

# SOUTH ASIAN JOURNAL OF MANAGEMENT RESEARCH (SAJMR)

Volume 4 Number 2

July 2012

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**Chhatrapati Shahu Institute of Business  
Education and Research (CSIBER)**

(An Autonomous Insitute)

University Road, Kolhapur - 416004, Maharashtra State, India.

# SOUTH ASIAN JOURNAL OF MANGEMENT RESEARCH (SAJMR)

ISSN 0974-763X

(An International Peer Reviewed Research Journal)



Published by

**Chhatrapati Shahu Institute of Business Education & Research (CSIBER)**

University Road, Kolhapur – 416 004, Maharashtra, India

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## Editorial Note

In the last six months the business sector in India is experiencing a slow growth phase. The favorable policy environment put in place by the Government does not seem to be encouraging the entrepreneurs. In such a slowdown of economic activity there is a need for multi pronged strategy to revive to business activity in the different sectors.

Accordingly in the present issue articles pertaining to various issues of management have been incorporated for the benefit of the readers. As a mark of respect to the Founder Director of CSIBER, we publish an article on Prof. Dr. A. D. Shinde. His life and experiments in higher education is an example for the current and future generations.

The research articles included in the issue are employee empowerment, domestic capital formation, savings and investment preference of retail investors. The unique feature of the articles is the use of advanced statistical techniques for analyzing the primary / secondary data. These articles show a direction to young researchers regarding the method in which analysis can be performed with the help of statistical tools.

As the journal is published from Kolhapur it becomes the duty of the publisher to highlight the case studies from industrially rich belt of Kolhapur. The case of turnaround story of Kolhapur steel is included to fulfill this requirement. The last feature of journal is the book review on marketing. The reviewer systematically presents the highlights of the sixth edition of the book exhaustively.

The present issue of the journal is therefore expected to be a good asset for young researchers as well as management teachers in different functional areas.

**Dr. T. V. G. Sarma**  
Editor

# The Story of Professor Dr. A. D. Shinde – A Visionary Educationist

Dr. P. C. Shejwalkar

*This memorial essay in Honour of (Late) Prof. Dr. A. D. Shinde was written by Principal Dr. P. C. Shejwalkar for the 65<sup>th</sup> All India Commerce Conference of Indian Commerce Association, held at K.P.B. Hinduja College of Commerce, Mumbai, 9–11 November 2012.*

## 1.0 Introduction

I am glad that we are meeting on a very auspicious day of Dhantrayodashi, on Sunday, the 11th November 2012. I wish all esteemed members attending the conference, a Happy and Prosperous Dipawali and New Year.

In the annals of the history of Commerce Faculty, there were few teachers who made historical contribution. In India, there are few Commerce teachers, who could establish well known education Institutions. With this background, we are all proud to learn that the well known Commerce teacher and Chartered Accountant, the late Dr. A. D. Shinde, established his own educational empire in Kolhapur, the southern part of Maharashtra. Dr. A. D. Shinde, who I knew well personally, earlier for the last 50 years, was not only excellent Commerce teacher, the most famous Professional Chartered Accountant, but also a visionary and missionary who spent all his entire life in building up the most reputed educational Institute, perhaps the biggest one and the largest one, in entire Maharashtra.

There are some who have the vision but they are incapable of taking action. Vision without action is only a day dream, a fantasy. There are some who always take quick action but they don't have a vision. Action without vision is a nightmare and a failure. Dr. A. D. Shinde had both vision and action. In addition to that, he took education as his lifelong mission.

And no wonder, therefore, he started his mission with a small beginning but developed his Institution very rapidly and it became a wonderful monument, the ideal set-up, giving varied opportunities for young college students, coming from the hinterland of rural Maharashtra to take post-graduate education in the faculties of Art, Social Science, Commerce, Management, Computer Science, Business Administration, etc. Earlier the students from South Maharashtra were required to come to Pune and Mumbai for higher education.

Dr. A. D. Shinde was born in a small village near a town in South Maharashtra. His father Dinkar Shinde, was highly motivated to start a school in his village. He was also a social worker and gave free education to a large number of students. When he found that his son, Anand, was a brilliant student, he managed to send him to Kolhapur for taking high school education and was asked to stay in the boarding. When Dinkar Shinde realized that his son always stood first upto State Matriculation Examination, he managed to raise funds and send him to the B. M. College of Commerce, Pune, in 1950. He had to stay somewhere in a small room in Pune with limited means of living. But here again, he obtained First Class at B. Com. Examination. To earn money, he worked as Assistant Auditor in a Firm in Mumbai. However, he was very keen to start Educational Establishment, particularly of Post-Graduate studies. The whole idea was that students from

Southern Maharashtra should not be required to go to Pune or Mumbai for this purpose. He was fortunate to get a suitable place near Shalini Palace and established his Institute, now known as Shahu Institute, in 1975, with the Deputy Prime Minister of India, Shri. Yashwantrao Chavan, inaugurating his campus along with the then Chief Minister of Maharashtra, Shri. Vasantdada Patil, presiding over the function. His source of inspiration was Rajarshee Shahu Maharaj, who was a great Philanthropist and visionary in the 19th Century. Initially he encountered some difficulties of raising funds. His wife sold gold ornaments for payment of salary of teaching and non-teaching staff.

Very soon, he could locate huge piece of land on the University Road, where he constructed a huge building to accommodate all the courses. His campus went on expanding since his Shahu Institute of Business Education Studies & Research established a brand equity in the whole of Maharashtra and even in the whole country. Thousands of students started coming to Kolhapur to seek admission in SIBER. He started all the courses related to management, commerce and social sciences. There are now, at the moment, around 100 teaching staff members and most of them are recognized Research Guides coming from All over India. No wonder, therefore, that he was invited to take active part in the academic administration of Shivaji University. He was nominated as Dean in the Faculty of Commerce and also worked as officiating Vice-Chancellor for some time.

### **1.1 Autonomy**

The most important feature of this SIBER is that he obtained full autonomy within the framework of Shivaji University, from the University Grants Commission. SIBER, under the leadership of Dr. A. D. Shinde, was the first full fledged Autonomous Institute in the

faculties of Management, Commerce and Social Sciences in the whole of Maharashtra. Dr. Shinde's dream of giving Post-Graduate education to lower middle class, children of farmers from Southern Maharashtra was thus fulfilled.

He took active part in various conferences of all India level. He organized All India Commerce Conference in his own Institution in 1979, which I had attended and in which, I was given the privilege to preside over one session. In the very next year, i.e. in 1980, he was nominated as President of All India Commerce Conference, held at Ranchi in Bihar.

### **1.2 Educationist with a Difference**

I am also one of the very few closest colleagues of Dr. Anand Dinkar Shinde for the last 50 years and have observed that he could achieve a paramount success in building up his reputation as Educationist because he has certain exceptionally good qualities. As I said earlier, he treated his objective as a mission. He spent almost more than 15 hours a day in the campus of Institution to regulate his administrative work and motivate all his teaching and non-teaching staff. He visited several Education Institutes in Maharashtra to obtain the latest administrative practices for running the Institute. He maintained excellent public relations with not only Educationist but also social workers and politicians. He was treated as Doyen in the field of education. Though he was very strict in discipline, he was liberal in helping his employees. He held several seminars and conferences on State level and National level as a result of which he easily achieved leadership in the field of education. Though he was so preoccupied in running his college, he spent adequate time for conducting his research and obtained his Ph. D. Degree in the faculty of commerce. I had seen his thesis

and it was of an excellent quality. Soon thereafter, he got recognition as Research Guide and was very often invited by other universities as External Referee to evaluate the Ph.D. Thesis of several other candidates. I must confess that I was highly impressed by his constant involvement in teaching, research and administration of his Autonomous Institute.

Dr. Shinde had nominated, as Trustees, competent and trustworthy colleagues such as Dr. T. A. Shiware and Dr. P. Subbarao who are now working as Senior Directors in Mumbai. He had nominated me also as a Trustee of SIBER. Dr. Shinde expired two years back but his son Dr. Ranjit Shinde who is also a Research Guide and Senior Professor has taken over as Director of SIBER and is running the Institute very successfully.

### **1.3 Future of Commerce Education**

Dr. A. D. Shinde and I myself discussed very often, several issues, pertaining to future of Commerce education. Information Technology has made considerable revolution in developing a new ERA of globalisation and privatisation. The use of internet, website, mobile phone, email id, etc., have made it possible to develop cross cultural communication and integration. In India, only 12% people are using internet whereas China is using 32% internet. We will have to speed up our import and export trade if we want to compete with western countries as well as China and Japan. The competition in the world has increased so much that we have only two alternatives –

Either Swim or Sink

Either Perform or Perish

Either Survive or Vanish

Either innovate or exit

Commerce Education will have to introduce innovative methods of teaching as well as incorporate new curriculum which would reflect the advantages of globalisation. Online business in booking of Railway tickets, airline tickets, reservation in hotels etc, has come to stay. Even small retailers are using computers. Our commerce education will have to incorporate all these changes. Students will have to be taught the concept of outsourcing, downsizing, and training in soft skills. Lessons in salesmanship to work in foreign malls that will soon be established in India, training in skill development, self-confidence, spoken English, etc. Above all, the commerce students will have to learn professionalism and be told how to improve their performance on the job. The students will have to learn international accounting standards and new techniques of financial management and marketing and advertising skills.

Revolution in Information Technology is so fast and the pressure of globalisation is so heavy that yesterday's knowledge of commerce has now become outdated and today's knowledge of commerce and trade will become out of date tomorrow. Commerce teachers will have to be given intensive training before they are promoted to the higher post.

The esteemed members of the All India Commerce Conference, meeting here in Mumbai, will have to take note of the future horizon of commerce education if they want to survive in competition with their counterparts in other countries.

Let us hope the contribution made by Dr. A. D. Shinde gives us inspiration to achieve our objectives.

\* \* \* \* \*

# THE CONTRIBUTION OF GROSS DOMESTIC CAPITAL FORMATION AND SAVINGS TO GDP IN INDIA DURING THE POST-REFORM PERIOD

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**Abstract :** Objective of the paper is to examine the effects of Gross Domestic Savings (GDS) and Gross Domestic Capital Formation (GDCF) on Gross Domestic Product at Market Prices (GDP at MP) at aggregate as well as disaggregate level during the two decades of post-reform period i.e., 1990-91 to 2009-10. This time period is further divided into two decades as Phase-I: 1990-91 to 1999-2000 and Phase-II: 2000-01 to 2009-10. To examine the effects of GDS and GDCF on GDP at MP two-variable regression technique has been applied. The main result obtained is that regarding public sector savings contribution to the increase of GDP. In the 1st phase it has contributed negatively and in the 2nd phase its contribution turns into positive and private corporate sector has contributed positively and to a large extent in both 1st and 2nd phases. But during the total period public sector contribution to GDP is more than that of private corporate sector. From the capital formation point of view, in both 1st and 2nd phases as well as during the total period contribution of capital formation to GDP from public sector is higher than private sector.

