibility.

The former Prime Minister of India, **Dr. Manmohan Singh** in 2007 said, 'Corporate Social Responsibility must not be defined by tax planning strategies alone; rather it should be defined within the framework of a corporate philosophy which factors the needs of the community and the regions the corporates exist.' His statement increased the scope for meaningful intervention by corporate India in socio-economic development.

Framework of CSR

The Four Models of Corporate Responsibility (Arora & Puranik 2004)

Model	**Focus**	**Champions**
Ethical	Voluntary commitment by companies to public welfare	M.K Gandhi
Statist	State ownership and legal requirements determineCorporate responsibility	JawaharLal Nehru
Liberal	Corporate responsibilities limited to private owners(shareholders)	Milton Friedman
Stakeholder	Companies respond to the needs of stakeholders (customers, employees, communities) etc.	R.Edward Freeman

(Table: I)

In current times the concept of 'Triple Bottom Line' impacts businesses output. Today, triple bottom lines are profit, people and the planet. Therefore, CSR, as an instrument of corporate governance has become a global phenomenon and democratic India is not an exception to it. CSR has become a part of governance agenda of the Indian state. The Indian Parliament has dealt with it in detail desiring to evolve fair principles of corporate governance. Under the strategy of corporate social responsibility corporates are mandated to work towards educational development, health care and women empowerment.

CSR Rules Under Companies Act, 2013:

As per the notification of Ministry of Corporate Section 135 and Schedule VII of the Companies Act 2013 as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules, effective from April 1, 2014 every company, private limited or public limited, which has a net worth of Rs 500 crore or a turnover of Rs 1,000 crore or net profit of Rs 5 crore, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility activities. The CSR activities should not be undertaken in the normal course of business and must be with respect to any of the activities mentioned in Schedule VII of the 2013 Act. Contribution or donation to any political party is not considered as CSR activity and only activities performed in India is considered for computing CSR expenditure. Profit earned from any host country of the company, including those branches that are operated as a separate company is not included in the computation of net profits of a company. Besides, dividends received from other companies in India which need to comply with the CSR obligations will not be included in the computation of net profits of a company.

The activities that can be undertaken by a company to fulfill its CSR obligations include:

- Eradicating hunger;
- Poverty and malnutrition;
- Promoting healthcare;
- Promoting education;
- Promoting gender equality;
- Setting up homes for women, orphans and the senior citizens;
- Measures for reducing inequalities faced by socially and economically backward groups;
- Ensuring environmental sustainability, ecological balance and animal welfare;
- Protection of national heritage and art and culture;
- Measures for the benefit of armed forces veterans;
- War widows and their dependents;
- Training to promote rural, nationally recognized, Paralympics or Olympic sports;
- Contribution to the prime minister's national relief fund or any other fund set up by the Central Government for socio economic development;
- Relief and welfare of SC, ST, OBCs, minorities and women;
- Contributions or funds provided to technology incubators located within academic institutions approved by the Central Government and rural development projects.

Women and Empowerment

Women empowerment refers to the conception of surroundings for women in which they can make decisions on their own for their entity and for the society, it is can be understood as mounting and improving the social, political, economic, and legal strength of the women. Women empowerment ensures equal right to women so that they live their lives freely with dignity and respect. They must enjoy complete control on their life at home as well as at work. They must posse equal rights to get their voice heard, empowering women makes a society developed and leads to development of nation. It is a process by which imbalanced power distribution between men and women is shifted and women enjoy bigger proportions with men. In different words, women empowerment is a process where social boundaries and norms are challenged which acts as an obstacle in their development path. It builds confidence in women make them contribute in nation's development and lends them in carrying participative approach in politics, social and economic life.

