ROLE OF MICRO FINANCE & SELF HELP GROUPS IN WOMEN EMPOWERMENT: A CASE STUDY OF DISTRICT MEWAT

Perways Alam¹ Mohammed Nizamuddin²

ABSTRACT

A process in which women challenge the existing norms and culture, to effectively promote their well being is known as women empowerment. The participation of women in Self Help Groups (SHGs) made a significant impact on their empowerment both in social and economical aspects. This study examines women empowerment through self help groups in district Mewat of Haryana.

The data required for the study has been collected from both the primary and secondary sources. A multistage random sampling method has been followed. Average and percentage analysis was carried out to draw meaningful interpretation of the results. Garret ranking technique was used to find the reasons for joining the Self help group. Factor analysis was used to measure and to determine the relationship between the observed variables.

The results of the study revealed that the SHGs have had greater impact on both economic and social aspects of the beneficiaries.

KEYWORDS

Micro Finance, Garret Ranking Technique, Woman Empowerment, SHG, Mewat, Haryana etc.

INTRODUCTION

As we know that women in our country have a respectable place in the society. But after six decades of independence, the situation of women is very severe in the rural and backward areas. Even when women constitute around fifty percent of the total human resources in our economy. Yet women are the more poor and under privileged than men as they are subject to many socio-economic and cultural constraints. Women development activities must be given importance to eradicate poverty, increase the economic growth and for better standard of living. Self Help Group (SHGs) is small credit cooperatives, usually all poor and all women.

Through regular contributions from all group members, the group builds a common fund. Members may take out a loan from the fund, and pay it back at a collectively accepted interest rate. SHGs make decisions on a consensus method, and leadership is rotated periodically. This form of credit has many benefits; interest rates are non-exploitive, there is no need for formal security or collateral, and small amounts may be borrowed as the money is needed. These loans are often used to purchase inputs for income generation; for example, sewing machines to make crafts or cows for milk production. SHGs-Bank Linkage Programme is emerging as a cost effective mechanism for providing financial services to the “Unreached Poor” which has been successful not only in meeting financial needs of the rural poor women but also strengthen collective self help capacities of the poor, leading to their empowerment. Rapid progress in SHG formation has now turned into an empowerment movement among women across the country (Tiyas biswas, 2007).

Investing in women brings about a multiplier effect. Stories of women who not only are better off economically as a result of access to financial services, but also who are empowered as well. Simply getting cash into the hands of women (by way of working capital) can lead to increased self-esteem, control and empowerment by helping them achieve greater economic independence and security, which in turn gives them the chance to contribute financially to their households and communities because women “tend to keep nothing back for themselves they contribute decisively to the well -being of their families” (Susy Cheston and Lisa Kuhn, 2002). Self Help Group by mobilizing women around thrift and credit activities have resulted in economic self reliance there by changing their social attitude and status in the family and society SHG has emerged as a key programming strategy for most of the women development activities.

LITERATURE SURVEY

During the course of the study, the study of several authors was referred and it is imperative that an outline of the literature survey is put to note and the following references are worth mentioning.

Rekha Goankar (2001): in her study concluded that the movement of SHGs can significantly contribute towards the reduction of poverty and unemployment in the rural sector of the economy and the SHGs can lead to social transformation in terms of economic development and the social change.

¹Associate Professor, Department of Commerce, Y.M.D. College, Haryana, India, perways1@rediffmail.com
²Research Scholar, Centre for Social Economics and Planning, Central University of Gujarat, Gujarat, India, mnizamuddin1975@gmail.com
Malathi Ramanathan (2004) The author through the article “Women and Empowerment, Shri Mahila Griha Udyog Lijjat Papad” has made an attempt to study the rise and growth of an organization, resulting from a group of women’s practical step to get supplementary earning. It is about empowerment at an organized cooperative level. The article concludes that the organization was positive in its approach in promoting economic empowerment of women and was well recognized. The article has made an attempt to answer the questions like, what are the reasons for success and spread of Lijjat papad as a women oriented organization? And In what way have the women of Lijjat papad contributed to bringing about a constructive change in their own lives and that of the people in and around their orbit of work?

Naila kabeer (2005) in a study apparently concludes that while access to financial services can and does make important contributions to the economic productivity and social well-being of poor women and their households, it does not “automatically” empower women – any more than do education, political quotas, access to waged work or any of the other interventions.

M. Anjugam (2007) observed that socially backward, landless and marginal farm house holds participate more in the self help group programme. Possession of livestock and consumer goods by the member households has been found to deter the joining of group.

Gladis Mary John (2008) found that membership in SHG inculcated a great confidence in the mind of majority of women to succeed in day to day life. Positive change was found in the attitude of relatives and friends towards the women in self help groups.

Harlod Welsch Earl Young (2009) have focused on a comparative analysis of male and female entrepreneurship along selected demographic, psychological and behavioral dimensions in the article “Male and Female Entrepreneurial Characteristics and Behaviours: A Profile of Similarities and Differences”. The major findings of this study are that no difference exists in personality characteristics between male and female entrepreneurs and it has several important implications such as, female entrepreneurs do not necessarily view themselves as victims of their environment more so than male entrepreneurs.

S. Subramanian (2010) in the article “Empowerment of Women through SHGs in Tirunelveli District, Tamil Nadu- A SWOT Analysis” has identified strengths, weaknesses, opportunities and threats by conducting SWOT analysis of SHGs. Field observation methods were used to identify observable physical data. Moreover, group discussion with women who were involved in activities and group functions were conducted to elicit the information in detail. The study reveals that capacity buildings exercise taken up by the promoting agencies are not adequate to meet the need of SHGs members. They lack proficiency in soft skills, technical skills and managerial skills. The article suggested that the promoting agencies like government and non-government agencies can contribute effectively for the success and sustainability of SHGs.

Lalit Kumar Sharma (2011) through the article “Self Help Group as an Effective Strategy and Feasible Approach to Empower Women in India” has highlighted the benefits of psychological, social and economical factors accrued by women participating in SHGs and to explore the merits of SHGs as strategy and approach to empower women in India. Empowerment is a process of awareness and capacity building leading to greater participation, greater decision making power and control and transformative action. The study concludes that women participation in SHG have created tremendous impact upon the life pattern and style of poor women especially in rural areas and empower them at various level not only as individual but also as member of family, community and society as whole.

STATEMENT OF PROBLEM

Several studies indicate that self help group programmes often in the form of credit or micro credit schemes and savings have succeeded in changing the lives of poor women by making way for enhanced income and increased self-esteem in remote areas which are socially, economically and educationally backward. This is evident from the mushrooming growth of self-help groups in the state. This study is undertaken to analyse the structure, conduct and performance of self help groups and their impact on the women in Mewat district, Haryana.

OBJECTIVES OF STUDY

The objectives of this study are:

- To study the socio-economic profile of SHG women and to analyse the reasons for joining SHG.
- To study the structure conduct and performance of self help groups and to find the impact of SHGs in women.

HYPOTHESES OF STUDY

Ho: There is no significant difference in mean scores on factors of empowerment after joining the group among respondents.
H1: There is a significant difference in mean scores on factors of empowerment after joining the group among respondents.

RESEARCH METHODOLOGY

The study is analytical and consists of both primary and secondary sources. Field survey technique was adopted to collect first hand information from women members. The primary data for this study was collected from 1st April 2011 to 31st March 2012.
For this purpose a well structured questionnaire is prepared; Secondary information is obtained from various published and unpublished records, books, journals and information given by the Mewat development authorities’ office at Nuh (Mewat). Multi stage purposive and random sampling has been adopted for the present study.

At the first stage all the five Blocks have been selected for the study. 16 women self help groups (WSHGs) established in not less than 1 year have been randomly selected from each Block. 6 respondents who are member of the group for at least one year and taken at least one loan have been randomly selected from each group. Thus 480 respondents are selected for the present study.

**Origin and Concept of SHG**

The origin of Self Help Groups (SHGs) is the brainchild of Grameen Bank of Bangladesh, founded by Prof. Mohammed Yunus in 1975, who tried out a new approach to rural credit in Bangladesh. Grameen gave loans without asking borrowers either to provide collateral or engage in paper work. In India NABARD initiated SHGs in the year 1986-87. But the real effort was taken after 1991-92 from the linkage of SHGs with the banks.

A SHG is a small economically homogeneous affinity group of the rural poor voluntarily coming forward to save a small amount of money regularly, which is deposited in a common fund to meet the members’ “emergency needs and to provide collateral free loans decided by the group. The SHGs have been recognised as useful tool to help the poor and as an alternative mechanism to meet the urgent credit needs of poor through thrift (N. Thalavai pillai and S. Nadarajan 2010).

**Working of SHG’s**

The SHGs in India are small, informal and homogenous groups of not more than twenty members each. Among them a member is selected as an animator and two members are selected as representatives. The animator is selected for a period of two years. Members of the group meet every week. They discuss social and community programmes, group savings, rotation of funds, bank loan and repayment of loan. The group members are encouraged to make voluntary thrift on a regular basis. These pooled resources are used to make small interest bearing loans to their members.

The process helps them imbibe the essentials of financial intermediation including prioritization of needs, setting terms and condition, and accounts keeping. This gradually builds financial discipline in all of them. Once the groups show this mature financial behavior, banks are encouraged to make loans to the SHG in certain multiples of the accumulated savings of the SHG. The bank loans are given without any collateral and at market interest rates. (Progress of SHG--Bank linkage in India 2003-2004, NABARAD).

**SHGs in Study Area**

Present study has been conducted in Mewat district of Haryana. This district has been chosen, as it had the history of SHG movement being started in a small way in the district in the year 1998. At a very set off, they were operated by NGOs and thereafter they are being operated by federation framed by various authorities particularly with the efforts of MDA. The success of the Project encouraged extending the project to other areas. Mewat Development Agency (MDA) and others are the responsible agencies implementing the SHG programme in the district. Its main aim is to empower the women economically, socially and also ensure skill development through training.

The self help groups in the district are formed through NGOs, who help in the formation of SHGs, provide training and monitor the SHGs. The NGOs are provided formation cost and monitoring cost for the above activities. The NGOs who are interested in partnering with MDA for implementation of various schemes for women empowerment are affiliated. There are more than 6 federations; these are like NGOs affiliated to various schemes in the district, the number of groups being formed increases day by day. Apart from the NGO the Mewat Area Development Project (MADP/IFAD), MDA has started a special program of empowerment of women through constituting Self Help Group.

**Socio Economic Profile of SHG Members**

The study reveals that out of 480 respondents selected for the study, 2.3% of the members are below 20 years of age. 27.35% of the members are in between 20 to 30 years. 35.3% of the members are in the age group of 30to 40 years. 26.8% of the members are in the age group of 40to 50 years. 7.5% of them are in the age group of 40 to 50 years. 0.7% of them are above 60 years. 8.7% of the members are illiterates. 6.5% of the members have no formal education but know to read and write.14.3% of the respondents has education from class 1 to 5.

19.3% are in the category of 5 to 9 classes.18.3 % of them are educated to SSC. Level 23.3% of them have education up to plus two. 8.7% of the respondents are undergraduates. 1% of the respondents have other type of education like teacher training ITI and the like. 5.3% of the respondents are unmarried. 85.3%of them are married. 8.3% of them are widow. 1% of the respondents are divorcee.