**Key words:** Gross Domestic Saving, Gross Domestic Capital Formation, Gross Domestic Product, Regression

## 1.0 Introduction

Capital formation is the main key to economic growth. On the one hand, it reflects effective demand and, on the other hand, it creates productive efficiency for future production. Capital formation possesses special importance for LDCs. The process of capital formation leads to the increase in national output in a number of ways. Capital formation is essential to meet the requirements of an increasing population in such economies. Investment in capital goods not only raises production but also employment opportunities. It is capital formation that leads to technological progress. Technological progress in turn leads to specialization and the economies of large-scale production. Capital formation helps in providing machines, tools and equipment for the rising labour force. The provision for social and economic overheads like transport, power, education, etc., in the country is possible through capital formation. It is also capital formation that leads to the exploitation of

natural resources, industrialization and expansion of markets which are essential for economic progress (Jhingan).

According to Rakesh Mohan, "the secular uptrend in domestic growth is clearly associated with the consistent trends of increasing domestic savings and investment over the decades. Gross domestic savings have increased continuously from an average of 9.6 per cent of GDP during the 1950s to almost 35 per cent at present; over the same period, domestic investment rate has also increased continuously from 10.8 per cent in 1950s to close to 36 per cent by 2006-07. A very significant feature of these trends in saving and investment rates is that Indian economic growth has been financed predominantly by domestic savings. The recourse to foreign savings has been rather modest in the Indian growth process".

In this connection this paper objective is to examine the effects of Gross Domestic Savings (GDS) and Gross Domestic Capital

Formation (GDCF) on Gross Domestic Product at Market Prices (GDP at MP) at aggregate as well as disaggregate level during the two decades of post-reform period i.e., 1990-91 to 2009-10.

## 2.0 Data Sources and Technique

To examine the effects of GDS and GDCF on GDP at MP the time period chosen is 1990-91 to 2009-10. This time period is further divided into two decades as Phase-I: 1990-91 to 1999-2000 and Phase-II: 2000-01 to 2009-10. The data on the above variables are obtained from *Economic Survey, 2011-12*, published by the Govt. of India. To examine the effects of GDS and GDCF on GDP at MP two-variable regression technique has been applied. The regression technique has been estimated using GRETL software. The functional form of the regression equation is

$$Y_i = \alpha + \beta X_i + u_i$$

Where  $Y_i$  = Dependent Variable

$\alpha$  = Intercept of the regression equation

$\beta$  = Slope of the regression equation

$X_i$  = Independent Variable

$u_i$  = Error term of the regression equation which distributes normally and independently as zero mean and constant variance.

## 3.0 Results and Discussion

The results of two-variable regression technique have been presented in Table-1.

### 3.1 Phase-I: 1990-91 to 1999-2000

#### 3.1.1 GDS

In this period, one percent increase of savings from household sector (4.339) and private corporate sectors (18.973) have positive effect on increase in GDP while one percent increasing of savings from public sector (-

11.827) leads to decrease in GDP as indicated by the signs of their  $\beta$  coefficients respectively. Total GDS (3.796) has positive effect on increasing GDP during this period. All the  $\beta$  coefficients are statistically significant at one per cent level except public sector. In this phase 95.3 per cent of variation in GDP is explained by household sector as denoted by  $R^2$  and private corporate sector, public sector and total GDS explained 95.6, 11.4 and 98.8 per cent of variation in GDP. Private corporate sector has shown more contribution to the growth of GDP during this period.

#### 3.1.2 GDCF

One per cent increase in total GDCF (3.680) has positive effect on GDP and it is statistically significant at one per cent level. At disaggregate level also one per cent increase in both the components of GDCF viz., public sector (16.450) and private sector (4.853) are contributed positively to the growth of GDP and both regression coefficients are statistically significant at one per cent level. Public sector, private sector and total GDCF explained 97.0, 96.4 and 96.9 percentage of variation in GDP respectively. In this phase capital formation from public sector is the main source for the increase in GDP.

### 3.2 Phase-II: 2000-01 to 2009-10

#### 3.2.1 GDS

Total GDS and its sources are all contributed positively to the increase in GDP during this period. One per cent increase in total GDS has increased GDP by 2.483 and it is statistically significant at one per cent level. At disaggregate level private corporate sector (8.514) still dominating one to the growth of GDP followed by public sector (7.338) and household sector (3.879). 98.9, 95.5, 19.1 and 97.7 percentage of variation in GDP is explained by household sector, private corporate sector,



public sector and total GDS respectively. All the  $\beta$  coefficients are statistically significant at one per cent level except public sector.

### 3.2.2 GDCF

One per cent increase in GDCF has contributed to GDP by 2.244 and it is statistically significant at one per cent level. Both public (9.150) and private (3.126) sectors are positively contributed to the growth of GDP during this period and their regression coefficients are statistically significant at one per cent level. Public sector, private sector and total GDCF explained 99.1, 97.1 and 98.7 percentage of variation in GDP.

### 3.3 Total Period: 1990-91 to 2009-10

#### 3.3.1 GDS

During the total period also total GDS (2.687) contributed positively to the growth of GDP and it is statistically significant at one per cent level. In this period savings from public sector (13.051) has shown more contribution to the increase of GDP followed by private corporate sector (10.306) and household sector (3.886). Household sector and private corporate sectors coefficients are statistically significant at one per cent level while public sector coefficient is significant at five per cent level. Household sector, private corporate sector, public sector and total GDS explained 99.2, 94.7, 24.6 and 98.5 percentage of variation in GDP during this period respectively.

#### References:

Economic Survey 2011-12, Govt. of India.

Jhingan, M.L. (2003) : The Economics of Development and Planning, 36<sup>th</sup> Ed., Vrinda Publications (P) Ltd.

Rakesh Mohan (2008) : "The Growth Record of the Indian Economy 1950-2008: A Story of Sustained Savings and Investment", Reserve Bank of India Bulletin, March.

\* \* \* \* \*

### 3.3.2 GDCF

One per cent increase in Total GDCF (2.517) has revealed its positive contribution to the increase of GDP and it is statistically significant at one per cent level. Public sector (10.801) contributed more than private sector (3.461) to the growth of GDP during the total period and the coefficients are statistically significant at one per cent level. During this period public sector, private sector and total GDCF explained 97.1, 97.9 and 98.2 percentage of variation in GDP respectively.

### 4.0 Conclusion

From the above analysis, the main result obtained is that regarding public sector savings contribution to the increase of GDP. In the 1<sup>st</sup> phase it has contributed negatively and in the 2<sup>nd</sup> phase its contribution turns into positive and private corporate sector has contributed positively and to a large extent in both 1<sup>st</sup> and 2<sup>nd</sup> phases. But during the total period public sector contribution to GDP is more than that of private corporate sector. From the capital formation point of view, in both 1<sup>st</sup> and 2<sup>nd</sup> phases as well as during the total period contribution of capital formation to GDP from public sector is higher than private sector.

Table 1: Regression Results

Model		$Y_i = \alpha + b X_i + \mu_i$				
Parameters		$\alpha$	t ( $\alpha$ )	b	t (b)	R <sup>2</sup>
Phase -I: 1990 -91 to 1999 -2000						
GDS	HOUSEHOLD	255010	3.116	4.339	12.82*	0.953
	PCS	318761	4.242	18.973	13.20*	0.956
	PUBLIC	1.39075	5.737	-11.827	-1.019	0.114
	TOTAL	135818	3.094	3.796	26.44*	0.988
GDCF	PUBLIC	-451591	-4.298	16.450	16.32*	0.970
	PRIVATE	286762	4.132	4.853	14.72*	0.964
	TOTAL	132230	1.828	3.680	16.07*	0.969
Phase -II: 2000 -01 to 2009 -10						
GDS	HOUSEHOLD	348759	2.621	3.879	28.11*	0.989
	PCS	1.57647	7.851	8.514	13.09*	0.955
	PUBLIC	3.38274	6.185	7.338	1.378	0.191
	TOTAL	795288	4.456	2.483	18.64*	0.977
GDCF	PUBLIC	953630	9.305	9.150	31.11*	0.991
	PRIVATE	999155	5.278	3.126	16.59*	0.971
	TOTAL	992311	7.917	2.244	25.15*	0.987
Total Period: 1990 -91 to 2009 -10						
GDS	HOUSEHOLD	347729	7.119	3.886	55.94*	0.992
	PCS	912984	7.180	10.306	17.95*	0.947
	PUBLIC	2.016	5.064	13.051	2.429**	0.246
	TOTAL	497091	6.593	2.687	34.63*	0.985
GDCF	PUBLIC	276152	2.445	10.801	24.59*	0.971
	PRIVATE	623354	7.332	3.461	29.54*	0.979
	TOTAL	559753	6.999	2.517	32.03*	0.982

Note: \*\* and \* indicates significant levels at 5 and 1 per cent levels.

Source: Authors calculation using data in Appendix Table

## Appendix

**Gross Domestic Saving and Gross Domestic Capital Formation and GDP in India during the period 1990-91 to 2009-10**  
(At Current Prices) in Rs. Crores

Year	Gross Domestic Saving				Gross Domestic Capital Formation			GDP at Market Prices
	House hold Sector	Private Corporate Sector	Public Sector	Total	Public Sector	Private Sector	Total	
1990-91	108603	15164	10641	134408	62000	84018	146018	586212
1991-92	105632	20304	17594	143530	68494	83069	151563	673875
1992-93	127943	19968	16709	164621	73854	113914	187768	774545
1993-94	151454	29866	11674	192994	81283	108454	189737	891355
1994-95	187142	35260	24266	246668	101530	140984	242514	1045590
1995-96	198585	59153	31527	289265	105091	214512	319603	1226725
1996-97	224653	62540	31194	318387	110633	202423	313055	1419277
1997-98	284127	66080	29583	379790	116367	269078	385445	1572394
1998-99	352114	69191	-3146	418159	130898	293148	424046	1803378
1999-2000	438851	87234	-9238	516847	154164	372999	542682	2012198
2000-01	463750	81062	-29266	515545	155299	355054	525078	2168652
2001-02	545288	76906	-36820	585374	169269	419000	602456	2348330
2002-03	564161	99217	-7148	656230	163403	455917	633277	2530663
2003-04	657587	129816	36372	823775	187730	530415	742717	2837900
2004-05	763685	212519	74499	1050703	240580	770598	1052231	3242209
2005-06	868988	277208	88955	1235151	293350	931331	1266073	3693369
2006-07	994396	338584	152929	1485909	356556	1134319	1540583	4294706
2007-08	1118347	469023	248962	1836332	441923	1401284	1896799	4987090
2008-09	1330873	417467	54280	1802620	531730	1396160	2000103	5630063
2009-10	1639038	532136	11796	2182970	591622	1624446	2332380	6457352

Source: Economic Survey 2011-12, Govt. of India.