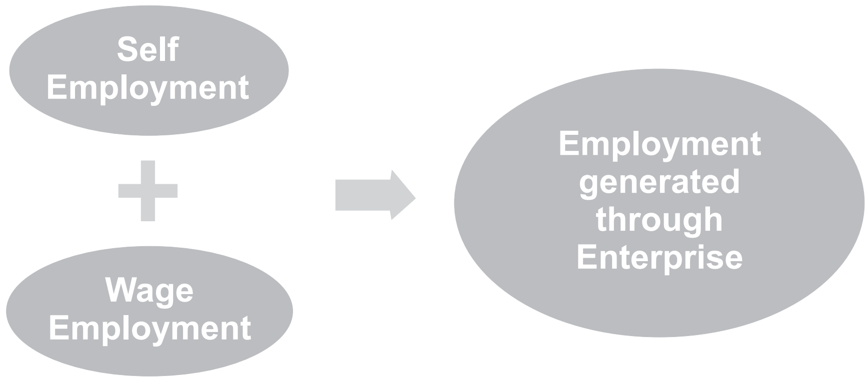
Problems with Women

1. **Illiteracy:** Women's Illiteracy plays a very important role in society's efficiency and productivity **(Papen, 2001)**, it acts as a fundamental factor influencing the procedure of development, and it is termed as the most considerable factor that improves socio-economic position of a woman. In the Universal Declaration of Human Rights Education has been declared as the basic right of every human being. Education of women is very necessary for improvement in self-image, and their empowerment **(Quizilbash, 2005)**. Gandhi stated "educating a man is educating a man as an individual while educating a woman is educating a family". Most women are not in a position to propel themselves out of their social boundaries but higher female literacy will be considered a sovereign remedy for many social and economic problems **(Dasgupta and Kanbur, 2005)**.

2. **Gender Discrimination and the Imbalanced Sex Ratio:** Discriminatory attitude has existed in India since generations towards men and women; this has affected the lives of both genders. In spite of grant of equal rights to men and women gender disparity exists, human rights are often violated through Gender discrimination it can be easily seen in Indian families, for example land sharing among sisters and brothers. Laws has been framed in Indian Penal Code against Rape, Dowry and Adultery but these highly discriminatory practices still

continue to take place at an alarming rate. Discriminatory attitude of society towards women has led to imbalanced sex ratio in India, Census 2011 shows the true picture of women's status in India, picture get uglier when reports says every year nearly 60,000 girls disappear.

3. **The Economic Problem:** Sustainable development of Indian women is only possible through economic empowerments which involve formation of prospect to gross decent livelihoods. This can be possible only through the creation of self employment and wage employment opportunities.



(Diagram: I)

4. **The Political Problem:** Politics and Women Politics is about power, it occurs where ever there are power differentials between two groups **(Davila Gomez and Crowther, 2007)**. In Indian political system it is seen women not enjoying important role in politics, men are the key players and are more powerful than women in politics.

The specific reasons of barriers for women in politics are:

- Corruption and criminalization of politics.
- Considered as "dirty" not suitable for women;
- System not allowing women to appear in public with uncovered face specifically in rural areas.
- Housekeeping is their main function.

Women Empowerment and Corporate Social Responsibility:

For the upliftment of society ideally most important aspect is creating awareness in people about their rights. For this a part of society needs to take active part in development of the society, surprisingly many have come forward voluntarily to contribute for the betterment of society. According to **Crowther and Jatana (2005a)** Today Corporate Social Responsibility (CSR) has become a popular cause. CSR focuses on social, environment and financial success of a company to ensure that they are performing well in non-financial areas such as human rights, business ethics, environment policies, corporate contribution to education, poverty alleviation, infrastructure development, women's empowerment, drinking water and sanitation and medical facility **(Crowther and Jatana, 2005b)**. A firm cannot continue to work as an individual entity neglecting the interest of the general public. Many companies in India are contributing services for the upliftment and development of women with the aim to make India a happier and developed state, for this, companies have shifted their objective from maximizing profit to development of the society.

Objecitves Covered in This Study Are

1. This paper attempts to analyze contribution of various private and public sector companies working explicitly to empower women;
2. Improvement noticed in the conditions of women after being benefitted by CSR activities of those public and private companies;
3. To determine the success and failure of CSR activities performed by public and private companies as per their reach in society.

Research Methodology

This study is an Explorative Research paper which broadly talks about the contribution of public and private business houses working specifically for women empowerment. This research is divided into broad 3 parts. First part analyses various programs/ projects/schemes running in favor of women empowerment, second part attempts to analyze the change noticed in the social and economical status of women after receiving services of CSR of PSUs and private companies. Third part tries to determine success and failure of CSR activities performed by public and private enterprises.

The data used in this paper are Secondary in nature and has been collected from multiple sources ranging from the official website of the PSUs , newspaper articles, academic research papers, independent study reports, media coverage and other relevant and reliable web sources.