Regarding the family annual income 24.3% of the respondent’s family annual income is below Rs. 30 thousands. 32.7% of the respondent’s family income is from Rs. 30 to 50 thousands per annum. 21.5% of them have a family income between Rs. 50 to 75
thousands per annum. 16.5% of the respondent’s family income range is between Rs. 75 thousands to 1 lakhs per annum. 5% of the respondent’s family annual income is above Rs. 1 lakhs (Source: primary data).

**ANALYSIS OF DATA**

Average and percentage analysis was carried out to draw meaningful interpretation of the results. Garret ranking technique was used to find the reasons for joining the Self help group. Factor analysis used to determine the relationship between the observed variables.

**Reasons for Joining Self Help Group**

For carrying out this analysis, the members of SHGs were asked to prioritize the specific reasons for joining the groups. To analyze the reasons for joining the group by the member households, all the possible reasons were made known to the members of self-help groups. They were asked to rank the reasons in the order of their importance. The ranks given by them were quantified using the Garrett Ranking Technique (Garrett, 1969) using the following formula:

\[
\text{Percent Position} = \frac{\sum [(R_{ij} - 0.5)/N_j] \times 100}{n} \quad \ldots (1)
\]

Where, \( R_{ij} \) = Rank given for the \( i^{th} \) items by \( j^{th} \) individual, and \( N_j \) = Number of items ranked by \( j^{th} \) individual.

**Table 1: Reason for Joining SHGs**

<table>
<thead>
<tr>
<th>Reasons</th>
<th>Rank</th>
<th>Mean Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>I</td>
<td>II</td>
</tr>
<tr>
<td>To Repay Old Debts</td>
<td>101</td>
<td>149</td>
</tr>
<tr>
<td>To Maintain House Expenditures</td>
<td>149</td>
<td>138</td>
</tr>
<tr>
<td>To Promote Savings</td>
<td>110</td>
<td>95</td>
</tr>
<tr>
<td>To Raise Status in the Society</td>
<td>62</td>
<td>45</td>
</tr>
<tr>
<td>To Promote Income Generated Activities</td>
<td>46</td>
<td>40</td>
</tr>
<tr>
<td>To Get Loan</td>
<td>14</td>
<td>13</td>
</tr>
</tbody>
</table>

**Table 2: Reason for Joining SHGs**

<table>
<thead>
<tr>
<th>S. No</th>
<th>Reasons</th>
<th>Score</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>Mean</td>
</tr>
<tr>
<td>1</td>
<td>To Repay Old Debts</td>
<td>17506.66</td>
<td>29.20</td>
</tr>
<tr>
<td>2</td>
<td>To Maintain House Expenditures</td>
<td>15453.33</td>
<td>25.76</td>
</tr>
<tr>
<td>3</td>
<td>To Promote Savings</td>
<td>22946.66</td>
<td>38.24</td>
</tr>
<tr>
<td>4</td>
<td>To Raise Status in the Society</td>
<td>34413.33</td>
<td>57.36</td>
</tr>
<tr>
<td>5</td>
<td>To promote income Generated activities</td>
<td>30706.66</td>
<td>51.20</td>
</tr>
<tr>
<td>6</td>
<td>To Get Loan</td>
<td>23026.66</td>
<td>36.80</td>
</tr>
</tbody>
</table>

**Table 3: Distribution of Respondents on Basis of Age Groups**

<table>
<thead>
<tr>
<th>Age of Group</th>
<th>No of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 3 years</td>
<td>120</td>
<td>25</td>
</tr>
<tr>
<td>Between 3-5 years</td>
<td>134</td>
<td>28</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>226</td>
<td>47</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>480</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Structure, Conduct and Performance of SHGs**

**Distribution of Respondents on Basis of Age Group**

**Table 3: Distribution of Respondents on Basis of Age Groups**

**Sources:** Primary Data.
Above table shows majority of the respondents 47% belonged to the groups which were established five years ago. 28% of respondent’s belonged groups with a age of 3-5 years. 25% of the respondents groups were established less than three years ago.

Distribution of Respondents on Basis of Membership in Group

<table>
<thead>
<tr>
<th>Number of Years in Group</th>
<th>Number of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 2 years</td>
<td>58</td>
<td>12.0</td>
</tr>
<tr>
<td>Between 2-3 years</td>
<td>151</td>
<td>31.5</td>
</tr>
<tr>
<td>Between 3-5 years</td>
<td>151</td>
<td>31.5</td>
</tr>
<tr>
<td>Between 5-7 years</td>
<td>90</td>
<td>18.7</td>
</tr>
<tr>
<td>Above 7 years</td>
<td>30</td>
<td>6.3</td>
</tr>
<tr>
<td>TOTAL</td>
<td>480</td>
<td>100</td>
</tr>
</tbody>
</table>

Sources: Primary Data.

31.5% of the respondents are members in the group for 2-3 years, and 3-5 years. 18.7% of the members are in the group for 5-7 years. 12.0% of the respondents are in the group for less than 2 years. 6.3% of the members has stayed in the group for more than 7 years.

Number of Loans Taken By Respondents through SHG

<table>
<thead>
<tr>
<th>Number of Loans Taken</th>
<th>Number of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>38</td>
<td>8.0</td>
</tr>
<tr>
<td>Between 2-4</td>
<td>334</td>
<td>69.6</td>
</tr>
<tr>
<td>Between 4-6</td>
<td>54</td>
<td>11.2</td>
</tr>
<tr>
<td>More than 6</td>
<td>54</td>
<td>11.2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>480</td>
<td>100</td>
</tr>
</tbody>
</table>

Sources: Primary Data.

Majority of the respondents 69.6% have taken 2-4 loans. The respondents who have taken loans 4-6 times and more than 6 times are 11.2% respectively. 8% of the respondents have taken only one loan.

Number of Loans Repaid by the Respondents

<table>
<thead>
<tr>
<th>Number of Loans Repaid</th>
<th>Number of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>105</td>
<td>21.9</td>
</tr>
<tr>
<td>Between 2-4</td>
<td>292</td>
<td>60.8</td>
</tr>
<tr>
<td>Between 4-6</td>
<td>40</td>
<td>8.3</td>
</tr>
<tr>
<td>More than 6</td>
<td>43</td>
<td>9.0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>480</td>
<td>100</td>
</tr>
</tbody>
</table>

Sources: Primary Data.

Table no 6 revealed that the majority 60.8 % of the respondents have repaid loan 2-4 times. 21.9% of the respondents have repaid only one loan. 9% of the respondents have repaid more than 6 loans and 8.3% of the respondents have repaid 4-6 loans.

Size of Latest Loan Taken

<table>
<thead>
<tr>
<th>Size of Last Loans Taken</th>
<th>Number of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than Rs. 5000</td>
<td>28</td>
<td>5.83</td>
</tr>
<tr>
<td>Rs. 5000- 10000</td>
<td>149</td>
<td>31.04</td>
</tr>
<tr>
<td>Rs. 10000- 15000</td>
<td>78</td>
<td>16.25</td>
</tr>
<tr>
<td>Rs. 15000- 20000</td>
<td>43</td>
<td>8.95</td>
</tr>
<tr>
<td>Above Rs. 20000</td>
<td>182</td>
<td>37.93</td>
</tr>
<tr>
<td>TOTAL</td>
<td>480</td>
<td>100</td>
</tr>
</tbody>
</table>

Sources: Primary Data.
Regarding the latest loan taken by the respondents majority of them 37.93% have taken loan above Rs. 20,000. 31.04% of the respondents have taken loan from Rs. 5000-10,000.16.25% of the respondents have taken loan from Rs. 10,000-15,000. 8.95% of the respondents have taken loan from Rs. 15,000-20,000. Only 5.83% of the members have taken loan below Rs. 5000.

**Empowerment after Joining the Self Help Group**

It is difficult to measure empowerment and there is no single method to measure it. It is defined through indicators. Indicators of empowerment should encompass personal, social and economic change. The following few indicators of empowerment were referred to the respondents. To estimate and compare the mean satisfaction scores on the factors among the respondents weighted average analysis is performed using five rating scale and assigning score 1 for strongly disagree; 2 for disagree; 3 for neutral; 4 for agree and 5 for strongly agree and the results are presented in following tables.

**Table-8: Empowerment after Joining SHGs**

<table>
<thead>
<tr>
<th>S. No</th>
<th>Indicators of Empowerment</th>
<th>Weighted Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Economic independence</td>
<td>3.072</td>
</tr>
<tr>
<td>2</td>
<td>Standard of living has improved</td>
<td>3.026</td>
</tr>
<tr>
<td>3</td>
<td>Understand the banking operation and knowledge on credit management</td>
<td>3.434</td>
</tr>
<tr>
<td>4</td>
<td>Good public relation and social participation</td>
<td>2.688</td>
</tr>
<tr>
<td>5</td>
<td>Self expression-decision making in community, village and house holds</td>
<td>2.618</td>
</tr>
<tr>
<td>6</td>
<td>Breaking social, religious and cultural barriers</td>
<td>2.090</td>
</tr>
<tr>
<td>7</td>
<td>Leadership qualities</td>
<td>3.164</td>
</tr>
<tr>
<td>8</td>
<td>Skill up gradation and better technology</td>
<td>3.082</td>
</tr>
</tbody>
</table>

Sources: Primary Data.

It is seen from the above table that the weighted average scores on empowerment after joining SHG ranges from 2.09 to 3.434. The statement “Breaking social, religious and cultural barriers” has secured least mean score and stood at last and the statement “Understand the banking operation and knowledge on credit management” has secured highest mean score and stood at top.

**Hypothesis**

From the mean scores among the respondents null hypothesis is established and the result is shown below:

**Null Hypothesis:** There is no significant difference in the mean scores on factors of empowerment after joining the group among respondents.

**Table-9: Anova**

<table>
<thead>
<tr>
<th>SOURCES</th>
<th>DF</th>
<th>SS</th>
<th>MS</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Group</td>
<td>6</td>
<td>775.894</td>
<td>86.210</td>
<td>86.896**</td>
</tr>
<tr>
<td>Within Group</td>
<td>3834</td>
<td>3803.244</td>
<td>0.794</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Primary Data.

**Significant at 1% level**

Above table revealed that the F is significant the null hypothesis of no difference in the mean score on empowerment after joining the group among the respondents is rejected and it is concluded there is significant difference in the mean scores among respondents.

**Factor Analysis**

Factor analysis is a multivariate statistical technique used to condense and simplify the set of large number of variables to smaller number of variables called factors. This technique is helpful to identify the underlying factors that determine the relationship between the observed variables and provides an empirical classification scheme of clustering of statements into groups called factors. Using all the 8 statements on indicators of empowerment namely S1, S2,….,S8 factor analysis is performed and the results are presented in the following tables.

**Table-10: Rotated Factor Loadings**

<table>
<thead>
<tr>
<th>Indicators of Empowerment</th>
<th>I</th>
<th>II</th>
<th>Communality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Independence-S1</td>
<td>0.586</td>
<td>0.054</td>
<td>0.433</td>
</tr>
<tr>
<td>Standard of Living has Improved-S2</td>
<td>0.592</td>
<td>0.229</td>
<td>0.503</td>
</tr>
<tr>
<td>Understand the Banking Operation &amp; Knowledge on Credit Management-S3</td>
<td>0.038</td>
<td><strong>0.531</strong></td>
<td>0.354</td>
</tr>
<tr>
<td>Good Public Relation &amp; Social Participation-S4</td>
<td>0.505</td>
<td>0.190</td>
<td>0.364</td>
</tr>
<tr>
<td>Self Expression-Decision Making in Community, Village and House Holds-S5</td>
<td>0.638</td>
<td>0.168</td>
<td>0.544</td>
</tr>
<tr>
<td>Breaking Social, Religious And Cultural Barriers-S6</td>
<td>0.638</td>
<td>-0.067</td>
<td>0.510</td>
</tr>
</tbody>
</table>
Leadership Qualities-S7 0.154 0.644 0.548
Skill Up gradation and Better Technology-S8 0.125 0.551 0.399
Elig. Val 2.254 1.400 3.654
% of Variance 28.181 17.503 45.684
Cum % of Variance 28.181 45.684

Sources: Primary Data.