# AN ANALYTICAL STUDY OF VARIOUS DIMENSIONS LEADING TO EMPLOYEE EMPOWERMENT IN MANUFACTURING AND SERVICE SECTOR ORGANIZATIONS IN INDIA

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**Abstract :** Empowerment is particularly relevant in today's globalized corporate world. There is a growing realization that flatter organizations working in empowered teams are more effective. It is also noticed that empowered employees are able to make quick decisions and implement actions much faster, and thereby contribute to achievement of organizational goals efficiently. Empowerment is seen as an effective technique of managing the operations of the organization. While the degree of empowerment can vary from organization to organization, the importance of empowering employees has been generally accepted. Empowerment is critical in a world characterized by innovation and an ever increasing need of responding to the fast changing external and internal environment. Empowered employees can be a source of sustainable competitive advantage both in the service sector and manufacturing sector organizations. However, empowering employees can be challenging as managers can view it as diluting their power and giving it to their subordinates. Empowerment also requires an administrative will, suitable environment and also the factors leading to empowerment. This study focuses on the various dimensions which lead to empowerment in an organization. This study also aims to find the level of empowerment in service sector and the manufacturing sector organizations. It also attempts to find the correlation between various dimensions of Empowerment. The questionnaire was administered to 281 employees of 8 companies belonging to manufacturing and service sector organizations of Mumbai & Pune. The findings of the study indicate that the manufacturing sector employees are more empowered than the service sector employees. It also indicates that there is a positive correlation between empowerment and various dimensions leading to Empowerment.

**Key words:** Empowerment, Meaning, Competence, Self-determination, Impact.

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## 1.0 Introduction

Earlier in the industrial setting, employees were only involved in physical activities and had to only work on machines. However, now with a dynamic service sector and knowledge economy, the role of employees is not limited to producing predetermined number of units of products in a factory. Today employees are required to perform under challenging and ever changing environment. They need to take quick decisions and actions to achieve organizational goals. Empowerment has gained tremendous importance in today's globalized world. Empowerment is a very important Management and Leadership theme

in the dynamic world of business. Empowerment is the authority to take decisions independently, concerning one's own area of work. Empowerment is the process where employees are not just delegated the work but also given the authority and responsibility to perform work effectively. Employees are also given the resources required to perform their jobs. Hence what differentiates mere delegation of work from empowerment is that empowered employees are given authority, responsibility and resources on a routine basis, to perform their job effectively. Empowerment gives adequate freedom to employees to do their jobs and solve job related problems, in order to achieve the

goals of the organization. The underlying assumption is that the employees have the necessary skills, understanding and the capability to perform their job without much supervision. Normally Empowerment is considered to be a process where the power flows from a superior to a subordinate; it cannot be concluded as unilateral action of a superior. It needs to be understood that there are many factors that contribute to empowerment of employees in an organization. Effective implementation of empowerment programs requires strong organizational commitment, administrative will and an appropriate policy. It is important to educate managers at all levels and all the subordinate employees across the organization. Empowerment can be a source of intrinsic reward and can substantially motivate employees to perform better. There are several factors that leads to empowerment of employees in an organization. These factors can also be referred as Micro Components or dimensions which leads to overall empowerment in an organization.

Quinn & Spreitzer (1997) suggests that there are two schools of thought, one being, empowerment is about delegation and accountability, a top-down process where senior leaders articulate a vision and specific goals, and hold followers responsible for achieving them. Whereas others believe that empowerment is more of a bottom-up approach that focuses on intelligent risk taking, growth, change, trust and ownership; followers act as entrepreneurs and owners who question rules and make intelligent decisions. Leaders tolerate mistakes and encourage cooperative behavior in this approach to empowerment. These conceptualizations of empowerment have very different implications for leaders and followers. This confusing conceptualization of

empowerment is the very reason for empowerment initiatives to fail.

Ford & Fottler (1995) argues that empowerment is a matter of degree rather than an absolute. Some employees or teams may be more empowered than others in the same organizations. Greenberg (2011) states that an important trend has been occurring in organizations these days: power is shifting downward. Top managers are granting more and more power to lower-level managers and supervisors are putting power into the hands of employees themselves. Hughes, Ginnett & Curphy (2009) Empowerment has been used by many companies to improve results, yet the success of these programs has been mixed. One of the reasons for the mixed results is that empowerment often means different things to different people.

## **2.0 Review of Literature**

### **2.1 Employee Empowerment Defined**

Empowerment is a process in which power is delegated to subordinates to bring about greater responsibility in balancing the achievement of both personal and organizational goals (French, Rayner, Rees & Rumbles 2011).

Hersey, Blanchard & Johnson (2008) suggests that employee empowerment is a popular management theme, which is an extension of delegation. It entails reduction in the authority of the supervisor and distributing it to the employees.

Empowerment is the process by which senior managers help and support subordinates to acquire and use power needed to make decisions affecting themselves and also their job (Schermerhorn, Hunt, Osborn & Uhl-Bien, 2011)

Hughes, Ginnett & Curphy (2009)

defines empowerment as having two components. First, for leaders to truly empower employees they must delegate leadership and decision making down to the lowest level possible and the second component is to equip followers with the resources, knowledge and skills necessary to make good decisions.

Spreitzer (1995) defines psychological empowerment as a motivational construct manifested in four cognitions: meaning, competence, self-determination, and impact. Together, these four cognitions or dimensions reflect an active orientation to a work role, in which an individual wishes and feels able to shape his or her work role and context. These four dimensions combine additively to create an overall construct of psychological empowerment. These four dimensions of empowerment are explained below.

**Meaning:** Meaning is the value of a work goal or purpose which an employee associates to his work, judged in relation to an individual's own ideal or standards (Thomas & Velthouse, 1990).

**Competence:** Competence or self-efficacy is an individual's belief in his or her capability to perform activities with skill (Gist, 1987).

**Self-determination:** Self-determination is an individual's sense of having choice in initiating and regulating actions (Deci, Connell, & Ryan, 1989)

**Impact:** Impact is the degree to which an individual can influence strategic, Administrative or operating outcomes at work (Ashforth, 1989)

Atchison(1991) defines empowerment as giving employees both responsibilities and authority to make decisions pertaining to all aspects of their work, including product

development or customer service. The employees are then held accountable for the product or services they produce. In turn the employees are compensated by sharing the resulting profits or losses of the company. Randolph & Sashkin (2002) also states that empowerment is the process of giving all the employees, the authority to make decisions and to be responsible for their outcomes. Self-managed teams are good examples of empowered employees who are given the responsibility of leading their own teams and ensuring that they achieve the desired goals and objectives.

## **2.2 Employee Empowerment Perspectives**

Empowerment focuses on liberating employees and not controlling them and balancing the attainment of personal and organizational goals. The management implements these processes by delegating and encouraging employees to take up leadership roles in the organization (French, Rayner, Rees& Rumbles 2011).

The results of empowerment are more rewarding and useful. Empowerment will allow the supervisors to focus more on the important tasks and will make the employees more effective and happier (Ransom, 1992).

Conger & Kanungo (1988) identifies four important stages in the process of empowerment: 1. identify the conditions that contribute to low self-efficacy like poor communication or authoritarianism. 2. Implement empowerment strategies and techniques that transfer power and responsibility in the hands of employees who are closest to the problem or job. 3. Provide self-efficacy information directly to the concerned employees. 4. Create a 'can do' mentality or positive attitude and a real experience and feeling of empowerment.

Nelson & Quick (2011) emphasizes that empowerment requires the development of some skills like Competence Skill, process skills, cooperative behavior and Communication skills. Harari (1993) views empowerment as a tool to liberate employees from organizational constraints, which brings about proactive behavior and accountability. Empowerment is a feeling and an experience as a consequence of liberation. Power cannot be transferred from one person to other, it is condition where people feel powerful and choose to create power for themselves.

The concept of empowerment focuses on the ability to get things done. Power is relational, in terms of problems and opportunities, not just individuals. Hence each empowerment attempt must be evaluated in the light of how power in the organization will be changed. (Schermerhorn, Hunt, Osborn & Uhl-Bien, 2011). Pfeffer (2005) suggests that the goal of the organization must transcend beyond empowering people to link employees with organizational strategy. In order to achieve this level the organization needs to develop job security, pay higher wages, incentives & ownership, encourage information sharing and participation, train and develop employees, organizing employees into self-managed teams and pursue symbolic egalitarianism.

The important assumption of empowerment is that everyone has an internal need for self-determination and a need to cope with environmental demands directly (French, Rayner, Rees & Rumbles 2011). Hughes, Ginnett & Curphy (2009) argues that, although the motivational benefits of empowerment can be debated, there is no doubt that empowerment leads to learning and stress reduction. Properly designed and implemented empowerment programs helps employees to learn more about

their jobs, company and industry. This collective knowledge and skill of employees can improve the intellectual capital of the company and can be a competitive advantage for the organization. Mullins (2010) argues that trust and confidence in subordinates, manager's own performance and also system of delegation contributes to empowerment and is a key ingredient of effective management. Schermerhorn, Hunt, Osborn & Uhl-Bien (2011) argues that the top level managers don't have to give up their power in order to empower subordinates. They just have to give up the illusion of control- the false belief that they can control and monitor the activities of employees much lower in rank. Greenberg (2011) emphasizes that when employees are empowered, their supervisors are more likely to be like teachers or facilitators who guides their work groups by using their knowledge and experience and not like bosses who use coercive power to push people around. Mullins (2010) emphasizes that the empowerment facilitates the removal of constraints and grants autonomy to employees for taking independent actions without having to consult their supervisors. Atchison (1991) states that the purpose of empowerment is not just listening to employees or giving them a feeling of participation but also allowing employees to make decisions in their own areas of work and truly sharing the power in the organization. Johnson, Scholes & Whittington (2011) argues that instead of having only a top-down approach to empowerment, the only way to truly empower employees, is to accept responsibility at every level in terms of bringing in fresh ideas, for innovation and also for managing change. This would naturally call for more employee participation in an effort to bring about change. Schermerhorn, Hunt, Osborn & Uhl-Bien (2011) argues that in an empowered

environment, higher authority and sanctions must be replaced by reason, friendliness must replace coercion and negotiation & mutual agreement must replace orders for compliance. Leaders also play a very crucial role in empowering employees. Hughes, Ginnett&Curphy (2009) suggests six best practices of empowerment, do we really want or need empowerment?, Creating a clear vision, goal and accountabilities, Developing others, Delegating decision making to followers, Leading by example and Empowerment must be systematic to be successful. Noe, Hollenbeck, Gerhart& Wright(2009) states that apart from other factors, the success of employee empowerment will also depend on sound HR practices like performance management, training, work design and appropriate compensation. Empowered employees will also require timely feedback to evaluate their work. Empowered employees are able to achieve best results if they are fully engaged in their work. With the ever increasing need of knowledge workers, employee empowerment leads to a change in focus from technical skills to general cognitive and interpersonal skills. George & Jones(2008) argues that managers and other employees of the organization needs to change the way they think about decision making in order to create empowered employees. One of essentials of empowerment is to spread the responsibility of decision making among all the employees of the organization. Johnson, Scholes & Whittington(2011) argues that though lower level empowered employees can take initiatives and can experiment at their end, in the long run this may lead to incoherence. Schermerhorn, Hunt, Osborn &Uhl-Bien (2011) argues that the important factor in empowerment is to change the way people view empowerment, from power over

others to use of power to make things happen or to get things done in the organization. Under this new definition of empowerment all employees can be more empowered and the chances to succeed can be highly improved. It is also important to have a clear, specific and transparent definition of roles and responsibilities of each employee in the organization to help managers to empower subordinates.