Analysis

Large number of corporate houses allocates CSR budgets towards well fare programs especially designed for the betterment of women. Business Houses such as Hindustan Unilever Limited, Vedanta, Hindalco, Jindals, Tata's, BPCL etc. work to encourage entrepreneurial skill in women. Their interventions are carried mostly in areas located in locations from where they operate. For examples:

Private Enterprises: The various privately owned corporations performing CSR activities for women are as under:

Procter and Gamble (P&G): P&G committed towards improving the education status of women in terms of education, for this P&G launched a project named 'Shiksha' which laid emphasis on the education of the girl child.

TATA: Tata steel, in past 15 years, facilitates 200 women SHGs every year who further encourage venture into income generating activities. Tata Steel conducts competition through its programme named 'Tejaswini' which aims to identify women leaders who could be role models for other women and society. It also involves 45,000 women annually to create at least 200 SHGs and encourage them to participate in entrepreneurial activities. This programme is coordinated through Tata Steel Rural Development Society.

Hindustan Unilever Limited (HUL): Around 43,000 rural women across India became distributors of HUL; this project is named as 'Shakti Ammas'. The project aims to economically empower women with entrepreneurial skill; company keeps the plan to create more SHGs (Self Help Group).

Indian Tobacco Corporation (ITC): About 40,000 poor rural women are assisted to form microcredit SHGs, women are made to learn to build small savings and finance self employment and micro enterprises, this helps in developing sustainable economic opportunities through microenterprises which will improve their life like better nutrition, health care and education for their children. ITC conducts skills training to augment employability. Company trains women in Pickle-making, fish-processing, vermin composting, spice processing and agarbatti-rolling in rural areas and chikankari, garment-sewing, driving and computer-aided secretarial training in semi-urban areas. ITC further takes a step forward by finding employment for trained women in areas linked to its operations. ITC CSR activities are supporting women across Andhra Pradesh, Karnataka, Madhya Pradesh, Uttar Pradesh and Bihar.

Times Foundation Group's: Times Foundation Mumbai provides assistant to deprived SSC School in Mumbai by running mother centers in the school premises under the project on Women's Movement for Peace and Prosperity (WMPP). The foremost aim of this WMPP is betterment of women and their families by creating peace, harmony and prosperity between the families. Mothers' Center focuses on the improvement of a women's physical, mental and spiritual health. It also caters to strap up their creative ideas, hopes and aspirations and thus helps in exploring opportunities for economic activities for self-employment.

Jindal Steel: Jindal's trained nearly 3000 women in activities like leaf plate making which has amplified their income.

Vedanta: Vedanta Zinc, BALCO, Sterilite, Vedanta Aluminium and VAL Lanjigarh developed 2100 SHGs involving about 30,000 women with the aim to develop skill, credit linkage, training and market development

Hindalco: Hindalco runs two training institutes of skill development located in Uttar Pradesh and Maharashtra helping more than 11,000 women in building capacity to take up enterprise activities. As mentioned, Hindalco conducted 70 intense training programmes comprising of diesel / hand pump repair, electrical repair/maintenance, bee-keeping, tailoring, knitting and agriculture-related programmes through Aditya Birla Rural Technology Park (Muirpur, Uttar

Pradesh, India). The Yashogami Skills Training Centre operating at Radhanagari, Maharashtra

skills women in activities such as lamination, Rexene handicraft, fashion design, pottery, tailoring, food processing, zardozi, electronics assembly, jewellery design, and fabric design.

ICICI Bank: ICICI Bank has come up with Rural Self Employment training institutes at Udaipur & Jodhpur aiming to impart training to both men and women by extending credit to a large no. of SHGs through partnership model in coalition with NGOs named BISWA in Odisha as well as directly.

Reliance Industries Limited (RIL): RIL provides training to rural women and youth through SHGs to make them become self sustaining by taking up income generating activities (IGA). Many women and men have begun micro enterprise with activities like stitching, beauty & health care, plumbing, computer hard ware and mobile repairing in areas around RIL manufacturing divisions like Hazira, Vadodra, Nagothane, Gadimoga etc. after getting trained through vocational training courses. RIL has also formed a Mahila Mandals or women's cooperative in Patalganga which runs activities like maintenance of water tanks in villages to micro-savings and loan schemes, from supervision of 'balwadis' to running the super bazaar in Lodhivali colony.

Tech Mahindra: In year 1999 Tech Mahindra launched a project named 'Nirmaan' in Purandar, a taluka near Pune primarily working to provide financial support for education, food, counseling expenditure and other development activities to the girl child of the area.