Table 10 gives the rotated factor loadings, communalities, eigen values and the percentage of variance explained by the factors. Out of the 8 indicators, 2 factors have been extracted and these 2 factors put together explain the total variance of these problems to the extent of 45.684 %. In order to reduce the number of factors and enhance the interpretability, the factors are rotated. The rotation increases the quality of interpretation of the factors. There are several methods of the initial factor matrix to attain simple structure of the data.

Table-11: Clustering of Indicators of Empowerment into Factors

<table>
<thead>
<tr>
<th>Factors</th>
<th>Indicators</th>
<th>Rotated Factor Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>I (28.818%)</td>
<td>Economic Independence-S1</td>
<td>0.586</td>
</tr>
<tr>
<td>Standard of Living has Improved-S2</td>
<td>0.592</td>
<td></td>
</tr>
<tr>
<td>Good Public Relation &amp; Social Participation-S4</td>
<td>0.531</td>
<td></td>
</tr>
<tr>
<td>Self Expression-Decision Making In Community, Village and House Holds - S5</td>
<td>0.505</td>
<td></td>
</tr>
<tr>
<td>Breaking Social, Religious And Cultural Barriers-S6</td>
<td>0.638</td>
<td></td>
</tr>
<tr>
<td>II (17.503%)</td>
<td>Understand the Banking Operation &amp; Knowledge on Credit Management-S3</td>
<td>0.638</td>
</tr>
<tr>
<td>Leadership Qualities-S7</td>
<td>0.644</td>
<td></td>
</tr>
<tr>
<td>Skill Up gradation and Better Technology-S8</td>
<td>0.551</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Primary Data.

Four factors were identified as being maximum percentage variance accounted. The 5 indicators S1, S2, S4, S5 and S6 were grouped together as factor I and accounts 28.818 % of the total variance. The 3 statements S3, S7 and S8 constituted the factor II and accounts 17.503 % of the total variance. Thus the factor analysis condensed and simplified 8 statements and grouped into 2 factors explaining 45.684 % of the variability of all the 8 statements.

RESULTS AND DISCUSSIONS

1. The results indicate that “To raise status in society” is the prime reason for respondents joining the SHG, followed by “To promote income generating activities”.
2. The majority of the respondents were experienced 47% belonged to the groups which were established five years ago.
3. It is inferred that 31.5% of the respondents are members in the group for 3-5 years. Similarly respondents who are members in the group for 2-3 years are also 31.5%.
4. The majority of the respondents 69.6% have taken 2-4 loans. The respondents who have taken the highest number of loans i.e. more than 6 times are 11.2%.
5. Majority 60.8 % of the respondents have repaid loan 2-4 times. The comparison between loans availed and repaid shows that the respondents are prompt in repaying their loans.
6. Regarding the latest loan taken by the respondents majority of them 37.93% have taken loan above Rs. 20,000.
7. From the mean scores among the respondents a null hypothesis is established and the result shows, there is no significant difference in the mean scores on factors of empowerment after joining the group among respondents.
8. The factor analysis condensed and simplified the 8 statements on indicators of empowerment and was grouped into 2 factors explaining 45.684 % of the variability of all the 8 statements.

CONCLUSIONS

Women’s empowerment is not a one-time affair but a continuous process. The study shows that the main reason for joining SHG is not be merely to get just credit, it is an empowerment process after joining the self help group the women are economically and socially empowered. The self help group is responsible for empowering women by the way of promoting self –reliance, self-confident, self-dependent and educating them to realize their fundamental rights.

This empowerment cannot be transformed or delivered it must be self generated such that it enables those who are empowered to take control over their lives. India is committed to the cause of empowerment of women. However, the journey towards progress is long and arduous. As cited by Karl Empowerment is a process of awareness and capacity building leading to greater participation, to greater decision-making power and control, and to transformative action (Karl, 1995:14).

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*****
A CASE STUDY OF E-GOVERNANCE INITIATIVES IN WEST BENGAL

Prashun Mazumder3

ABSTRACT

The world is fast migrating from the physical sphere to digital sphere for most part of daily business. This ranges from education to healthcare to payment of bills and banking transactions. Digitization has proved revolutionary in enhancing efficiency, bringing in transparency, accountability and reducing operating costs, but some areas are still bound to be in the darker side of the development process, that are rural areas. Rural areas face a vicious cycle of lack of infrastructure, lack of development, lack of policy implementation and above all, lack of interest to serve the ‘rural’ community with numerous infrastructure limitations. Information technology is envisaged as the best way to improve the living standards of common man living in the rural parts of West Bengal by enabling to deliver information, knowledge and skills. The successful implementation of e-Governance initiatives may play a key role in ensuring sustainable development in rural area. This paper examines various e-Governance initiatives as envisioned by the Government of West Bengal and an introduction to the existing IT enabled projects serving the Rural Citizens. The paper also pointed out the various activities and scopes of the project. Finally, it offers suggestions for successfully implementing e-Governance projects in rural West Bengal.

KEYWORDS


INTRODUCTION

India has been harnessing the benefits provided by the Information & Communication Technologies (ICT) to provide integrated governance, reach to the common people faster, provides efficient services and citizen empowerment through access to information. Goverment of India recognizes that e-Governance, in the context of developing countries, provides an excellent opportunity for improving governance. In this context, the government of India views e-Governance as a strategic tool for transforming Governance and improving the quality of services provided by the government to its people. The aim is to redefine governance in the ICT era to provide SMART GOVERNANCE. Several direction significant initiatives have been taken at the Centre and the State level in this direction.

According to a recently released report, India ranked 77th in the order of eGovernment rankings in 2006 compared to the 59th rank in 2002 despite an increase in its ratings score since 2002 (West, 2006). According to NASSCOM estimates, state governments and the Central government in India together spent USD 890 million towards e-governance in 2001–02, a number that is expected to reach USD 6 billion in 2007–08. There are some interesting experiments of e-governance being undertaken at the state level in India, which bear testimony as to how it is being conceived as an important agenda of public administration in India.

According to www.digitalopportunity.org news, an e-governance programme has been initiated that aims to automate citizen services at the district level will be launched early in the year 2007 in India. Enabling better state governance by efficient delivery of services, the project is expected to provide lucrative opportunities to key IT players across 14 States in India. This project having an expenditure of about Rs. 4 crore each in 37 districts and the national rollout would involve 600 districts [3].

The project is aimed at e-enabling the delivery of high-volume citizen-centric services such as All these services would be delivered though the Common Service Centres and ride on the State Wide Area Network and State Data Centre infrastructure that are envisaged under the NeGP. At the Central level, the government has promoted the use of IT in managing its internal processes and has drawn up a ‘Minimum Agenda of e-Governance’. Further Ministries / departments have provision of 2 to 3 percent of their annual budgets to be spent on IT related activities. The government has enacted IT Act 2000 which provides legal status to the information and transactions carried on the net. (Source: www.wbgov.com)

Several State Governments have also taken various steps to promote e-Governance and have drawn up a guideline for IT implementation and delivery of services to the citizens on-line. The applications that have been implemented are targeted towards providing G2B, G2C and B2C services with emphasis on use of local language.

West Bengal is strategically positioned at the heart of the eastern Region of India. One tenth of India's market is in West Bengal. The percentage of population living below the poverty line has drastically reduced in recent years and a vast rural captive market is available in West Bengal. The ICT Policy for the State was announced in the year 2003 and lays major emphasis upon promoting West Bengal as an attractive destination for IT companies. This is largely a reflection of the State’s desire to promote IT as a priority sector which will provide an impetus to the growth and development of the State as a whole. However, the aspirations of the State’s IT Policy are composite and well-rounded. The focus will not be limited to simply making the State an attractive destination for IT investments. In addition, the State will leverage the IT opportunity for the upliftment of the quality of life.

3Research Scholar, Department of Business Administration, University of Kalyani, West Bengal, India, prosap@rediffmail.com
The State Government recognizes the importance and scope of e-Governance and will promote use of necessary technologies for efficiency and transparency in its functions. The Government is identifying areas which require introduction of IT in the overall functional framework of the Government. Towards this end IT literacy and training will be encouraged within the Government along with the suitable infrastructure. Attention will be paid to models, network design and overall systems management. As a beginning, for a better citizen interface the following will be emphasized for computerization, viz., vehicle registration, land records, birth and death registrations, employment exchanges, payment of excise duty, sales tax and local tax, electronic bill payment of water and electricity, computerization of health records, relevant education through internet, work of Police and Police Stations, Criminal Justice etc. Government Departments and organizations will have E-mail communication. All important Government Policies, Acts, Rules, Regulations, Notifications which have a direct bearing on the members of the public would be made available through internet or other suitable networks.

DATA AND DISCUSSIONS

This study will reveal several initiatives to provide e-Governance services in rural west Bengal. All the initiatives discussed in the study face common issues of implementation, but differ in terms of how they have been handled. There are differences in scale, connectivity technologies, services offered, revenue models and so on.

Much of the data used for the study below was obtained from secondary sources such as published papers, government reports, and newspaper articles. A number of e-governance projects have initiated by the Govt of West Bengal and many of them have been successful. Most of these are essentially for improving the service delivery and improving the government services. Some of the major ICT initiatives taken by the state government are given in Table 1.

- A number of e-Governance initiatives have been undertaken by the Govt of West Bengal. For a comprehensive list please refer Error! Reference source not found.
- Selected E-governance Initiatives in West Bengal.