Anonymous(1991) argues that though it may be difficult to achieve, this change in thinking about decision making will bring about the desired results and truly empower employees. Many companies use empowerment to improve their group decision like McDonald's, Federal Express, Citibank& Xerox. Gabor(1991) states that Xerox has gone to the extent of even insisting on suppliers to use empowerment and other Total Quality Management practices to improve the quality of parts Xerox from them because of a firm belief that empowerment and sharing decision making authority can bring about improvement in the quality.

### **3.0 Objectives of the Study**

1. To evaluate the level of Empowerment in service sector and the manufacturing sector organization.
2. To study the relationship between Empowerment and organizational structure.
3. To study the role of various Dimensions leading to empowerment.

### **4.0 Hypothesis of the study**

1. The level of Empowerment differs between manufacturing and service sector organizations.
2. The Dimensions of Empowerment such as Meaning, Impact, Competence, Self



Determination and overall Empowerment differs between different levels of structure.

3. The Dimensions of Empowerment leads to overall employee Empowerment.

## 5.0 Methodology

### 5.1 Tools of data collection

#### 5.1.1 Empowerment Scale

Spreitzer (1995) defines empowerment as increased intrinsic task motivation in a set of four cognitions reflecting an individual's orientation to his work role: Meaning, Competence, Self-determination and Impact.

Spreitzer (1995) Employee Empowerment scale contains four dimensions: Meaning, Competence, Self Determination and Impact. The scale is five point Likert Type. Every dimension has five point response categories. A five point rating scale that ranged from 1 (very low) to 5 (very high) was used. The higher the score more empowerment and lower the scores less empowerment.

Reliability of the Scale: The Cronbach

Alpha Reliability coefficient for the overall empowerment construct was .72 for the industrial sample.

#### 5.1.2 Units and sample for the study (Primary Data)

The data was collected from 4 organizations of manufacturing sector and 4 organizations of the service sector. These organizations are from Mumbai and Pune in India. The sample constitutes lower, middle and higher level managers covering 141 samples from manufacturing sector and 140 samples from service sector. The sample constituted 10% of the universe of the sample in each unit. The samples were identified on the basis of convenience.

#### 5.1.3 Design of Research and Statistical Analysis

2 x 3 factorial design was used to analyze the data, 2 represents the two sectors i.e. Service and Manufacturing sectors. 3 represents the three levels of management i.e. lower, Middle and Higher level managers. 1%, 5% & 10% level of significance has been considered.

Table 1 : ANOVA Related to Meaning Dimension of Empowerment

Source of Variation	Sum of Squares	Degree of freedom	Mean Square	'F' value	Significance of 'F'	
					5%	10%
Structure	23.624	2	11.812	2.195*	-	.144
Sector	.335	1	.335	.055	-	-
Two Way Interaction (Structure X Sector)	9.717	2	4.859	.802	-	-
Residual	1666.384	275	6.060	-	-	-
Total	1699.110	280	6.068	-	-	-

\*  $P \leq 0.10$

## 6.0 Data Analysis and Interpretation

**Table 1** is the ANOVA related to meaning Dimension of Empowerment. The obtained 'F' value at the structure level (Lower level, Middle Level and Higher Level) is 2.915 which is significant. At the sector level and the

interaction level the obtained 'F' value is .055 and .802 respectively which is not significant. It indicates that the Meaning Dimension of empowerment is largely dependent on structure than on sector.

Table 2 : Structure wise Analysis of Meaning

Structure	Manufacturing			Service			Mean Difference
	Cases	Mean	S.D.	Cases	Mean	S.D.	
Lower Level	58	11.706	2,043	65	11.400	2.416	.306
Middle Level	55	12.072	2.713	53	11.886	2.722	.186
Higher Level	28	11.964	2.531	22	12.681	2.524	.717

**Table 2** relates to Mean & Standard Deviation of Meaning Dimension of Empowerment. There are three level of Structure i.e. Lower Level, Middle Level and Higher Level. It shows a comparison of Mean between Manufacturing and Service Sector. In the Manufacturing Sector the mean of Lower Level is 11.706, Middle level is 12.072 and Higher Level is 11.964. This indicates that the value of a work goal or purpose, judged in relations to an individual's own ideals or standards is demonstrated more in case of middle level employees than the lower level employees and Higher Level employees. Similarly the work goals and objectives of the organizations are more meaningful to the

employees of Higher Level than the Lower Level employees of the Manufacturing Sector. In the Service Sector the Mean of Lower Level, Middle Level and Higher Level is 11.400, 11.886 and 12.681 respectively. It is noticed that the value of goals and objectives of the organization for the employees are more demonstrated as the Level of Structure increases i.e. Middle Level employees demonstrate more value for the goals and objectives of the organization than the Lower level employees. Similarly the Higher Level Employees demonstrates a greater degree of value for the organizational goals and objectives than the i.e. Lower Level, Middle Level employees.

Table 3 : ANOVA Related to Impact Dimension of Empowerment

Source of Variation	Sum of Squares	Degree of freedom	Mean Square	'F' value	Significance of 'F'	
					5%	10%
Structure	16.641	2	8.321	1.221	-	-
Sector	29.821	1	29.821	4.376*	.037	.037
Two Way Interaction (Structure X Sector)	.942	2	.471	.067	-	-
Residual				-	-	-
Total				-	-	-

\* P ≤ 0.05

**Table 3** is the ANOVA related to the Impact Dimension of empowerment. The obtained 'F' value at the structure level is 1.221, which is not significant; however at the sector level the 'F'

value is 1.376 which is significant at 5% level of confidence. It means that the Impact Dimension of Empowerment differs between manufacturing and service sector.

Table 4 : Sector wise Analysis of Impact

Sector	No. of cases	Mean	Standard Deviation	Mean Difference
Manufacturing	141	11.801	2.600	
Service	140	11.092	2.608	.709

**Table 4** indicates sector wise analysis of Impact Dimension of Empowerment. This tabulation is carried in order to further investigate which sector has got more influence on the Impact Dimension of Empowerment. Mean value of service sector is 11.092 and manufacturing sector is 11.801. The standard deviation of

manufacturing and service sector is 2.600 and 2.608 respectively. It is found that the employees of the Manufacturing sector influence strategic, administrative or operating outcomes more than their counter parts in the Service sector.

Table 5 : ANOVA Related to Self Determination Dimension of Empowerment

Source of Variation	Sum of Squares	Degree of freedom	Mean Square	'F' value	Significance of 'F'	
					5%	10%
Structure	12.433	2	6.217	1.022	-	-
Sector	12.368	1	12.368	2.033*	-	.84
Two Way Interaction (Structure X Sector)	1.419	2	.710	.117	-	-
Residual	1672.900	275	6.083	-	-	-
Total	1702.320	280	6.080	-	-	-

\* P < 0.10

**Table 5** is the ANOVA related to Self Determination Dimension of Empowerment. The obtained 'F' value at the structure level is 2.900, which is significant. This means that the self-determination dimension of

empowerment differs between Manufacturing and Service Sector. At the sector level the obtained 'F' value is 2.033 which is not significant. At two way interaction the obtained 'F' value is .117 which is also not significant.

Table 6 Sector wise Analysis of Self Determination

Sector	No. of cases	Mean	Standard Deviation	Mean Difference
Manufacturing	141	12.014	2.354	
Service	140	11.542	2.559	.472

**Table 6** indicates Sector wise analysis of Self Determination Dimension of Empowerment. The Mean Value of Manufacturing Sector is 12.014 and the Service Sector is 11.542. It indicates that the employees of the Manufacturing Sector are more involved in their own work and they want to make sure that their

individual performances and their contribution to the organization is maximized. The individual sense of having choice in initiating and regulating actions are found to be more in Manufacturing Sector the Service Sector Organization.

Table 7 : ANOVA Related to Empowerment

Source of Variation	Sum of Squares	Degree of freedom	Mean Square	'F' value	Significance of 'F'	
					5%	10%
Structure	192.703	2	96.352	1.830*		
Sector	107.365	1	107.365	2.039		.059
Two Way Interaction (Structure X Sector)	56.952	2	28.476	.541		
Residual	14477.155	275	52.644	-	-	-
Total	14934.470	280	53.337	-	-	-

\*  $P \leq 0.10$

**Table 7** is the ANOVA pertaining to Empowerment. The Hypothesis to be tested is *“The level of Empowerment differs between Manufacturing and Service Sector Organizations”*. The Hypotheses is accepted on the basis of the obtained significance of 'F' value between Manufacturing and Service sector organizations. It shows that empowerment differs between Manufacturing and Service Sector. Another Hypothesis tested is *“The*

**Multifaceted component of Empowerment such as Meaning, Impact, Competence, Self-determination and overall Empowerment differs between different levels of structure”**. At the structure level the obtained 'F' value is 1.830, which is not significant. The obtained 'F' value at the sector level is 2.039 which is significant a 10% level of confidence. This indicates that empowerment depends largely on sector than on structure.

Table 8 : Sector wise Analysis of Empowerment

Sector	No. of cases	Mean	Standard Deviation	Mean Difference
Manufacturing	141	48.056	7.003	
Service	140	46.264	7.510	1.792

**Table 8** indicates Sector-wise Analysis of Empowerment. The mean value of Manufacturing Sector 48.056 and Service Sector is 46.264. This indicates that the employees of Manufacturing Sector have got more authority to do their jobs without any direction or intervention from their superiors. They are capable of taking decisions regarding any matter concerning their own work. It also indicates that the employees of Manufacturing Sector have more sense of value for their own

ideals or standards and they also influence the activities of the organization. The employees believe firmly on their capability to perform their work. The employees of manufacturing Sector have a greater sense of choice in initiating and regulating actions.