Hero Honda: Hero Honda has set up Women Empowerment Vocational Training Centre in order to help women; more than 26 batches consisting of about 625 women has been trained in tailoring, embroidery and knitting. Company not only trains women but also helps trained women to set up a production unit in vocational centre to stitch uniforms for Hero Honda employees. Hero Honda also lends financial support to families of girls belonging to backward classes in organizing their marriages.

Public Sector Enterprises: The various publicly owned corporations performing CSR activities for women are as under:

***Bharat Petroleum Corporation Limited* (*BPCL*):** Across India BPCL has adopted 37 villages with the aim to make women self resilient by providing them drinking water, sanitation facilities, medical facilities, enhancing their income standards by imparting vocational training and agricultural innovations. BPCL takes effort to educate women through its CSR activities, BPCL focus on providing grants for opening schools and opening adult literacy camps as well. For example BPCL is imparting educational support, medical camp, sewing machines, amplification of fishing ponds and Improvement of Infrastructure from 2004 onwards in Ramthenga village of Orissa, BPCL is providing educational support, medical camp, sewing machines, Intensification of fishing ponds and Improvement of Infrastructure during 2004/2005 onwards.

National Aluminium Company Limited (NALCO): NALCO has benefitted 10 SHGs through its Women empowerment program in which company gives information about government programmes to women through its village Information centers.

Gas Authority of India Limited (GAIL): GAIL has launched various programmes to empower women, it not only empowers women through education but also distributes sewing machine in Agra, Abu Road and Chennai to make them self employed. It also runs carpet weaving programs for women apart from this GAIL has rehabilitated war widows through vocational training program active in Ajmer. It also teaches pine craft to needy women of Kerela and Under 'Nanhi Kali' project 1,000 girls studying in class IX and XI are adopted belonging from Madhya Pradesh, Andhra Pradesh, Chattisgarh and Maharashtra.

***Rashtriya Ispat Nigam Ltd* (RINL):** RINL has been shouldering social responsibility towards women thorough various initiatives. This company works for the self sustenance of women and youth, it works for the development of skill in women on continuous basis through training programmes given in and around Vishakhapatnam Steel Plant.

Steel Authority of India Limited (SAIL): SAIL has come up with an institution on 3rd July, 2007 named 'Kanya Shiksha Niketan'; this institute is committed to educate "the girl child". Girls belonging to underprivileged and weaker section of the society are admitted in this institute. This school at time of inception started with 60 students but now there are 180 students studying in Class I to Class IV. School supplies free books, uniforms, educational kits and all stationery items to its students. Health of the students is of utmost importance to SAIL they provide nourishing meal to students on daily basis. Regular computer classes, yoga, sports and games class is taken for all round development of the students.

'Kanya Shiksha Niketan' is an outcome of SAIL's commitment under CSR to serve the underprivileged and the weaker section of the society.

Oil and Natural Gas Corporation (ONGC): Under Project "Utkarsh" launched in 2011-12, active in Sibasagar ONGC dream to expand livelihood opportunities for 400 households in one year through training of women in skills like tailoring, soft toy making etc. Another CSR project **Hathkargha Prashikshan:** running in Assam aims to financially empower tribal women by making them learn tribal handloom artisan skill. In 2011-12, around 100 tribal handloom artisans were provided on-the-job training in the improvised looms by master craftsmen that included training in intricate designs for catering demands of wider markets.

***Indian Oil Corporation* Limited (IOCL):** IOCL runs a government recognized Assam Oil School of Nursing (AOSN) in Digboi. This nursing school was established in the year 1986 with the aim to provide professional training to the women in the field of nursing and midwifery at cost of the company. So far more than 354 students have successfully completed this program with 100% placement record. This project has bagged several prizes there details are as under:

- 2nd prize under the category PRSI National Award (CSR) instituted by Public Relations Society of India (PRSI) (Sep-2012);
- 1st prize under 'Women's' Empowerment' category at Odisha CSR Conclave held at Bhubaneswar (Jan-2014);
- Awarded at World CSR Congress, Mumbai (Feb-2014);
- Won the Global CSR Excellence & Leadership Award (Feb. 2016), (this award has been instituted by ABP News to recognize work being done in the area of women empowerment).

National Thermal Power Corporation (NTPC): NTPC intricately work to empower women folk. It runs various projects and courses such as tailoring, stitching, dress designing, beautician and embroidery. NTPC efforts to provide education to under privileged woman and with the help of West Bengal government distributed bicycles to girls.