<table>
<thead>
<tr>
<th>S.No</th>
<th>Name of Initiative</th>
<th>Description</th>
<th>Status / Reach</th>
</tr>
</thead>
<tbody>
<tr>
<td>1A</td>
<td>Banglar Mukh</td>
<td>G2C Portal providing a single window to all web based government information and services for the citizens. Anybody can download non-saleable government forms and avail many more facilities through the Internet. 82 information kiosks have been created to provide services at a nominal fee. Three major hospitals have been connected to rural hospitals to provide the benefits of their quality healthcare facilities to the rural populace. The systems operate on conventional telephone lines/ISDN –mostly on store and forward technology with live video and data session support. Almost 1,500 people have been treated so far. A GIS databank is being developed to reach the smallest of municipal areas.</td>
<td>Already up and functioning at <a href="http://www.wbgov.com">www.wbgov.com</a></td>
</tr>
<tr>
<td>1B</td>
<td>WBSWAN Project</td>
<td>The West Bengal State Wide Area Network (WBSWAN), which serves as the backbone for e-governance in West Bengal, connects 18 district headquarters to the state headquarters over a 2 Mbps leased line and transmits data, voice and video. Eight sub-divisions have also been connected to the respective district headquarters over a 2 Mbps-leased line transmitting data and voice. In pilot WAN project, six districts were connected with government headquarters in Kolkata via fibre optic cable owned by Union government's department of telecommunications.</td>
<td>Already Up and functioning at Burdwan district as a pilot project</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Computerization of land records</td>
<td>The land records and the cadastral maps have been computerized</td>
<td>All the 341 blocks and 42,309 mouzas in the state have been covered.</td>
</tr>
<tr>
<td>3</td>
<td>Bhumi</td>
<td>Pilot project in Hooghly District for computerisation and concurrent data update, issue of ROR, mutation etc has been successful and plans for Statewide Rollout are currently being finalised.</td>
<td>Out of 18 blocks 11 blocks in the District have been declared online.</td>
</tr>
<tr>
<td>4</td>
<td>Web Portal</td>
<td>The Department’s portal provides both G2G and G2C services. This portal includes GIS maps for Districts, blocks and Gram Panchayats in the state.</td>
<td>Already up and functioning at <a href="http://www.wbprd.nic.in">www.wbprd.nic.in</a></td>
</tr>
<tr>
<td>5</td>
<td>Integrated Fund Monitoring and Accounting System</td>
<td>Backend Fund Monitoring and Accounting System</td>
<td>Installed in nine Zilla Parishads and 38 Panchayat Samitis</td>
</tr>
<tr>
<td>6</td>
<td>Gram Panchayat Management System</td>
<td>The department is eager to roll it out to all gram panchayats, provided they get adequate funding</td>
<td>Operational in 50 gram Panchayats</td>
</tr>
<tr>
<td>7</td>
<td>Community Service Centres (CSC)</td>
<td>A pilot project for creation of ‘Community Service Centres’ (CSCs) at selected 8 Gram Panchayats in Bankura, Burdwan, Jalpaiguri and Hooghly Districts for ensuring service delivery to the citizens is being planned under a PPP Model.</td>
<td>8 Gram Panchayats planned to be covered</td>
</tr>
</tbody>
</table>

**Department of Agriculture**

| 8 | Agriculture Portal | The AgriPortal, as a single window source, covers all the aspects of the rural economy in the state – useful & relevant information to people, farmers, fishermen, artisans etc. | It covers 22 departments in the state. |

**Property Registration**

| 11 | Computerisation of Registration Process | A pilot project in 5 registration offices in Hooghly District has been undertaken by the Finance Department, with support from DIT, GoI. This project has achieved automation of the registration process in the registry offices and computerized determination of ‘market value’ of the plot. | The project has been completed in 4 Registration offices of Srerampore, Chandannagar, Janai and Singur. |

**Treasury Department**

| 12 | Treasury Automation | The budget operations of the Finance Department have been automated and the annual budget of the state is prepared using the automated system. | All the 83 treasuries of the state are now automated |
| 13 | Portal | The department has recently created a very informative web Portal. | Portal available at: www.fin.nic.in |

**Commercial Tax**

| 14 | Web Portal | The web portal of the Commercial Tax Directorate (http://wbcomtax.nic.in) offers both G2G and G2C services. The directorate has established online connectivity with their important establishments and check posts in the state. | Currently operational in HO, District, Sub Divisional and 27 check posts. |

**Health and Telemedicine**

| 15 | Telemedicine | The Telemedicine system facilities remote examination of rural patients by experts in the referral hospitals. | The department has deployed Telemedicine Systems covering 3 Referral Hospitals and 6 Nodal Centres. So far 2927 patients have been benefited through the telemedicine system. By September 2006, the Telemedicine shall cover 5 Referral Hospitals and 15 Nodal Centres. |

**Transport Department**

| 30 | Smart Card | West Bengal is the first state in the country to introduce Smart Cards for the Driving Licence (DL) and the Registration Certificate (RC). The Transport Smart Cards with 4kb microprocessors and using Biometric Security System have been introduced in Kolkata PVD. Licenses- Sarathi software developed by NIC and is currently deployed in PVD, Kolkata. Registration- Vahan software developed by NIC and is currently deployed in PVD, Kolkata. Permit Management software under development by NIC. | So far 1.80 lakh Smart cards have been issued to citizens in Kolkata |

Sources: [www.wbgov.com](http://www.wbgov.com)

From table 1 it is cleared that as part of the goal for adopting e-Governance West Bengal has initiated significant computerization at various levels in several Government Departments and Directorates. These include Finance, Labour, Transport, Agriculture, Panchayat & Rural Development, Land & Land Reforms, I & CA, Tourism Forest, Computerisation of Registration Process, Housing etc.

In the case of G2C services, Land and Land Reforms Department have initiated to issue copies (parchaas) of the Records of Rights. Computerisation of land records, which started as a small pilot project in District of Bardhaman, has since been extended...
to all other districts in West Bengal. All the 341 blocks and 42,309 mouzas in the state have been covered. (Source: www.wbgov.com)

Specifically, a pilot project has been started in Hooghly district for digitization of cadastral maps. Further, a Land Acquisition Information System has been recently developed to ensure speedy disposal of land acquisition cases. It generates various reports relating to notification, declaration, land schedule, estimate preparation etc. speedily and efficiently. The system has been on trial in land acquisition cases for the New Township Project at Rajarhat.

According to Department of Information Technology, Ministry of communications, and Information Technology report 2008 5 Electronic service delivery centres in Hooghly district have been operational since 2005-06 while 12 others across three other districts started in 2006-07. Market value digitization was launched in early 2007. The electronic service delivery has also been Operational in 19 delivery centres across 4 districts. Market value digitization has been done in 3 districts - Burdwan, Malda and Purba Midnapur and 32,000 citizens had availed property related services across 9 centres in 2006-07.[1]

SUMMARY AND CONCLUSIONS

There is great potential for E-Governance applications in developing countries like India however; e-marketing applications and e-commerce in agriculture can only work in an environment where there is a good ICT infrastructure. Unfortunately, in most developing countries, there are many constraints blocking the development of e-marketing. These include lack of sustainable ICT infrastructure, absence of appropriate skills among potential users of ICTs (farmers, rural communities, extension staff and researchers etc), lack of appropriate content, and lack of access to ICT facilities. Locally relevant digital content has to be developed or adapted; and access to ICTs should be made affordable for rural populations. Otherwise benefits of CSC applications will remain beyond reach of rural communities, and will merely exacerbate the existing rural digital divide - leading to an ever-widening knowledge gap between information “haves” and “have-nots”.

With the implementation of the above mention projects the rural community of West Bengal can get maximum benefits to improve their education, knowledge, health, skills, earnings and living standard. These e-Governance initiatives can help to reduce the “electronic gap” between rural and urban communities. This paper considered some important e-government projects that have been implemented in West Bengal, India. Each project is an attempt by the state governments to use information and communication technology for development, a goal that includes poverty reduction and improved access to government services. These particular projects were selected because they addressed the needs of a fairly large population, have sustained for a period of time exceeding that of their roll-out, and have been used by a significant portion of the target, i.e. rural population.

REFERENCES

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*****
PSYCHOLOGICAL STRESS IN BANKING SECTOR

P. Radha¹ S. Prakash⁵

ABSTRACT
Stress is the event itself and the reaction to that event within the person experiencing it. Thus stress is completely subjective. What may be stressful to one person might be pleasant or fun to another. Flying, for example, can cause some people to develop anxieties and panic attacks while others love to fly and look forward to the flight. What is more, everyone’s body responds in the same way to a stressful event, or any event for that matter, but the people that suffer from stress related illness and problems find it hard to turn their body’s response off. Psychological stress is more to do with the turning off of the body’s stress responses to a situation.

KEYWORDS
Stress, Psychological, Health, Depression etc.

INTRODUCTION
Stress is the combination of psychological, physiological, and behavioral reactions that people have in response to events that threaten or challenge them. Stress can be good or bad. Sometimes, stress is helpful, providing people with the extra energy or alertness they need. Stress could give a runner the edge he or she needs to persevere in a marathon, for example. This good kind of stress is called eustress. Unfortunately, stress is often not helpful and can even be harmful when not managed effectively. Stress could make a salesperson buckle under the pressure while trying to make a sales pitch at an important business meeting, for example. Moreover, stress can increase the risk of developing health problems, such as cardiovascular disease and anxiety disorders. This kind of stress is called distress, the kind of stress that people usually are referring to when they use the word stress. A convenient way to think about stress is in terms of stressors and stress responses. Stressors are events that threaten or challenge people. They are the sources of stress, such as having to make decisions, getting married and natural disasters. Stress responses are psychological, physiological, and behavioral reactions to stressors. Anxiety, depression, concentration difficulties, and muscle tension are all examples of stress responses.

REVIEW OF LITERATURE
Stress is the opposite of relaxation. Both positive and negative aspects of life can be equally stressful. Stress comes from the external forces in our lives that push our buttons and provoke extreme emotions. Although we commonly think of stress coming from the frustrations and low points in life, high points and achievements are stressful as well.

Stress is also called Psychological stress: We all have stress sometimes. For some people, it happens before having to speak in public. For other people, it might be before a first date. What causes stress for you may not be stressful for someone else. Sometimes stress is helpful – it can encourage you to meet a deadline or get things done. But long-term stress can increase the risk of diseases like depression, heart disease and a variety of other problems. A stress-related illness called post-traumatic stress disorder (PTSD) develops after an event like war, physical or sexual assault, or a natural disaster.

If one scans the research on work stress one discovers that attention has been given mainly to the organizational arrangement to work as stressful, less to person variables and almost none to the stress process, that is, actual stressful transactions that take place between workers and the environment, coping, and changes in stress from moment to moment and encounter to encounter. In the research tradition that has been dominant, antecedent variables of stress reaction, which include both environmental conditions and person chars, are treated as separate and static causes of behavioural and medical states, such as illness, distress and burnout work dissatisfaction performance and absenteeism.¹

Life’s changes may be slow (getting older) or sudden (the death of a spouse). These sudden changes have been portrayed in novels and movies as having a dramatic effect on people, and medical researchers have verified that especially sudden life changes do in fact have a very stressful impact on people. According to R.S.Lazarus (1974), entitled on “The Psychology of Coping: Issues of Research and Assessment.” The word ‘managing’ or ‘coping’ bears two connotations in stress literature.¹ It has been used to denote the way of dealing with stress, or the effort to master conditions of harm, threat, or challenge when routine or automatic response is not readily available. Researchers have indicated various strategies to be used to mange or cope with stress. However, these strategies vary from person to person and in the same person from time to time.

OBJECTIVES OF STUDY

- To describe the psychological level of stress among the employees of public and private sector banks.
- To study the factors influencing the psychological level of stress.

¹Associate Professor, RVS College of Engineering and Technology, Tamilnadu, India, radha_nila@yahoo.com
²Professor, SNS College of Technology, Tamilnadu, India, drsprakashmba@gmail.com
**RESEARCH METHODOLOGY**

The area of the study is India, which has public and private sector banks. A sample of nearly 20% branches from among the public and private sector banks were selected and from each branch a sample of six employees were selected through simple random sampling method. Totally, 500 employees comprising of 350 from public and 150 from private sector banks were selected. Hence, the whole sampling process is considered as two –stage or stratified sampling method. Data collection was conducted with the help of a well designed questionnaire. The questionnaire was tested for its reliability cronbachk’s reliability coefficient. The collected data were processed with manual and the computer interface. The Chi-square analysis and ANOVA were used in tune with the objectives of the study.