**Table 9** indicates the co-relation between all the dimensions of Empowerment. The correlation values suggest that there is a direct relationship between all the dimensions of Empowerment.

Table 9 : Co-relation between all the Dimensions of Empowerment

Sr. No.	ITEM	Manufacturing		Service		1	2	3	4	5
		Mean	S.D.	Mean	S.D.					
1	Meaning	11.90	2.41	11.79	2.52					
2	Competence	12.34	2.28	11.84	2.72	.425*				
3	Self-Determination	12.01	2.35	11.54	2.56	.389*	.476*			
4	Impact	11.80	2.60	11.09	2.61	.145#	.262*	.461*		

\* P ≤ 0, # P ≤ 0.05

### 7.0 Summary:

Empowerment is a multifaceted concept encompassing 4 main dimensions or micro components i.e. 'Meaning', 'Competence', 'Self-determination' and 'Impact'. These 4 main dimensions together contribute to overall employee empowerment.

Empowerment depends largely on sector than on the structure of an organization. There is a clear difference in the degree of empowerment in manufacturing and service

sector organization.

The employees of manufacturing sector are more empowered than their counterparts in the service sector organizations. The employees of employees of the manufacturing sector have got more authority to do their jobs without any intervention from their superiors. The employees of manufacturing sector have a greater sense of choice in initiating and regulating work related activities.

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# BEHAVIOURIAL ANALYSIS OF INVESTMENT PREFERENCE OF RETAIL INVESTORS

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**Abstract :** Households don't spend all of their income but save some of them for various purposes. One of these purposes is to invest. The choice of investment avenues and criteria of investment are affected not only by financial factors but also by socio-psychological factors. It is seen that investors are more loyal and attached with a particular type of investment preferences. So it is very important to study the motivational factors that drive them for selecting the investment avenues. It plays a vital role in determining the behavior of investors. Present paper analyzes investment pattern and criteria adopted by retail investors while investing their money. In this paper, motivational factors for investment are classified into five categories and investment choices are classified into nine categories. Ranking analysis is used to study investment preference on the basis of socio-economic factors of investors. The results show that investment choices of households are affected not only by economic factors but also by personal factors. This study will help not only the investors but also the different financial institutions, organizations and consultants in identifying the main factors that induces investors to invest in different avenues.

**Key words:** Investment avenues, safety and security, Liquidity, Better Returns, Future Plan, Family Obligation

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## 1.0 Introduction

The money you earn is partly spent and the rest saved for meeting future expenses. Instead of keeping the savings idle you may like to use savings in order to get return on it in the future is called as investment. It involves the commitment of funds made in the expectation of some positive rate of return. Investment means putting money into something with the expectation of gain, which upon thorough analysis, has a high degree of security for the principal amount, as well as security of return, within an expected period of time. In contrast putting money into something with an expectation of gain without thorough analysis, without security of principal, and without security of return is speculation or gambling.

In finance, investment means the purchase of a financial product with an expectation of favorable future returns. Various investment options are for the retail investor such as bank deposit, mutual fund, shares, debenture, bonds, insurances, real estate, bullion market etc. offering differing risk-reward tradeoffs. Each investment options has its own features which are mentioned below.

## 1.1 Investment Objectives of Retail Investors

Investing is a process to utilize savings and many have made their fortunes in that process. The starting point in this process is to determine the characteristics of the various investments and then matching them with the individuals need and preferences. All personal investing is designed in order to achieve certain

objectives. These objectives may be tangible such as buying a vehicle, real estate etc. and intangible objectives such as social status, security etc. similarly; these objectives may be classified as financial or personal objectives. Financial objectives are safety, profitability, and liquidity. Personal or individual objectives may be related to personal characteristics of individuals such as family commitments, status, dependents, educational requirements, income, consumption and provision for retirement etc. Secondary objectives of the retail investors are cost of inflation, tax minimization and retirement.

## **1.2 Investment Avenues**

There are various investment avenues available in the market for the retail investor such as bank deposit, mutual fund, shares, debenture, bonds, insurances, real estate, bullion market etc. Each one has its own features which are mentioned below.

### **1.2.1 Bank Deposits**

They cover the fixed deposits of varied tenors offered by the commercial banks and other non-banking financial institutions. These are generally a low risk propositions as the commercial banks are believed to return the amount due without default. By and large these FDs are the preferred choice of risk-averse Indian investors who rate safety of capital & ease of investment above all parameters. Largely, these investments earn a marginal rate of return of 06 to 08 percent per annum.

### **1.2.2 Mutual Funds**

There is a collection of investors in Mutual funds that have professional fund managers that invest in the stock market collectively on behalf of investors. Mutual funds offer a better route to investing in equities for lay investors. A mutual fund acts like a professional

fund manager, investing the money and passing the returns to its investors.

### **1.2.3 PPF / EPF**

*The public provident fund (PPF) is an attractive scheme introduced in 1969. The period of public provident fund (PPF) account is stated is to be 15 years, the numbers of operations have to be 16. The maximum permissible deposit per year is Rs. 70,000. PPF Deposit earns currently interest rate of 8.5% per annum which is totally exempted from tax. Employee provident fund (EPF) provide a separate account in which both the employer and employee are required to contribute a certain amount on a monthly basis where the contribution made by the employee is fully tax exempt, the contribution made by the employee can be deducted before computing the taxable income.*

### **1.2.4 Equity Shares & Preference Shares**

Stocks are a unique kind of investment because they allow you to take partial ownership in a company. Because of this, the returns are potentially bigger and they have a history of being a wise way to invest your money.

### **1.2.5 Real Estate**

**Real Estate** is a tangible kind of investment. It includes your land and anything permanently attached to your piece of property. This may include your home, rental properties, your company or empty pieces of land. Real estate is typically a smart and can make you a lot of money over time. Returns are almost guaranteed because property values are always on the rise due to a growing world population.

### **1.2.6 Life Insurance Scheme**

Insurance in India is mostly sold and bought as investment products. They are preferred because of their add-on benefits like



financial life-cover, tax-savings and satisfactory returns. Life Insurance policies are another kind of investment that is fairly popular. It is a way to ensure income for your family when you die. It allows you a sense of security and provides a valuable tax deduction.

### **1.2.7 Bullion (Gold & Silver)**

Precious metals like gold and silver had been a safe heaven for Indian investors since ages. Besides jewellery these metals are used for investment purposes also. Gold and silver have highly appreciated in value both in the domestic as well as the international markets. In addition to its attributes as a store of value, the case for investing in gold revolves around the role it can play as a portfolio diversifier.

### **1.2.8 Private Lending**

Private money lending is also known as money lending, or fund loaned by a private investor who is supplying the funds from personal assets. Private money loans often operate under the same terms as more common loans, and are often made for a smaller amount. Family, relatives and friends are one of the first source of private loans.

## **2.0 Objectives of the Research**

1. To understand investment pattern of retail investors
2. To analyze preference of investors about investment avenues.
3. To evaluate the criteria adopted by retail investors while investing their money.

## **3.0 Methodology**

Research Methodology adopted in the present study to find investment pattern of salary earners and professionals has been described hereunder. This study is explorative in nature, in the sense that it focuses basically on exploring awareness of investment avenues and considerations while investment.

Present study attempts to study the factors that the respondents consider most before investing money. Sample size of 200 is selected at random those who have surplus income to invest. For this purpose, five factors were suggested to a sample 200 respondents from Solapur city, each one was asked to rank them according to the importance given by the respondents to the factor while investing their money.

- Safety & Security (SS)
- Liquidity (LI)
- Better Returns (BR)
- Future Plan (FP)
- Family Obligation (FO)

The result were analyzed for all the 200 respondents and also for different categories of respondents, based on socio-economic factors, age, gender, occupation and educational qualification with the help of Spearman's Rank Correlation and t-statistic  $\{t = R \sqrt{n - 2} / 1 - R^2\}$  is used to test of significance of the value obtained. This indicates the most & least considered factor by respondents while investing their money.

In order to study the investment preference about investment avenues (Gold, Shares, Deposits, Pension Fund, Mutual Fund, Real Estate, Insurance, Private lending) respondents was asked to rank them according to the preference. The result were analyzed for different categories of respondents, based on socio-economic factors, age, gender, occupation and educational qualification with the help of Spearman's Rank Correlation and t-statistic is used to test of significance of the value obtained. Weighted score were calculated for ranked factors and avenues to find out weighted rank.

#### 4.0 Review of Literature

Some studies have been carried out to examine the investment preferences and practices of the individual investors. Lewellen (1977) found that age, sex, income and education affect investors' preferences. The investment decision making process of individuals has been explored through experiments by Barua and Srinivasan (1986, 1987, 1991). They conclude that the risk perceptions of individuals are significantly influenced by the skewness of the return distribution. This implies that while taking investment decisions, investors are concerned about the possibility of maximum losses in addition to the variability of returns. Thus the mean variance framework does not fully explain the investment decision making process of individuals. Study by Rajarajan (2000) revealed an association between lifestyle clusters and investment related characteristics. Bandgar (1998) in his study found that investors are educated in investment decision making. Study carried out by V K Somsundaram in the year 1999 in Coimbatore district to understand investment pattern of salaried class. Soch and Sandhu (2000) have studied perceptions of bank depositors on quality circles, customer complaint cell, quality, priority banking, tele-banking, and customer meets in private banks. Study by Rafael La Porta et al., (2000) reveal that a strong investor protection is a manifestation of the security of property. Karmaker (2000) has found that the life insurance policy is the most popular investment avenue. Huberman (2001) is of the opinion that a person is more likely to invest in companies known to him and stay away from the unknown avenues. ASSOCHAM (2010) in a nationwide study of investment pattern in urban India found

that 65 percent investment by the Indians was in real estates, 20 percent in gold and precious metals, 10 percent in governments bonds , deposits in nationalized banks, insurance, provident fund and post offices. Only 5 percent investments by the urban Indians was in Stocks, Debentures and Mutual Funds (Hindu 13<sup>th</sup> Dec 2010 New Delhi ed.)

#### 5.0 Empirical Analysis

Table 1, shows socio-economic profile of respondents, total sample size is 200, out of which 81% are male and 19 % are female. 47% respondents are below the age of 35 years and 53% are above the age of 35 years. Out of total 33% respondents having income of up to 01 lacs 32.5% respondents has income 01 to 02 lacs, 14.5% respondents belongs to the income group of 02 to 03 lacs, 20% of the respondents having income of above 03 lacs. Around 57% investors do expect 10 to 20 percent returns on their investment and 12% respondents expects above 20 percent returns on their investment. Around 76% respondents have their own house and 24% respondents live in rented house. As far as level of risk tolerance is concern 2.5% respondents belongs to high risk category, 31.5% respondents ready to accept moderate risk, 12% respondents bear low level risk, 33.5% respondents admits average level risk and 20.5% respondents belongs to no risk tolerance category. 42% of the investors take their investment decision with the consult of friends and relatives and 21% with the consultants of professional consultants.