Allahabad Bank: Bank disbursed Rs. 55.83 lac for distributing scholarship of Rs. 3,000each to 1861 girl students of 358 schools located at varying lead districts under "All Bank Girl Child Scholarship Scheme in Lead District belonging to BPL families"

National Bank for Agriculture and Rural Development (*NABARD*): NABARD prominently take initiatives to empower women, it runs micro-credit and micro enterprise programs to empower rural women.

Limitations

This research paper is completely based on secondary data; researchers have put all the efforts in collecting relevant secondary data. The conclusions drawn after analysis are solely based on the research work done by other researchers and information available on websites of companies and periodicals and journals. The analysis part is restricted to the companies whose CSR activities information could be availed by the researchers easily, not all the private companies working in India and Public Sector Undertaking's are involved in this research work. Number of companies taken in both the forms of business (private and public) is not equal. Time was a constraint in carrying this research work effectively.

Conclusions

Though companies were taking interest in performing CSR activities earlier because of their ethical obligations for the society and for goodwill of their product in the society but after the implementation of CSR rules, Companies Act 2013 it is an obligation of for all business houses to perform Corporate Social Responsibility activities. This compulsion of spending 2% of average profit on CSR has undoubtedly changed the situation of societies of India, even people and government is keenly interested in knowing how responsible corporate citizens are paying their debts to the society, this has certainly increased the pressure on business houses and private and public both the types of corporate are aware about this. As far as this study is considered there are number of programmes and projects running in the country to cater the needs and development of young and old women. Various corporations whether private or public work specifically for empowering women, they have taken efforts to establish schools, adult literacy camps, vocational training centers where women are made to learn craft work, stitching, embroidery, dress designing, soft toy making etc. Vocational training centers are established by the corporates to empower the women through skill development so that they can become self resilient and economically empowered, they can make money and can also save money for tough times. Companies have also established micro – credit enterprise to economically help women or through self help group as per the requirement of the needy. Few corporates are not only restricted to vocational training centers or capacity building programs they work for the placement of trained women for e.g. IOCL has come out with very successful project named Assam Oil School of Nursing (AOSN) in Digboi which has scored 100% placement record. Apart from empowering women through education and income generating initiatives business houses have come up with counseling and village information centers where women are informed and counseled about their own health, hygiene and nutrition. Some companies even provide food to under privileged women. They are told about the necessary nourishment to be taken by a woman necessary for her body and for her children, for this companies do free health check up of the women and also keep them updated about the government programmes running for their welfare.

Women have been definitely gained a lot through CSR programs especially designed for them. Lacs of women are trained and educated every through CSR project of corporates, now we can easily see large number of women being self employed and independent. They have improved a lot upon education, health and hygiene and they are aware of their rights but this change is not satisfactory because the total population of women in India is 644 million but still the benefits of CSR has not reached to more than half of them. In states where there are very less corporations or zero corporations operating status of women in those states is very miserable, for example Women and Girls Jharkhand, Chhattisgarh, Manipur, Meghalaya, Nagaland, Mizoram etc remains to be neglected. Literacy rate of female still remains to be 65.46% (2011 census) where as male literacy rate is 82.14. Population of female against per thousand male is 937 (2011 census) which is alarming. It is easily seen in Indian household women and young girls working as maid servants on a very low income.

Projects like Nanhi Kali, Shiksha, Nirmaan, Mahila Mandals, Utkarsh, Micro-Credit Enterprise, AOSN, Kanya Shiksha Niketan, Hathkargha parikshan are claimed to be successful projects working to impart education and employment and loan facility to the needy girls and women. These projects have attracted numerous SHGs to get benefitted from the programs running under these projects. Women residing near the operational area of the companies are benefitted the most because CSR initiatives are mostly flourishing in operational areas of the companies. But the researchers are unable to state whether all the CSR projects working for the betterment of the women are successful or not because data regarding amount spent on each project is not available with the researchers and even complete detail is not available regarding number of women admitted to get training, number of women who successfully completed the training programs and their economic status after completion of training programme.

Suggestions

Companies should adopt more transparent approach in allocating funds project wise, they must provide details regarding number of beneficiaries and change in their socio-economic status after getting benefitted from CSR activities. Public sector banks need to allocate funds for women empowerment, banks are performing CSR activities but not all the banks are working for the empowerment of women. It is high time for PSUs and private companies to understand the seriousness of the situation and make an effort to line with all the related stakeholders. Companies need to choose an expert co-partner for the promotion and execution of CSR activities especially designed to work for the rights and benefits of the women and girls.

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