**ANALYSIS & INTERPRETATION**

<table>
<thead>
<tr>
<th>Table-1: Level of Stress Relating to Psychology</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>S.No.</strong></td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
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<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
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<tr>
<td>5</td>
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<tr>
<td>6</td>
</tr>
<tr>
<td>7</td>
</tr>
<tr>
<td>8</td>
</tr>
</tbody>
</table>

**Sources:** Authors Compilation.

It is found from the table that 187 (37.4%) and 45(9%) of the respondents have respectively agree and strongly agree towards “I am disturbed by unpleasant order from the high command”. Further 194(38.8%) and 31(6.2%) of the respondents are respectively agree and strongly agree towards “I feel miserable for no reason on myself and on others”. 124(24.8%) and 30(6%) of the respondents are respectively agree and strongly agree towards “Many times I feel that I am dull”. 170(34%) and 39(7.8%) of the respondents are respectively agree and strongly agree towards “I am disturbed by unpleasant order from the high command”. It is concluded that a maximum 46.4% of the respondents have agree towards “My thinking and working are going hand in hand” when compare to other factors relating to personal level stress.

**Chi-Square Analysis**

The Chi-Square Analysis is used in any study to test the independent of two factors.

**Psychological Level Stress**

**Hypothesis:** The personal and socioeconomic factors of respondents have no significant influence on psychological level stress.

Table2 describe personal and socioeconomic factors, chi-square values, p values and their significance on psychological level stress.

<table>
<thead>
<tr>
<th>Table-2: Chi – Square Values – Personal &amp; Socio-Economic Factors at Psychological Level Stress</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal &amp; Socio Economic Factors</strong></td>
</tr>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>Marital status</td>
</tr>
<tr>
<td>Age(yrs)</td>
</tr>
<tr>
<td>Education</td>
</tr>
<tr>
<td>Annual Income</td>
</tr>
<tr>
<td>Experience</td>
</tr>
</tbody>
</table>

**Sources:** Authors Compilation.

**Note:** ‘S’ – Significant at 5% level, (p value<= 0.05); ‘NS’ – Not Significant at 5% level (p value >0.05).
It is found from the table that the hypothesis is rejected (Significant) in two cases and in other cases the hypothesis is accepted (Not Significant). It is concluded that the personal and socio-economic factors have insignificant influence on the psychological level stress.

**Analysis of Variance**

Technique of Analysis of Variance is an extension of T test used to test the equality of several means in this study the techniques is employed to test the equality of various category of stress between the different personal classifications of the respondents. The results are presented with suitable hypothesis and relevant interpretations for psychological level of stress separately.

**GenderWise**

**Hypothesis:** There is no significant difference in the Psychological level stress between respondents of the different genders.

Table3 describes the results of ANOVA relating to psychological level stress of respondents classified gender wise in terms of source, degrees of freedom, sum of squares, mean sum of squares, F value, p value and its significance.

**Table-3: Results of ANOVA – Gender & Psychological Level Stress**

<table>
<thead>
<tr>
<th>Source</th>
<th>Degrees of freedom</th>
<th>Sum of squares</th>
<th>Mean Sum of squares</th>
<th>F Value</th>
<th>P Value</th>
<th>Significant/ Not significant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>1</td>
<td>2.905</td>
<td>2.905</td>
<td>.084</td>
<td>.772</td>
<td>NS</td>
</tr>
<tr>
<td>Within Groups</td>
<td>498</td>
<td>17262.157</td>
<td>34.663</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>499</td>
<td>17265.062</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Authors Compilation.

Note: ‘S’ – Significant at 5% level (p value<= 0.05); ‘NS’ – Not Significant at 5% level (p value>0.05).

It is found from the table that the hypothesis is accepted (Not Significant). It is concluded that there is no significant difference in the psychological level stress between the respondents of the different genders.

**Marital Status**

**Hypothesis:** There is no significant difference in Psychological level stress between respondents of the different marital status.

Table 4 describes the results of the ANOVA relating to the Psychological level stress of the respondents classified marital status wise in terms of source, degrees of freedom, sum of squares, mean sum of squares, F value, p value and its significance.

**Table-4: Results of ANOVA – Marital Status & Psychological Level Stress**

<table>
<thead>
<tr>
<th>Source</th>
<th>Degrees of freedom</th>
<th>Sum of squares</th>
<th>Mean sum of squares</th>
<th>F Value</th>
<th>P Value</th>
<th>Significant/ Not significant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>1</td>
<td>37.271</td>
<td>37.271</td>
<td>1.077</td>
<td>.300</td>
<td>NS</td>
</tr>
<tr>
<td>Within Groups</td>
<td>498</td>
<td>17227.791</td>
<td>34.594</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>499</td>
<td>17265.062</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Authors Compilation.

Note: ‘S’ – Significant at 5% level (p value<= 0.05); ‘NS’ – Not Significant at 5% level (p value>0.05).

It is found from the table that the hypothesis is accepted (Not Significant). It is concluded that there is no significant difference in the Psychological level stress between the respondents of the marital status.

**Age Group**

**Hypothesis:** There is no significant difference in Psychological level stress between respondents of the different age groups.

The table 5 describes the results of the ANOVA relating to the psychological level stress of the respondents classified age group wise in terms of source, degrees of freedom, sum of squares, mean sum of squares, F value, p value and its significance.

**Table-5: Results of ANOVA – Age group & Psychological Level Stress**

<table>
<thead>
<tr>
<th>Source</th>
<th>Degrees of freedom</th>
<th>Sum of squares</th>
<th>Mean sum of squares</th>
<th>F Value</th>
<th>P Value</th>
<th>Significant/ Not significant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>3</td>
<td>181.243</td>
<td>60.414</td>
<td>1.754</td>
<td>.155</td>
<td>NS</td>
</tr>
<tr>
<td>Within Groups</td>
<td>496</td>
<td>17083.819</td>
<td>34.443</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>499</td>
<td>17265.062</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Authors Compilation.

Note: ‘S’ – Significant at 5% level (p value<= 0.05); ‘NS’ – Not Significant at 5% level (p value>0.05).
It is found from the table that the hypothesis is accepted (Not Significant). It is concluded that there is no significant difference in the psychological level stress between the respondents of the age group.

**Education**

**Hypothesis:** There is no significant difference in psychological level stress between respondents of the different education wise.

Table 6 describes the results of the ANOVA relating to the psychological level stress of the respondents classified education wise in terms of source, degrees of freedom, sum of squares, mean sum of squares, F value, p value and its significance.

**Table 6: Results of ANOVA – Education & Psychological Level Stress**

<table>
<thead>
<tr>
<th>Source</th>
<th>Degrees of freedom</th>
<th>Sum of squares</th>
<th>Mean sum of squares</th>
<th>F value</th>
<th>P value</th>
<th>Significant/Not significant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>3</td>
<td>129.295</td>
<td>43.098</td>
<td>1.247</td>
<td>.292</td>
<td>NS</td>
</tr>
<tr>
<td>Within Groups</td>
<td>496</td>
<td>17135.767</td>
<td>34.548</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>499</td>
<td>17265.062</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Sources:** Authors Compilation.

**Note:** ‘S’ – Significant at 5% level, (p value<= 0.05); ‘NS’ – Not Significant at 5% level (p value>0.05).

It is found from the table that the hypothesis is accepted (Not Significant). It is concluded that there is no significant difference in the psychological level stress between the respondents of the education.

**Income**

**Hypothesis:** There is no significant difference in the psychological level stress between the respondents of the different annual income.

Table 7 describes the results of the ANOVA relating to the psychological level stress of the respondents classified annual income wise in terms of source, degrees of freedom, sum of squares, mean sum of squares, F value, p value and its significance.

**Table 7: Results of ANOVA – Annual Income & Psychological Level Stress**

<table>
<thead>
<tr>
<th>Source</th>
<th>Degrees of freedom</th>
<th>Sum of squares</th>
<th>Mean sum of squares</th>
<th>F value</th>
<th>P value</th>
<th>Significant/Not significant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>3</td>
<td>415.296</td>
<td>138.432</td>
<td>4.075</td>
<td>.007</td>
<td>S</td>
</tr>
<tr>
<td>Within Groups</td>
<td>496</td>
<td>16849.766</td>
<td>33.971</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>499</td>
<td>17265.062</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Sources:** Authors Compilation.

**Note:** ‘S’ – Significant at 5% level, (p value<= 0.05); ‘NS’ – Not Significant at 5% level (p value>0.05).

It is found from the table that the hypothesis is not accepted (Significant). It is concluded that there is insignificant difference in the psychological level stress between the respondents of the different annual income.

**Experience**

**Hypothesis:** There is no significant difference in psychological level stress between respondents of the different experience.

Table 8 describes the results of the ANOVA relating to the psychological level stress of the respondents classified experience wise in terms of source, degrees of freedom, sum of squares, mean sum of squares, F value, p value and its significance.

**Table 8: Results of ANOVA – Experience & Psychological Level Stress**

<table>
<thead>
<tr>
<th>Source</th>
<th>Degrees of freedom</th>
<th>Sum of squares</th>
<th>Mean sum of squares</th>
<th>F value</th>
<th>P value</th>
<th>Significant/Not significant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>3</td>
<td>100.608</td>
<td>33.536</td>
<td>.969</td>
<td>.407</td>
<td>NS</td>
</tr>
<tr>
<td>Within Groups</td>
<td>496</td>
<td>17164.454</td>
<td>34.606</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>499</td>
<td>17265.062</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Sources:** Authors Compilation.

**Note:** ‘S’ – Significant at 5% level, (p value<= 0.05); ‘NS’ – Not Significant at 5% level (p value>0.05).

It is found from the table that the hypothesis is accepted (Not Significant). It is concluded that there is no significant difference in the psychological level stress between the respondents of the different experience.
FINDINGS

The findings are the results gained through the application of the statistical tools on the data collection with are suitable objective designed for the study.

- The 46.5% of the respondents have agreed that their thinking and working are the same and compliment each other when compared to other factors relating to psychological stress factors.
- There is no significant difference in the psychological stress factors between the respondents classified under the different genders.
- There is no significant difference in the psychological stress factors between the respondents classified under the marital status.
- There is no significant difference in the psychological stress factors between the respondents classified under the age group.
- There is no significant difference in the psychological stress factors between the respondents classified under the education.
- There is no significant difference in the psychological stress factors between the respondents classified under the annual income.
- There is no significant difference in the psychological stress factors between the respondents classified under the different experience.

CONCLUSIONS

Stress is always negative under normal circumstances, people should be able to find new balances and responses in their reactions to new situations. Stress is not necessarily a negative phenomenon and it would therefore be a mistake to concentrate only on this pathological effects. A moderate level of stress can be an importance motivational factor and can be instrumental in achieving a dynamic adaptation to new situation.

REFERENCES


*****

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THE IMPACT OF ENTREPRENEURIAL ORIENTATION AND LEADERSHIP STYLES ON BUSINESS PERFORMANCE: A STUDY ON MICRO SMALL AND MEDIUM ENTERPRISES

M. V. K. Srinivasa Rao

ABSTRACT
India can generate additional economic growth by fostering entrepreneurial activity within its borders. Over the last decade, the successful micro, small and medium enterprises have played significant role in fostering Indian economic growth. They are indeed the driving force behind a large number of innovations and contribute to the growth of national economies through employment creation, investment and exports. Entrepreneurial orientation and leadership styles of entrepreneurs and managers of M.S.M.E’s have clear impact on business performance.