From the table 2, it is clear that investors invest their money by giving first preference to security of their money followed future plan. Thus the respondents under study give very less preference to liquidity and family obligations.

Table 1 : Socio - Economic Profile of the Respondents

	Characteristics	No. of respondents	in %
		200	100
Gender	Male	162	81
	Female	38	19
Age	Below 25 Years	8	4
	25 to 35 Years	86	43
	35 to 45 Years	63	31.5
	Above 45 Years	43	21.5
Occupation	Salary Earners	148	74
	Professionals	52	26
Annual Income (in lakh)	Up to 01 lakh	66	33
	01 to 02 lakh	65	32.5
	02 to 03 lakh	29	14.5
	03 to 04 lakh	12	6
	Above 05 lakh	28	14
Expected Rate o n Investment	Up to 10 %	63	31.5
	10% to 20%	113	56.5
	Above 20%	24	12
Ownership of house	Own house	152	76
	Rented house	48	24
Level of Risk Tolerance	High Risk	05	2.5
	Moderate Risk	63	31.5
	Low Risk	24	12
	Average Risk	67	33.5
	No Risk	41	20.5
Source of Information for Investment Decision	Advertisement	08	04
	Friends/ Relatives	84	42
	Agents	37	18.5
	Consultants	42	21
	Business News	29	14.5

Table 3, indicates that Spearman's rank correlation coefficient is '0.9' that means there is high degree association between ranking about investment motives by male & female respondents.

Table 4, respondents below 25 years of age group has given first preference to security, second preference for better returns followed by future plan and family obligations. The respondent belongs to the age group of 25 to 35 years age group gave first preference to safety

and security, second preference to return on investment, this group of investors has given least preference to future plan and family obligations and average importance to liquidity. The investors of our study of between the ages of 35 to 45 years consider future plan is the most preferred factor followed by better returns and security. The investors belongs to age of above 45 years have given first preference to future plan and second preference to security, least considered factors of this age group are liquidity and family obligations.

Table 2 : Gender of the Respondents and Motives of the Investment

Weighted Score and Weighted Ranks of the Respondent about Motives of Investment

Motivating Factor	I Rank	II Rank	III Rank	IV Rank	V Rank	Weighted Score	Weighted Rank
SS	77	30	63	18	12	742	1
LI	8	34	42	44	72	462	5
BR	31	60	42	47	20	635	3
FP	63	41	24	55	17	678	2
FO	21	35	29	36	79	483	4
Total	200	200	200	200	200		

Source: Primary Data

Table 5, depicts rank correlation coefficient between investment motive and different age groups. It is seen that there is a high degree of correlation coefficient found in the age group of 35 to 45 years and above 45 years age group. To test significance of the coefficient of rank correlation t-statistic was used at a 5% level of significance. The result indicates that there is no significant difference between the motivational factors considered by different age groups of investors.

From the table 6, it is ascertained that most of the investors assign first preference to gold, second preference to fixed deposits with motive of security and better return on investment. Then they have given preference to investment in real estate, provident fund, and pension fund in anticipation of future planning. The investors have given less preference to private lending, mutual fund, insurance and shares.

Table 3 : Ranking of Investment Motives on the basis of Gender of the Respondents

Motivating Factor	Male N= 162 ( 1)	Female N= 38 ( 2)	(1-2) <sup>2</sup> d1 <sup>2</sup>
SS	1	1	0
LI	4	5	1
BR	3	2	0
FP	2	3	0
FO	5	4	1
			Σd1 <sup>2</sup> =2
$R = 1 - \left\{ \frac{6 \sum d1^2}{N^3 - N} \right\}$ $R = 0.9$			

Source: Primary Data

From the table 7, we can say that male investors have given first preference to invest their money in gold and second preference to fixed deposit and followed by real estate and provident fund but given less preference to insurance, shares and mutual funds. On the other hand female investors have assign first

preference to investment in fixed deposits and second preference to gold and remaining preferences are similar to male investors. Spearman's rank correlation coefficient between male and female respondents is '0.81' indicates high degree positive association.

Table 4 : Ranking of Investment Motives on the basis of Age of the Respondents

	Below 25 Years N = 8 (1)	25 to 35 Years N=86 (2)	35 to 45 Years N=63 (3)	Above 45 Years N=43 (4)	(1-2) <sup>2</sup> d1 <sup>2</sup>	(1-3) <sup>2</sup> d2 <sup>2</sup>	(1-4) <sup>2</sup> d3 <sup>2</sup>	(2-3) <sup>2</sup> d4 <sup>2</sup>	(2-4) <sup>2</sup> d5 <sup>2</sup>	(3-4) <sup>2</sup> d6 <sup>2</sup>
Investment Motives										
SS	1	1	2.5	2	0	2.25	1	2.25	1	0.25
LI	5	3	5	5	4	0	0	4	4	0
BR	2	2	2.5	3	0	0.25	1	0.25	1	0.25
FP	3.5	4	1	1	0.25	6.25	6.25	9	9	0
FO	3.5	5	4	4	2.25	0.25	0.25	1	1	0
					∑d1 <sup>2</sup> = 6.5	∑d2 <sup>2</sup> = 9	∑d3 <sup>2</sup> = 8.5	∑d4 <sup>2</sup> = 16.5	∑d5 <sup>2</sup> = 16	∑d6 <sup>2</sup> = 0.5

Table 8, indicates that ranking of investment avenues according to different income slabs of investors. Most of the respondents have given first preference to

investment in gold followed by deposits. Respondents have assigned less preference to private lending, shares and mutual fund.

Table 5 : Result of Rank Correlation - Relationship Between Age and Investment Motives

Category	R Value	Calculated t' Value	Degree of Freedom	Table Value	Hypothesis Result
(1-2)	0.6668 9	1.55011	3	3.18	No association exist
(1-3)	0.52632	1.07211	3	3.18	No association exist
(1-4)	0.56429	1.18387	3	3.18	No association exist
(2-3)	0.1539	0.26977	3	3.18	No association exist
(2-4)	0.2	0.35355	3	3.18	No association exist
(3-4)	0.97468	7.54 983	3	3.18	Close association exist

Source: Primary Data

It is seen from table no. 09, that there is high degree positive correlation coefficient between rankings for different income group of investors. The significance of the coefficient of rank correlation was tested by using t- statistic at

a 5% level of significance. The result indicates that there is close association exist between preference for investment avenues and different income group of investors at a 5% level of significance.

Table 6 : Weighted Score and Ranking of the Respondent about Investment Avenues Rank

Investment Avenues	I	II	III	IV	V	VI	VII	VII	IX	Total	Weigh ted Score	Weig hted Rank
Gold	49	54	48	12	9	8	12	8	0	200	1410	1
Shares	10	9	12	27	26	23	35	25	33	200	818	6
Deposits	46	48	25	31	20	4	4	9	13	200	1318	2
PF	20	16	39	37	31	25	15	13	4	200	1133	4
Pension Fund	12	8	20	31	34	40	40	11	4	200	974	5
Mutual Fund	0	1	0	25	36	44	49	31	14	200	737	8
Real Estate	48	21	33	5	23	23	8	27	12	200	1158	3
Insurance	16	32	4	12	13	15	9	44	55	200	795	7
Private Lending	0	11	19	20	8	18	23	40	61	200	663	9

Source: Primary Data

Table 10, indicate that there uniformity in first two preferences by salary earners and professionals those are gold and fixed deposit accordingly. As most of the investment preferences of salary earners and professionals are similar, least preferred avenues are also

common those are private lending, insurance, mutual funds and shares. The spearman rank correlation between these two is categories is '0.85', implies high degree of positive association.

Table 7 : Ranking for Investment Preference on the basis Gender of the Respondents

Investment Avenues	Male N= 162 (1)	Female N= 38 (2)	(1-2) <sup>2</sup> d1 <sup>2</sup>
Gold	1	2	1
Shares	7	7	0
Deposits	2	1	1
PF	4	3	1
Pension Fund	5	4	1
Mutual Fund	8	6	4
Real Estate	3	5	4
Insurance	6	9	9
Private Lending	9	8	1
			$\Sigma d1^2 = 22$
$R = 1 - \{6\Sigma d1^2 / N^3 - N\}$ $R = 0.81$			

Source: Primary Data

Table 8 : Weighted Ranks of Respondents for Investment Avenues on the basis of Income Groups

Investment Avenues	Up to 01 Lakh N = 66 (1)	01 to 02 lakh N = 65 (2)	02 to 03 lakh N = 29 (3)	03 to 04 lakh N = 12 (4)	Above 05 lakh N = 28 (5)
Gold	1	3	1	1	1
Shares	7	9	8	6	5
Deposits	2	1	3	2.5	2
PF	4	4	2	2.5	3
Pension Fund	5	5	5	4.5	4
Mutual Fund	9	8	6	7	6
Real Estate	3	2	4	4.5	3
Insurance	6	7	7	8	7
Private Lending	8	6	9	9	8

## 6.0 Findings:

- Out of the total respondents most of the investors invest their money in anticipation of good return as compared to provision for future.
- Expected rate of return on investment

categorized is lying between 10 to 20%. Out of total respondents. 56.5% respondents expect 10% to 20% return on investment.

- Both male & female respondents up to 35 years of age invest their money keeping in mind safeguard of their principal as well as good return on their investment, but

- respondents above 35 years of age invest to safeguard their future.
- All respondents have given first preference to invest their money in gold and second preference to fixed deposit followed by real estate and provident fund. There is high degree positive correlation in ranking by male and female respondents for investment avenues.
  - Most of the investment decisions are induced through the information from friends and relatives rather than advertisements, news, consultants etc.
  - In general safety and security is the most considered factor while investment decision followed by future plan. There is high degree association between ranking by male and female respondents about investment motives.

Table 9 : Result of Rank Correlation - Relationship Between Investment Avenues and Income Groups of Investors

Income Groups	R Value	Calculated Value - t	Degree of Freedom	Table Value	Hypothesis Result
(1-2)	0.866666667	4.596194078	7	2.365	Close association exist
(1-3)	0.85	4.26910122	7	2.365	Close association exist
(1-4)	0.873980439	4.758271569	7	2.365	Close association exist
(1-5)	0.895273786	5.316688403	7	2.365	Close association exist
(2-3)	0.75	3	7	2.365	Close association exist
(2-4)	0.705907278	2.636797812	7	2.365	Close association exist
(2-5)	0.739573997	2.90714723	7	2.365	Close association exist
(3-4)	0.941209704	7.371338662	7	2.365	Close association exist
(3-5)	0.914736259	5.989743748	7	2.365	Close association exist
(4-5)	0.98133584	13.50154312	7	2.365	Close association exist

Source: Primary Data

Table 10 : Ranking for Investment Avenues by Salary Earners and Professionals

Investment Avenues	Salary Earners N= 148 (1)	Professionals N= 52 (2)	(1-2) <sup>2</sup> d1 <sup>2</sup>
Gold	1	1	0
Shares	7	6.5	0.25
Deposits	2	2	0
PF	3	4	1
Pension Fund	5	5	0
Mutual Fund	8	8	0
Real Estate	4	3	1
Insurance	6	9	9
Private Lending	9	6.5	6.25
			$\Sigma d1^2 = 17.5$
$R = 1 - \frac{6 \Sigma d1^2}{N^3 - N}$ $R = 0.85$			



- It is found except one case there is medium degree of positive correlation between investment motive and different age groups investors, and there is no significant difference between rankings for motivational factors by different age groups of the respondents at 5% level of significance.
- There is high degree positive correlation coefficient in ranking by different income group of investors for investment avenues.
- As most of the investment preferences of salary earners and professionals are similar, the spearman rank correlation between these two is categories is '0.85', implies high degree of positive association.

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# TURN-AROUND STORY OF THE KOLHAPUR STEEL LTD

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The Kolhapur Steel Ltd., Kolhapur

## 1.0 Introduction

THE KOLHAPUR STEEL LIMITED is well known for manufacturing steel castings for industries such as Energy, Power sector, Engineering, Mining, Marine, Pump & Valve and Sugar sector. The Company is having the capacity to manufacture 14 ton single piece casting with the help of two induction furnaces of 5 ton each capacity and two arc furnaces of 5 ton each capacity. The Company is known for catering special critical castings to the Mining and power sectors which require ultrasonic and x-ray quality castings. The Company manufactures alloy castings, stainless steel and super duplex steel castings. It has approval, for ISO 9001:2008, and castings made under Lloyd's Register of Shipping, Indian Register of Shipping, and Indian Boiler Regulations – IBR.

Keywords: Root cause of distress, Mind set change, Marketing Strategy, Procurement Strategy, Cost cutting initiatives.

## 2.0 History of The Company

TKSL is an industrial unit manufacturing steel castings, was established on 26th May 1965 by the well known industrialists from Kolhapur Late Y. P. Powar and Late Rambhai Samani. The idea behind establishing this was employment generation to the nearby village people. Later this company was under the management of Pune based 'Bhale Group'.

In 1998, 'M/s Brihan Maharashtra Sugar Syndicate Group' had taken over the company.

In the year 2007 (19<sup>th</sup> September),

because of the financial crisis, the change in Management took place, and the company was taken over by M/s. Kirloskar Brothers Ltd. (KBL) and the saga of revival started in November 2007. Various measures were initialized and within a short span of time (3 years ) the company was able to revive from accumulated losses of 16.65 cr. to PBT of 5.74 cores by the end of financial year 2009-10.

## 3.0 The Organization

THE KOLHAPUR STEEL LIMITED. An ISO 9001 2008, EMS-14000: 2004 certified foundry situated on Pune Bangalore National Highway-4. It is 10 Km away from main city (CBS & Railway Station) at Nagaon Phata, Shirol MIDC. The approximate Area of the campus is 25 acres inclusive of factory & office around 139000 square feet. Under the head Corporate Social Responsibility(CSR) Company has carried out number of social activities viz. Pure Drinking water system, books to the needy students, computers to nearby ZP schools, Blinkers on Highway also company providing the facility of Community Hall for cultural activities and for spiritual needs, one temple (Shri Hanuman) to nearby rural villagers.

The management by 'BHALE GROUP' changed hands in 1998 to 'Agashe group'. This group was running TKSL till 19th Sept.2007. The accumulated losses until 2006-07 were Rs.16.00 crores. During 2006-07 the company was declared a sick unit by BIFR, and promoters

were searching to find suitable buyers. M/S KIRLOSKAR BROTHERS LTD. (KBL) was a successful bidder in taking over the management. The Kolhapur Steel Limited is taken over by M/S KIRLOSKAR BROTHERS LTD on 19<sup>th</sup> September 2007. Recently TKSL celebrated its 47<sup>th</sup> Foundation Day.

The Promoter's foresight, hard work & systematic planning has expanded the company from a mere 100 MT steel castings per annum to present production of 4000 MT per annum in the weight range of 300 kgs to 13 MT (Single Piece) with governing dimension 4M x 4M x 1M. In the process of expansion new machinery like 5 MT furnaces, EOT cranes, Heat Treatment furnaces and many other equipments were installed.

Additional factory bay of 15000 sq.ft. was added. Modern equipments like Spectrometer, Microscope, Ultrasonic Testing Machine, Radiography and all equipments required for accurate quick results, were added to assess the quality assurance in the production.

Today the company is approved by Lloyds Register of Shipping (U.K.), Indian Register of Shipping & Indian Boilers Registration. The foundry is also approved by TÜV SUD for ISO 9001:2000.

TKSL is producing wide variety of castings starting from Marine Equipment, Hydraulic Machinery, Earthmovers Industry, Turbine Parts, Sugar Mill, Cement Mill, and Engineering to Radiography quality casting like Valves. TKSL produces casting conforming to all National and International grades in plain carbon steel, low and medium Alloy Steel, Stainless Steel & Duplex Stainless Steel are the recent achievement of the company.

#### 4.0 The Crisis

During the financial year 2006-07, Company had accumulated losses of around Rs.16.00 cores, and the Company was declared a sick unit by BIFR. In the year 2007, because of financial crisis, the change in Management took place and the company was taken over by 'M/s KIRLOSKAR BROTHERS LTD.' and the SAGA of revival started in Nov. 2007. The company could achieve a 'complete Turn-around' within six months, since the take over by new KBL management, and in the year 2008-09 the Company made operating profit of Rs.2.60 cores with turn over of Rs.32.00 cores. In the first seven months of 2009-10, the operating profit amounted to Rs.3.3 cores. Today after two years, Company is coming out of BIFR and is on a steady and sound footing of sustainable growth and increased profitability.

#### 5.0 Situation Analysis

KIRLOSKAR management, after taking over in 2007, made detailed study of the various bottlenecks and achieved break-even in short period of six months. The main areas requiring urgent attention were:

- Manpower training and utilization of available skilled labor - Mind set changed.
- Efficient purchase with multiple suppliers' arrangement.
- Focus on good clientele with high value orders.
- Revamping of marketing policies to support reasonable profitability.
- Improvement of quality systems and development of new grades.
- Proper utilization of existing resources without any major investment.
- Boosting team work and improving employee morale.

## 6.0 New Management Approach

Keeping in view the above factors, new strategies were put in place to steer the Company and give it strong direction and leadership.

### □ Change of Top Management:

A new Chief Executive was appointed as a part of restructuring and was given all the powers to effect necessary changes and aim at turn around.

### □ Restructuring of organisation:

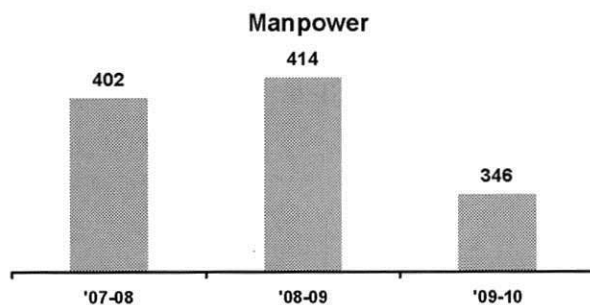
All the departments were revamped with renewed focus on departmental objectives and each of the managers was given 'key result areas'. The highlights of the turnaround are enlisted below.

## 7.0 Human Resource Initiatives

Emphasis was made on developing ethical and morale discipline in the whole system by giving strong message that progress is possible, only with consistent performance and work discipline. The management assured that there shall be positive measures taken by management on their training and welfare and at the same time, whole team including workers' union was briefed of the tough challenges ahead and how the company would like to see through times and create success story for everyone. This required our HR department to play a key role in transforming their mind set to efficient, lean and productive team contributing to quality and timely delivery and changed approach to the production challenges. Classroom sessions, were an on going process, to train their minds and work ethics so as to :

- To boost up morale of the workmen - the management entered in to three year wage agreement giving substantial increase in pay and perks. (2008 to 2011)

- Training of workmen and employees was systematically planned to boost up their morale, responsibilities and technical knowledge.
- Proper discipline maintained to obtain higher productivity.
- Optimum manpower utilization with the available skilled labor.
- Production bonus introduced to motivate the employees towards better productivity and company success.
- Various CSR activities are initiated to boost up the morale of the workmen who hail from the surrounding villages.



## 8.0 Marketing Strategy

### 8.1 Earlier Situation

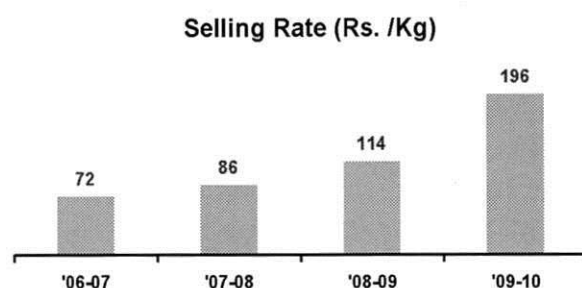
Earlier the Company was mainly manufacturing castings for sugar based industries and other engineering industries, which had low contribution. Most of the customers were bad paymasters. The no. of customers was around 300 to 400 and due to lack of marketing intelligence and inadequate planning, Company was not able to capture good clientele. New material grades and critical type of castings took more time and money compared to standard castings and as a result the company was not able to get good customer base. Lack of good customer communication also contributed poor performance.

## 8.2 New Approach

- The sale prices were adjusted with scientific costing system, and customers were approached personally by Top management in order to revamp their confidence. In spite of difficulties in the initial stages, the new management could derive 'customer confidence' and get enough orders to produce 300 to 350 ton castings on monthly basis.
- Detailed risk/return matrix was prepared and all existing customers were evaluated considering various success parameters and only 25 customers which were good pay masters were selected from the list of 300 customers.
- Strengthened the marketing team and framed marketing policies to suit customers' requirements.
- Customers were taken into confidence, and new management explained to them about the need to provide rational casting prices to benefit mutually, while assuring quality and timely delivery. This resulted in 20-25% increase in selling price by assuring quality and committed delivery.
- Adopted diversification strategy with good product mix which suited available resources and help maintain balance between margin and increased process time/money. The Company is presently concentrating mainly on critical, complicated, value added items so as to increase contribution. New material grades for stainless steel castings like duplex, super duplex have been developed which has given new and value added customer base resulting in higher sales & contribution for the company.