This study aims to analyze the effects of both leadership styles and entrepreneurial orientation on business performance at Micro, Small and medium enterprises in Visakhapatnam, A.P., India. The study has tested the hypothesis of Leadership styles (Transformational and Transactional) and entrepreneurial orientation (innovation, pro activeness, and risk-taking) have significant relation/ affect with the business performance of MSME’s. Significant conclusions from this study are that transactional leadership is significantly more correlated to the business performance than is transformational leadership. Similarly, entrepreneurial orientation, mainly innovation and Risk taking may contribute positively to business performance.

KEYWORDS
Leadership Styles, Executive Management, Micro Small and Medium Enterprises Sector, Entrepreneurial Orientations, Business Performance etc.

INTRODUCTION
The recent market reforms in Indian economy have encouraged individual enterprise that leads to higher economic growth in the country. India can generate additional economic growth by fostering entrepreneurial activity within its borders (Lal & Clement 2005). Micro Small and Medium Enterprises are indeed the driving force behind a large number of innovations and contribute to the growth of national economies through employment creation, investment and exports. Their contribution to poverty reduction and a wider distribution of wealth in developing economies cannot be under-rated. It is estimated that there are around 15 Crore MSME’s in 130 Countries employing about 65 per cent of the total labor force. Generally the steps must be followed for success of entrepreneurship are; identification of entrepreneurial opportunities though scanning the environment to select product or services; market survey to ascertain the share of market that the product or service may enjoy; selection of technology, its source and related plant and equipment; preparation of business plan, arranging funds and mobilizing utilities; project implementation; organizing market function and management of enterprise. In addition to that the pre project should duly consider certain important issues such as realistic project planning and estimated gestation period of the project; co-ordination at project implementation phase and use of funds; seasonality of business; adequacy of field data; and assessment of project risk (Prasad, 2007). The conditions to grow the entrepreneurship in our country are; freedom to establish an economic venture and freedom to be creative and innovative with that enterprise, there must be propensity and favorable economic conditions etc. Now a day’s women are engaged in entrepreneurship activities. They became independent by taking several enterprises such as business of their own in different segments of retail sector (Srinivasrao & Victor 2009). Currently, in Europe, about 99 per cent of all enterprises are MSMEs, employing beyond 50 per cent of employees (Potocan and Mulej 2009). Over the last decade, the successful micro, small and medium enterprises have played significant role in fostering Indian economic growth. Entrepreneurial orientation and leadership styles of entrepreneurs and managers of MSME’s have clear impact on their business performance.

A firm’s overall competitive orientation can be defined as its strategic posture and classified either entrepreneurial or conservation orientation. Entrepreneurial firms are those in which the managers have entrepreneurial management style. Therefore, the performance level of small firms can be ascribed to management philosophy, i.e. leadership style. An effective leader influences followers in a desired manner to achieve desired goals. Different leadership styles may affect organizational effectiveness or performance. Entrepreneurs have become the heroes of economic development and contemporary enterprises (Chung-Wen Yang 2008). An entrepreneurial strategic posture may provide advantage to small firms in the hostile business environment of emerging economies, like India. An effective leader influences followers in a desired manner to achieve desired goals. Different leadership styles may affect organizational effectiveness or performance.

Thus, Leadership with Entrepreneurial orientation exerts great impact on business performance. Some researchers have tried to combine the two concepts into entrepreneurial leadership to explore both leadership and entrepreneurship behavior. This study was designed to examine how leadership styles can affect the development and implementation of entrepreneurial orientation at Micro small and medium enterprises (MSME’S) in Visakhapatnam, A.P, India. Entrepreneurial orientation (EO) has received substantial conceptual and empirical attention, representing one of the few areas in entrepreneurship research where accumulative body of knowledge is developing.

6Principal & Professor, Gonna Institute of Technology and Management Studies, Andhra Pradesh, India, mvskrao123@gmail.com
Leadership and Leader Behavior

In the present scenario, the best leader is always being a good manager but the manager may or may not be a good leader. The three categories of management are Administration Management; Executive management (Top, Middle and Supervisory or low level of management) and Supportive HR management. The best leadership practices normally focus through executive management in order achieves organizational effectiveness. Leadership is an activity of influencing people to strive willingly for group objectives. Managers while taking decisions behave in characteristic ways which are usually termed as ‘leadership style’. Several thinkers contributed their ideology of leadership in to the field of management. Some of them are F.W. Taylor (1911), Hawthorne Studies (1924-32), Kurt Lewis-Authoritative/ democratic style (1939), The Ohio state university leadership studies- Managerial Grid- IS,C (1957), Mc Gregor- Theory X,Y(1960), Michigan State University Studies- EO, PO (1961), Theory Z, Situational Theories – Fielder Contingency Model (1967), A Critical Analysis on Contingency Theory (1974), Modern Leadership theories (2000), Effective leadership (2005), Roles of leadership in Talent, change, knowledge management (till Now), Creativity in leadership (at present), Human Oriented Ethical and Creative Leadership Behavior (in Future).

A Leader should posses certain qualities via, Intellectual Stimulation or Influencing Personality; Energy; Self-Confidence; Assertiveness; Motivation; Honesty, Integrity and Charisma. The skills of any successful leader are Ability; Knowledge includes Technical Skills; Human Skills; Conceptual Skills; Communication Skills; information Skills; Skills in Handling Disturbances; Skills in Making Decisions and Skills in allocating Resources. In all types of organizations, leader influences organizational effectiveness. Leader’s behavior (Style) has a direct relationship to organizational effectiveness. They may be unaware of how their behaviors impact their employees. Employees place their faith and trust in their leader's capabilities and expecting the leader to provide. Leaders have the capability to show vision, organize teams, stay the course, and ultimately help the whole organization win. The leadership styles are: Transactional; Transformational; Charismatic; Visionary; Rationalizing; Asserting; Negotiating; Inspiring; Bridging; Innovative and Human Oriented Ethical & Creative. However, the existing literature focuses mainly on leadership styles (Transformational and transactional leadership styles) and business performance in Micro Small and Medium Enterprises sector.

Entrepreneurial Orientation (EO)

EO refers to the strategy making processes that provide organizations with a basis for entrepreneurial decisions and actions. The prime dimensions in E.O are Innovativeness, risk taking, and pro activeness. Competitive aggressiveness and autonomy are the two additional dimensions. Innovativeness is the predisposition to engage in creativity (Problem solving in more gainful way) and experimentation through the introduction of new products/services as well as technological leadership via R&D in new processes. Risk taking involves taking bold actions by venturing into the unknown, borrowing heavily and committing significant resources to ventures in uncertain environments. Pro activeness is an opportunity-seeking, forward-looking perspective characterized by the introduction of new products and services ahead of the competition and acting in anticipation of future demand.

MICRO SMALL AND MEDIUM ENTERPRISES

In India, the enterprises have been classified broadly into manufacturing and Service enterprises. These categories of enterprises have been further classified into micro, small and medium enterprises based on their investment in plant and machinery for manufacturing enterprises and on equipment for enterprises providing or rendering services (Development Commissioner of MSME, 2009). The limit for investment in plant and machinery for manufacturing / equipment for service enterprises before and after October 2, 2006 are as under (Sudha & Krishnaveni 2012).

**Table-1: Classification of Firms**

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>MICRO ENTERPRISES</th>
<th>SMALL ENTERPRISES</th>
<th>MEDIUM ENTERPRISES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Old Definition (Before October 2, 2006)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Up to Rs. 25 lakhs</td>
<td>Above Rs. 25 lakhs to Rs. 1 Crores</td>
<td>Not defined</td>
</tr>
<tr>
<td>Service</td>
<td>Up to Rs. 10 lakhs</td>
<td>-</td>
<td>Not defined</td>
</tr>
<tr>
<td><strong>New Definition (from October 2, 2006)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sector</td>
<td>Micro Enterprises</td>
<td>Small Enterprises</td>
<td>Medium Enterprises</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Up to Rs. 25 Lakhs</td>
<td>&gt; Rs. 25 Lakhs but &lt; Rs. 5 Crores</td>
<td>&gt; Rs. 5 Crores but &lt; Rs. 10 Crores</td>
</tr>
<tr>
<td>Service</td>
<td>Up to Rs. 10 Lakhs</td>
<td>&gt; Rs. 10 Lakhs but &lt; Rs. 2 Crores</td>
<td>&gt; Rs. 2 Crores but &lt; Rs. 5 Crores</td>
</tr>
</tbody>
</table>

**Sources:** Development Commissioner of MSME, 2009.
REVIEW OF LITERATURE

Jaharuddin (2008) has investigated the relationships between corporate cultures and leadership styles toward organizational performance of local and foreign organizations in Malaysia. He has examined the differences between type of corporate culture and leadership styles in different companies. Finally, no association between leadership styles and company’s performance in both types of organizations has been inferred. Arham and Muenjohn (2012) have examined whether and to what extent entrepreneurs’ leadership can influence entrepreneurial orientation (EO) and organizational performance (O.P). The study has tested a casual modeling, and examined various relationships among leadership behaviors, Entrepreneurial Orientation and organizational performance in Malaysian SMEs. The results have revealed that transformational and transactional leadership had different impact on the organizational performance variables. In addition, EO has mediated the relationship between the leadership behaviors and organizational performance variables. Rauch et al. (2012) have also made an attempt to study the relationship between EO and business performance. They have presented entrepreneurial orientation concept, the dimensions of EO, and the implications of EO on business performance and have argued that the effect of EO on performance is likely dependent on moderator variables, such as type of industry, business size, and cross national contexts. Chung-Wen Yang (2006) has studied the effect leadership styles on business performance, the co-relation between Transformational Leadership and Entrepreneurial Orientation. The study has further revealed that transformational leadership with higher entrepreneurial orientation can contribute to higher business performance. Alambeigi et al. (2012) has investigated the influence of organizational factors in intrapreneurship development in Iranian Agricultural Research Organization (ARO) and has revealed that 56% of variance in intrapreneurship development was determined by: Leadership style, organization strategy, organizational control system and organizational culture.

Yildirim and Saygint (2011) have clearly examined that the entrepreneurial orientation, indicated by risk taking, innovativeness and proactive competitive mindset, of manufacturing family firms, in terms of their managers/owners demographic characteristics, leadership style and their preference of incentives provided govt. organizations. Results have shown that most of the firms have medium level Entrepreneurial Orientation (EO). Business owners’ Transformational Leadership (TL) levels have been intensified between medium high and high. Also, there is a statistically significant positive relationship between sets of TL and EO. Krausset. Al. (2012) has tested hypothesis to find out the relationship of the psychological construct Entrepreneurial Orientation (EO) with business success. The analysis has revealed significant relationships between EO components (personal initiative, achievement-, and risk taking orientation) as well as overall EO and business performance. The results on the strong performance relationships of the EO components achievement orientation and personal initiative open up new perspectives on training for micro and small business owners: Psychological training methods can enhance individual achievement orientation. Matanda (2011) has conducted an explanatory study to examine the role of prior knowledge and entrepreneurial orientation on access to new markets in MSMEs and inferred that younger, married males are more likely to access new markets. Education, membership into business associations and attending trainings are also significantly associated with access to new markets. The dimensions of entrepreneurial orientation have mixed impacts on entry into new markets by small-scale earthenware manufacturers. Innovation and risk-taking propensity were associated with new market entry. Education, membership into business associations, entrepreneurial experience, risk-taking, competitive aggressiveness, autonomy and pro activeness have not been associated with the entry of small-scale earthenware manufacturers into new markets.