## 8.3 Result

- Focus on good product mix and clientele with high value orders. The average sale price was raised from 70/- rupees per kg to 150/- rupees per kg.
- Achieved increase in the selling prices from existing customers by 25% due to better quality and delivery. (Customers could afford the extra cost since it is cheaper to get good quality castings on time).



## 9.0 Procurement Strategy

### 9.1 Earlier Situation

The then Purchase procedure was having serious bottlenecks and following lacunas were found in the system.

- No arrangement for multiple supply sources.
- No competitive negotiations while purchasing the materials.
- Not enough market intelligence and so lacking the correct information for raw material sources prices.
- Lack of knowledge of substitute materials.

### 9.2 New Approach

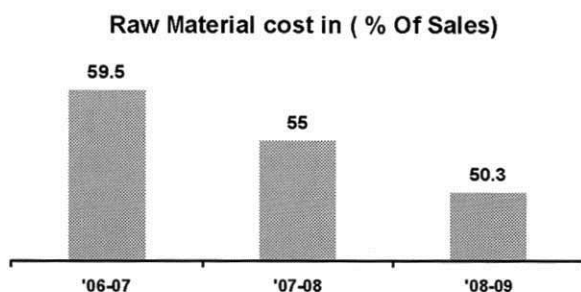
With good intentions, the suppliers were taken into confidence by the new management, prices were renegotiated offering 25 to 30% discount, and regular material flow was guaranteed.

- New guidelines were formed to effect efficient purchases.

- All the purchases are strictly monitored by top management i.e. by the Chief Executive of the company, in most cases.
- Efforts were made to add on multiple suppliers so as to procure material at competitive rates.
- Under the guidance of the Chief Executive, skillful negotiations were held with the suppliers, and the company has been successful in getting reduced rates inspite of increasing trend of rates of raw materials. The policy of 'Just in time purchase' has saved the company from blocking funds in the inventory.
- Knowledge of using substitute materials, (value engineering concept) was an on going phenomena by training purchase team on value engineering and thus resulted in reduction of input prices.
- Maximum credit period was availed and policy of advance payment was restricted only to few critical items. This is also being looked into by dialogue or developing good alternative suppliers.

### 9.3 Result

- Thus efficient purchase with multiple suppliers' arrangement reducing material cost by 15% to 20%



### 10.0 Other (cost cutting initiatives)

Various cost cutting measures were adopted.

- Use of reclaimed silica sand for moulding has effected considerable savings (700-800 ton/month) Rs.12.00 lacs/month.
- Instead of day time, Melting dept. worked arranged during night hours when the electricity charges are on lower side that way effecting considerable saving in electricity bills. (Rs. 3.00 lacs/month)
- Increased "sanctioned demand" for electricity from 2000 KVA to 4000 KVA, resulting in avoidance of penalty due to crossing of maximum demand. (Rs. 6.00 lacs/month)
- Various measures were taken to save power by creating awareness among the employees to save electricity, in each and every department.
- Refurbishing of existing heat treatment furnace, improving its working efficiency by 13% and 20% energy savings.

### 10.1 Close Monitoring of Production & Planning Process

Various performance indicators were identified for all processes, so as to eliminate bottlenecks,

- Efficient production planning were made to streamline production and dispatch.
- Monthly Dispatch planning is prepared to ensure that the orders are executed well in time. Late delivery Penalties to the tune of Rs. 50 lacs in 2007-08 were brought down to Rs. 4.00 lacs in 2008-09.
- Daily production meeting held in which day to day production, sale, recovery, and difficulties with regard to production, customers' complaint are discussed, chaired by the Chief Executive.

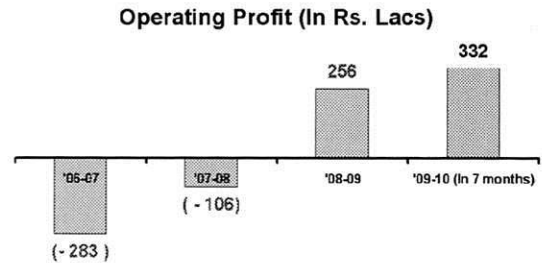
- Production data reviewed and necessary action is taken so as to meet committed deliveries.(on daily basis)
- Proper utilization of existing resources without making major investments.
- Each department working is reviewed with renewed focus on departmental objectives and each of the managers' given 'Key Result Area' and this is closely monitored by the top management.
- Developed scientific costing system which is reviewed periodically, thus effecting valuable data in costing and inputs for cost reduction.
- Quality of castings has been improved by strict process control with proper monitoring, and putting onus on groups to work as teams.

## 10.2 Technological Upgradation

Once the company had achieved positive cash flow, the Top management adopted new strategies so as to achieve sustainable growth, keeping in view latest trends in steel casting technology.

- Developed stainless steel castings with duplex and super duplex grades.
- Developed very critical and complicated castings for Power and Pump manufacturers to tap niche market.
- Addition of OMEGA Continuous Sand Mixture with 20 ton/hour for moulding and 3 ton//hour for core making.
- Implementation of SAP system to have better co-ordination and control over the processes.
- Introduction of Grit blasting machine for big castings and SS castings.
- Introduction of Material handling equipments viz. JCB and Mobile Crane for ease of handling.
- Set up of full-fledged Sand testing

Laboratory to have better control on inputs and in process control of sand.



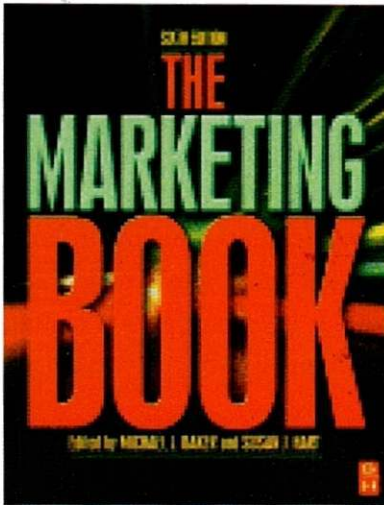
## 11.0 Conclusion

In short following key measures helped the company in quick TURNAROUND.

- Policy of just in time purchases.
- Prudent purchase policy.
- Decrease in purchase price.
- Castings have been negotiated at high selling rates with renowned customer base.
- Higher volumes of high value castings.
- By dealing in Unique products of unique grades, and catering to NICHE MARKET.
- New policy for production of SS castings,
- New policy for production of SS castings, new alloy grades leading to broader customer base.
- Re use of Silica sand for moulding led to substantial savings .(washing/reclamation)
- The time use of electricity for furnace has been shifted to night time which costs less than the day time rate of electricity.
- Increased sanctioned load for 2000 KVA to 4000 KVA and saved on penalties.
- Continuous process improvement and technology up gradation leading to cost savings and higher customer satisfaction.

Cash surplus with Company leading to negligible debts and self-financing for all capital investments.

\* \* \* \* \*



**Title: The Marketing Book, Sixth Edition**

Edited by Michael J. Baker and Susan J. Hart

Publisher Butterworth – Heinemann

Printed New Delhi, ISBN: 978-93-80501-15-4

Michael J. Baker and Susan J. Hart have edited a book on Marketing Discipline entitled as “The Marketing Book”. This is the sixth edition of the book which has been thoroughly revised. The text literature is divided under four parts and presented in thirty chapters. In all, thirty five authors specializing in marketing have contributed these chapters.

The first part of the book titled as Organization and Planning for Marketing, consists of five chapters. The beginning has been made with the introduction to marketing clarifying the marketing concept; immediately followed by post modern marketing chapter. The third chapter on relationship marketing has been covered exhaustively. The basics of marketing strategy and the strategic marketing planning chapters, written in the most lucid form, conclude the first part. The next six chapters constitute the second part under the heading, Framework of Marketing. The sixth chapter by Mark Gabbott entitled, Consumer Behaviour traces the development of consumer behavior studies and their intellectual origins, from the economic, through to the behavioral,

presenting the key models of consumer behavior. The next chapter of this part is Business Marketing, also known as industrial marketing. This chapter serves as an introduction to the body of applied and scholarly work focusing on B2B marketing, organizational buying behavior, relationships and networks. Marketing research; Qualitative research and Quantitative methods in marketing and Market segmentation are the concluding chapters of the part two of this edition.

Part III of this book comprises of eleven chapters in all written by various authors. The third part is entitled as Managing the Marketing Function. In this part the initiation is the Marketing Mix chapter dealing with evolution and management of marketing mix – specifically the 4Ps. New product development is contributed by Susan Hart, where in the focus is exclusively on how new products are developed. The chapter on pricing explains the importance of pricing as an element of marketing and gets to the heart of the problem. Selling and sales management chapter highlights; the role of selling is continuing to



change and evolve in response to the dramatic moves in the way buyers sellers interact. The core chapters of this third part of the book constitutes of Brand Building, Integrated Marketing Communications and Mass Communications. The nineteenth chapter provides a very accessible and authentic overview of direct marketing as well as data and digital marketing contributed by Prof. Derek Holder. In the next chapter Customer Relationship Management, Payne and Frow have taken a strategic approach, addressing five interrelated cross functional processes: strategy development, value creation, multi-channel integration, information management and performance assessment, each being a large area for research and practice in its own right.

The part four of this book deals with the Application of Marketing. This last part constitutes of eight chapters in all. The first chapter of this part deals with the Service marketing in which exhaustive discussion has been carried out. The chapter on International Marketing begins by tracing the challenges and opportunities afforded by the forces of globalization. The authors have explored the cultural, social and economic as well as the political and institutional environments as backdrops to a discussion of how firms internationalize. The next chapter on e-marketing highlights the concept as well as the planning process of e-marketing.

Sargeant has authored a chapter on Marketing for Non-Profit Organisations, argues cogently that the subject of marketing for non profits has now grown to the extent that it deserves recognition as a subject in its own right. The reasons for adopting this view are explained in detail in this chapter. Chapter 27 opens by setting the context for a discussion of ethics in marketing by considering related ideas in

business ethics and corporate social responsibility. The chapter focuses on marketing ethics and the fact that marketing is a business function frequently associated with unethical behavior. A chapter on Green Marketing, throws light on the paradigm shift that is taking place in marketing by reconceptualizing the marketing environment in the context of green marketing. The greening of marketing strategy and the various challenges before the marketers have been discussed at length.

A new chapter in this edition has been added, entitled as; Marketing in Emerging Economies. This chapter establishes the nature of the different terrain that marketers in the emerging economies have to deal with and highlights the differences between the emerging and emergent economies. Finally the last chapter takes a wide ranging look at Retailing. This chapter discusses the nature of decisions involved with retail locations and outlets, their geographic spread, retail managers and contractual arrangements for retail management, product sourcing, branding and distribution, the increased focus on business relationships and loyalty, merchandizing and selling.

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Cummins, Thomas G. & Huse, Edger E. (1998) *Organizational Development and Change*. West Publishing Company, St. Paul, New York.

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