Ken Chadwick (2012) has tested hypothesis to find out the relationships between entrepreneurial orientation and firm performance, and organizational culture and entrepreneurial orientation. No significant relationship has been found between entrepreneurial orientation and any of the three measures of firm performance. However, there is empirical support for the theoretical link between organizational culture and entrepreneurial orientation. Raja and Palanichamy (2012) has attempted to provide the knowledge on the role of leadership styles in the effectiveness of select public enterprises, namely, Hindustan Lever Ltd (HLL), Chennai Petroleum Corporation Ltd. (CPCL) and Bharat Heavy Electricals Ltd. (BHEL). The chief executives have preferred to adapt a combination of three prominent leadership patterns viz., authoritarian, bureaucratic and nurturing task and also the impact of various leadership styles on organizational effectiveness as measured by productivity, turnover, profitability, job satisfaction, morale etc. Craig (2011) has determined the influence of leadership style and entrepreneurial orientation on the effectiveness of non-profits and also has inferred that transformational leadership style has a positive influence on the ability to accomplish the mission of the organization, while transactional leadership does not influence the effectiveness of the organization. Entrepreneurial orientation plays a significant role in the success of the organization. Mehrdad et al.,(2011) have emphasized that Entrepreneurial Orientation (EO) is a key ingredient for firm innovation. Firms with greater innovativeness will be more successful in responding to changing environments and in developing new capabilities that allow them to achieve better performance. The results have indicated that entrepreneurial orientation both directly and indirectly through the knowledge management has affected innovation performance. Timothy et. al. (2011) have investigated the effects of leadership style on organizational performance in small scale enterprises. Transactional and Transformational leadership behaviors on performance/outcome considered relevant in the study. Transactional leadership behaviors and performance/outcome variables have been constructive. The result showed that while transactional leadership style has significant positive effect on performance, transformational leadership style has positive but insignificant effect on performance. The study has concluded that transactional leadership style is more appropriate in inducing performance at small scale enterprises than transformational leadership style.

This study focuses on transformational and transactional Leadership measured through the Multifactor Leadership Questionnaire. Transactional leadership is more strongly correlated than Transformational leadership with higher productivity and performance. Entrepreneurial orientation is the presence of organizational- level entrepreneurship. Several researchers have agreed that entrepreneurial orientation could be explained by innovation, pro activeness, and risk taking.
RESEARCH METHODOLOGY

This study used a quantitative research method to examine the relationship among leadership styles, the entrepreneurial orientation, and business performance of SME’s. A sample of top-level managers from MSME’s in Visakhapatnam, A.P, India has been used.

The entrepreneurs and managers MSME’s have been targeted because they are the most informed about the business’ overall operational activities. In order to conduct survey in a comprehensive manner three questionnaires have been used. They are Multifactor Leadership Questionnaire (MLQ) consists eighteen statements and has used to measure top-level managers’ leadership style (transformational, attributed charisma, idealized influence, inspirational motivation, individualized stimulation, and intellectual consideration, or transactional, attributed contingent reward and management-by-exception.

Entrepreneurial Orientation Questionnaire (EOQ) equipped with dimensions of innovation, pro activeness, and risk-taking business performance construct that include three dimensions via, profitability, ROI, Growth.

Sampling

A sample should be large enough to provide a credible result. The 140 usable surveys have been examined for accuracy of data entry, non-response bias, missing values, reliability, and validity. Finally, 20 surveys were deleted due to some factors mentioned above, thus, 120 surveys without missing data have been remained for analysis that includes 100 Micro and Small Enterprises and 20 Medium Enterprises (Table 2). Visakhapatnam is a fast growing port and steel city having more number of Unregistered Micro and Small Enterprises’ than the registered enterprises at District Industries Center.

Table 2: Sample Selected For Study

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Category of Enterprises</th>
<th>No of Units</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Micro and Small</td>
<td>100</td>
<td>83.33</td>
</tr>
<tr>
<td>2</td>
<td>Medium</td>
<td>20</td>
<td>16.67</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>120</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Sources: Authors Compilation.

Hypothesis

H1: Leadership styles (Transformational and Transactional) of SMES have significant relation / affect with business performance.

- H1a- Transformational Leadership style has higher impact on business performance,
- H1b- Transactional Leadership style has higher impact on business performance.

H2: Entrepreneurial orientation (innovation, pro activeness, and risk-taking) of MSME’s has significant relation / affect with business performance.

DATA ANALYSIS

Most of the entrepreneurs representing about 75 per cent belong to 41-50 years of age group, followed by 31-40 years (about 25 per cent). Very few of the respondent entrepreneurs representing over 25 per cent belongs to either above 51 years age group or less than 30 years of age group. Three fourth of enterprises, selected for study were established 5 years ago, rest of them representing about 25 per cent are recent establishments with less than 5 years of experience. About 62.50 per cent of enterprises are sole trading establishments, followed by partnership firms (about 30 per cent) and others (about 10 per cent).

About 90 per cent of entrepreneurs are Hindu’s. Others constitute very less proportion via, Cristians (about 7.5 Per cent), Muslim’s and others (about 5 per cent). The category of enterprises includes Vysya (about 40 per cent), Kapu (about 25 per cent), Khatriya (about 20 per cent), kamma and others (about 15Per cent). About 37.5 per cent of entrepreneurs are graduates, followed by the entrepreneurs with below SSC qualification (about 35 per cent), post graduates and Technical certificate holders (about 15 per cent each).

Table 3: Reliability Statistics

<table>
<thead>
<tr>
<th>Cronbach’s Alpha</th>
<th>Cronbach's Alpha Based on Standardized Items</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.953</td>
<td>.950</td>
<td>24</td>
</tr>
</tbody>
</table>

Sources: Authors Compilation.

SPSS 13 version has been used to conduct the statistical analysis of all data in this study. The overall Cronbach’ alpha coefficient of the EOQ, Leadership Style and Business performance has been .953. All the coefficients are greater than .70, exceeding the recommended minimum level of .7. This ensured that these scales have a very satisfactory degree of reliability (Table-3).
The combined mean values of four dimensions (D1, D2, D3, and D4) of Transformational Leadership (TL) and Two dimensions (d1, d2) of Transactional Leadership (tl) with their S.D’s have been calculated. The mean value of TL 1.7965 and S.D-1.1548, similarly, the mean values of tl-1.8111 and S.D-1.4095 (Table-5).

The 2nd sub variable of individualized consideration under 4th dimension of transformational leadership (TL-D4-vb) has been significant in the study (Mean-2.5917 and S.D-1.06507), followed by tl-d1-vb with Mean-1.9833 and S.D-1.32998, tl-d2-vb with Mean-1.8000 and S.D-1.30029 and tl-d1-vb with mean value-1.7250 and S.D-1.28966. Similarly all other sub variables of different variables analyzed in the study have recorded mean values from 1.5917 to 1.8000 and S.D’s from .49 to 1.63. It infers that the sub-variable of different variables under the dimensions of transactional leadership have been more significant than transformational leadership (Table-4).

### Table-6: The Relation (proximity) between Leadership Styles and Business Performance

<table>
<thead>
<tr>
<th>Variables for Comparison</th>
<th>EUCLIDEAN DISTANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Transformational Leadership</td>
</tr>
<tr>
<td>Transformational Leadership</td>
<td>.000</td>
</tr>
<tr>
<td>Transactional Leadership</td>
<td>.128</td>
</tr>
<tr>
<td>Profitability</td>
<td>.208</td>
</tr>
<tr>
<td>ROI</td>
<td>.218</td>
</tr>
<tr>
<td>Growth</td>
<td>.398</td>
</tr>
</tbody>
</table>

**Sources:** Authors Compilation.

**Note:** This is a dissimilarity and Proximity Matrix, ROI= Return on Investment.
there is close proximity between Business performance and Transactional Leadership style in term of Profitability (.080), ROI (.090) and Growth (.270). Whereas, it is in the case of Transformational leadership style and Business performance has been little far away (Profitability-.208, ROI-.218, and Growth - .398). Hence, it is inferred that Leadership styles (Transformational and Transactional) of MSMES have significant relation/afflict with the business performance (Table-6) and hypothesis (H1) is accepted. Transformational Leadership style has no higher or significant impact on business performance except individualized consideration (TL-D4-vb). Therefore, hypothesis H1a is rejected and Transactional Leadership style has higher impact on business performance than transformational leadership style. Hence, hypothesis H1b is accepted.

Table-7: Means and S.D.’s of Various Dimensions of Entrepreneurial Orientation and Business Performance (Descriptive Statistics)

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
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<td>Pro activeness</td>
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<td>2.00</td>
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<td>.49761</td>
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<tr>
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<td>1.00</td>
<td>2.00</td>
<td>1.5833</td>
<td>.49507</td>
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<tr>
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<td>4.00</td>
<td>1.8000</td>
<td>1.62232</td>
</tr>
<tr>
<td>ROI</td>
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<td>.00</td>
<td>4.00</td>
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<td>1.62066</td>
</tr>
<tr>
<td>Growth</td>
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<td>4.00</td>
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<td>1.31249</td>
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<tr>
<td>Valid N (listwise)</td>
<td>36</td>
<td></td>
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<td></td>
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</tbody>
</table>

Sources: Authors Compilation.

Risk taking has been found significant (Mean value – 1.5917, S.D - .49359) in Entrepreneurial Orientation, followed by Innovation (Mean value – 1.5833, S.D - .49507) and Pro activeness (Mean value – 1.5667, S.D - .49761) (Table-7).

Table-8: The Relation (proximity) between Entrepreneurial Orientation and Business Performance

<table>
<thead>
<tr>
<th></th>
<th>Risk taking</th>
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<th>Innovation</th>
<th>ROI</th>
<th>Growth</th>
<th>Profitability</th>
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<td>2.00</td>
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<td>.000</td>
<td>8.544</td>
<td>7.874</td>
<td>7.280</td>
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<tr>
<td>ROI</td>
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<td>9.327</td>
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<td>11.358</td>
<td>10.488</td>
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<tr>
<td>Growth</td>
<td>8.124</td>
<td>8.832</td>
<td>7.874</td>
<td>11.358</td>
<td>.000</td>
<td>9.950</td>
</tr>
<tr>
<td>Profitability</td>
<td>7.416</td>
<td>7.416</td>
<td>7.280</td>
<td>10.488</td>
<td>9.950</td>
<td>.000</td>
</tr>
</tbody>
</table>

Sources: Authors Compilation.

Note: This is a dissimilarity and Proximity Matrix, ROI= Return on Investment.

The proximity of Business performance with Risk taking in term of Profitability (7.416), ROI (8.660) and Growth (8.124), followed by Innovation (Profitability-7.280, ROI-8.544, and Growth - 7.874) and Pro activeness (Profitability-7.416, ROI-9.327, and Growth - 8.832). Hence, it is inferred that Risk taking among other factors in the entrepreneurial orientation has great impact on business performance (Table-8) and also all factors (innovation, pro activeness, and risk-taking) of Entrepreneurial orientation have more or less similar impact on business performance of MSME’s. Hence, hypothesis H2 is accepted.

SCOPE FOR FUTURE RESEARCH

Several studies have been undertaken by the researchers on MSME sector in India from different perspectives. Still, there is a scope for further research. In depth analysis on the Impact of Leadership styles and Entrepreneurial Orientation on business performance at MSME sector has to be further conducted separately (the impact of LS on BP and the same of EO on BP) to bring out better insights. The present study has been conducted with Multifactor Leadership Questionnaire (MLQ) besides EOQ. The MLQ consists eighteen statements and has used to measure top-level managers’ leadership styles (transformational or transactional only). Hence, there is a need to focus attention of researchers on the same area through more elaborated questionnaires to measure several modern Leadership styles and try to understand the impact of those on Business performance. Micro level studies using Regression Analysis, ANOVA may further help in identifying specific issues behind the data and to conduct more scientific studies in future.

CONCLUSIONS

The mean for Transformational leadership is higher than the mean for transformational leadership. Furthermore, there is a strong relation between Entrepreneurial Orientation and Business performance. The findings from the current study suggest that high levels of total entrepreneurial orientation may contribute positively to business performance. A comparison of the three dimensions of entrepreneurial orientation shows that high levels of innovation and Risk taking may contribute positively to business performance. Pro activeness is not a significant contributor to predicting business performance. Different leadership styles may affect performance. Transitional leadership is significantly more correlated to the business performance than transformational leadership. Both management and leadership skills such as financial management, communication, motivation of others, vision, and self-motivation play important roles in determining the growth rate of a MSME’s. Finally, Transactional
leadership with higher entrepreneurial orientation can contribute to higher business performance at Micro small and medium enterprises.

REFERENCES


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INDUSTRIAL DEVELOPMENT THROUGH INFRASTRUCTURE IN ANDHRA PRADESH: SOME EVIDENCES

Neeli Deepa

ABSTRACT

Purpose: Infrastructure acts as a stimulating factor for industrial development in any country. By realizing the importance of infrastructure in the context of industrial development in many countries has been trying to develop their infrastructural base through various plans and programmes. India is not an exception to it. Infact it has been implementing various programmes through Five Year Plans for creating infrastructure for industrial development in the country since independence the focus of this paper is mainly on Andhra Pradesh and its three regions.

Design / Methodology: The study has been carried by using the secondary data relating to industries which is been obtained through the Reports of Annual Survey of Industries (ASI) Factory sector for the period 1982-2005. The data relating to infrastructural indicators such as facilities are obtained through statistical Abstracts of Andhra Pradesh, CMIE Reports. The industrial development in the regions / districts has been assessed in terms of growth of unit, employment, capital and value added and accordingly they are ranked. Similarly the infrastructural development has been assessed in terms of growth of physical and financial indicators in the region / districts and accordingly they are ranked. Composite index of regions / districts has been estimated and the impact of infrastructure on industrial development, a simple regression equation has been estimated for three regions of Andhra Pradesh.

Findings: Industrial development has taken place in areas where infrastructural facilities are provided more in the state.

KEYWORDS

Industrialization, Development, Financial, Physical, Infrastructural etc.

INTRODUCTION

Industrialization plays an important role in restructuring the economy particularly in developing countries since it removes relative pressure on agricultural land, permits increased productivity, provides market for primary products and supplies competitively priced manufactured goods for consumers and other sectors (Tyagunenko 1973). In other words industrialization contributes towards increasing national income, improving the stability of foreign exchange earnings and national income through diversification of exports, generation of employment and provision of market for local raw material (Brayce 1960). Thus industrialization is considered synonymous with economic development and is reflected in the assertion that “Real Progress must ultimately depend on industrialization (Nehru 1953).

Development is a multidimensional process involving major changes in social structure, popular attitudes and national institutions as well as the acceleration of economics growth, reduction of inequalities and eradication of economic growth, reduction of inequalities and eradication of poverty (Todaro, 1994). Industrialization is a process by which a non-industrialized country becomes an industrialized country becomes an industrialized one (Sutcliffe, 1971).

Industrial Policies of 1948 and 1956 guided industrial growth in India after independence. The index of Industrial Production of India (Base 1980-81 =100) increased from 18.3 in 1950-51 to 65.3 in 1970-71, to 196.4 in 1989-90 and finally to 283.3 in 1995-96. The contribution of industries to GDP at factor cost increased from 15.07 percent in 1950-51 to 24.4 per cent in 1980-81 and to 27.10 in 1997-98 while the share of primary sector has fallen from 56.4 per cent in 1950-51 to 27.99 per cent in 1997-98 (CMIE, December 2000). This shows that India has achieved a considerable progress on industrial front but the growth is not uniform in all states. Certain states have surged ahead of their counterpart in registering a high rate of growth, while many others are still economically backward. This is due to gross imbalance in regional location of industries. Maharashtra, Tamil Nadu, Gujarat, West Bengal and Andhra Pradesh jointly account for 40 percent of the factories, 55 per cent of total employment and 59 percent of total industrial output in India (CMIE, 1995).

However, emphasis on industrialization alone is not sufficient and may not help ever in the healthy of development of industry. Industrialization should be considered as a part of total process of development and the development plans for industries must be coordinated with plans for development of mining, transport, power, banking, communications and all other related sectors of the economy since industrial development of a country requires all these infrastructural facilities. Thus the development of infrastructure is an essential precondition for industrialization.

The term infrastructure may mean a) Physical infrastructure including those set of facility without which an integrated independent modern economy can not function and is composed of transport, telecommunication, power, irrigation etc., (b) Social infrastructure, which represents the standard of living of human capital and includes housing, education, public health, sanitation and (c) Financial infrastructure which represents the spread of magnetization and other commercial activities across the region.

Assistant Professor, Department of Economics, Loyola Academy Degree and P.G. College, Andhra Pradesh, India, deepa1_namsham@yahoo.co.in
and includes money and capital markets (Ghose and Chattopadhya 1977, Guha 1997). Keeping the importance of infrastructure in industrial development in view, a few studies have been carried out in the literature. A review of some of them is presented below which are directly relevant in the present context.

**REVIEW OF LITERATURE**

Rao (1977) using Composite Index of Development, developed through Factor Analysis, identified the backward states of India on the basis of 24 variables pertaining to Agriculture (5), Industry (8), Education (5) and Banking (6). The study covered 15 major states of India for the period 1955-56 and 1965-66. Composite Indies of Development (CID) figures showed that none of the states was developed in all sectors, while industrial and banking sectors moved in opposite direction.

Rao (1983) examined inter-state disparities for 16 states by taking 51 variables from different sectors viz. Agricultural, general industrial sector, banking, power, transport, health and education. She employed the technique of Factor Analysis and subsequently Composite Index of Development was constructed by using various indices for the years 1975-77. The study revealed that for the general industrial sector the coefficient of variation for all sectors was high enough to indicate wide inter-state disparities.

Rajarshi Majumder (2005) has examined the imbalances in regional infrastructural availability in India. The study is based on ‘District’ level analysis using a multidimensional approach with sub-sectoral, sectoral and composite indices of development and infrastructural availability for the study period 1971-2001. The study observed that there has been a noticeable rise in levels of infrastructure and development in the country but simultaneously imbalances in terms of infrastructural development among different regions have been widened over the study period. It appears from the above review that no concrete attempts have been made for the recent period in order to capture the recent trends. Hence the present study is proposed.

**DATA BASE AND METHODOLOGY**

The study has been carried out by using the secondary data and the requisite data were obtained from the following sources:

a) The data relating to industries at two digit levels have been obtained through the Reports of Annual Survey of Industries (ASI) Factory Sector for the period 1982-2005.

b) The data relating to infrastructural indicators such as facilities covering railways, roads, number of goods vehicles, post offices, bank branches, ports, power, telecommunications, irrigation, transport, etc. will be obtained through:

- Statistical Abstracts of Andhra Pradesh of various years,
- Seasonal Crop Reports of Andhra Pradesh of various years,
- CMIE Reports,
- Economic Survey Reports, and
- Records of Directorate of Industries, District Planning Office, and Collectorate, District Industries Center etc.

*The following methodology has been adopted for construction of composite Index*

The whole of Andhra Pradesh has been divided into three regions i.e. Coastal, Rayalaseema and Telangana for inter regional analysis. The industrial development in the regions / districts has been assessed in terms of growth of unit, employment, capital and value added and accordingly they are ranked. Similarly the infrastructural development has been assessed in terms of growth of physical and financial indicators in the region / districts and accordingly they are ranked. Finally composite index of regions / districts has been estimated by using the formula:

\[ R = \frac{\sum R_i}{\sum N_i} \]

Where R = Composite Index;

- \( R_i \) = Total ranks of all performance indicators;
- \( N_i \) = No of indicators.

This index has been calculated for the three points of time i.e 82-83, 90-91, 97-98 and 2004-2005 for industry as well as infrastructural development at state / region and district level in order to study the interregional disparities in terms of industrial and infrastructural development in the state.

**Relationship between Infrastructure and Industrial Development**

In order to examine the relationship between infrastructure development and industrial development, Karl Pearson’s Correlation Coefficient has been estimated between Composite Index for a) infrastructure and b) industrial development for different districts for the three points of time. Further to study the impact of infrastructure on industrial development, a simple regression equation of the form:
\[ Y = \alpha + \beta x \] where \( Y = \text{Composite Index for Industrial Development and} \)

\( x = \text{Composite Index for Infrastructural Development has been estimated for three points of time i.e. 1982-83, 1990-91 1997-98 and 2004-05 for three regions of the State of Andhra Pradesh.} \)


**Composite Index for Infrastructural Development in A.P.**

It is evident from the Table 1.1 that Rangareddy district has exhibited the highest value of Composite Index for infrastructural development and occupied the 1st place in 1982.83 in Andhra Pradesh followed by Nizamabad and Medak districts of Telangana region. On the other hand East Godavari has exhibited the lowest value of Composite Index for infrastructural development to the extent of 3.88 and occupied the 23rd place. This is followed by Krishna district (23rd rank) West Godavari (21st rank) and Guntur district (20th rank) of the Coastal Andhra region. Further the analysis indicates that Srikakulam district has occupied the 5th place in the same year by exhibiting the value of Composite Index to the extent of 16.38.

However its position has improved and occupied 1st rank in the year of 1990-91 by exhibiting composite index value of 19.75. Vishakapatnam has also improved its position in terms of infrastructural development and secured 2nd place by exhibiting the Composite Index value of 19.29. Srikakulam exhibited the value of 19.29 and secured 3rd place in terms of infrastructural development. On the other hand Krishna district has exhibited the lowest value of composite index to the extent of 4.92 and occupied the 23rd place. This is followed by Guntur while (22nd rank), West Godavari has not improved its performance in terms of infrastructure at all during the study period and retained (21st rank). East Godavari of Coastal region has exhibited the value of 6.21 and occupied 20th place in the same year. It is also evident from the table that Vizianagaram, district has exhibited the highest value of Composite Index for infrastructural development and occupied the 1st place in 2004-05 in Andhra Pradesh followed by Srikakulam, Nizamabad, and Adilabad Medak districts. On the other hand Guntur has exhibited the lowest value of Composite Index for infrastructural development to the extent of 4.77 and occupies 23rd place. This is followed by Krishna district (22nd rank) chittoor district (21st rank) and East Godavari district (20th rank) of the Coastal Andhra region. On the whole, districts such as Adilabad, Nizamabad, Medak, Srikakulam, Khammam and Vizanagaram have exhibited the higher level of infrastructural development and improved their position over a period when compared to that of other districts under study.

The Table also indicates that Adilabad district has improved its performance and secured 1st place in the year 1997-98 by exhibiting the highest value of Composite Index of 20.50 compared to that of all other districts. Vizianagaram has also improved its position in terms of infrastructural development and secured 2nd place by exhibiting the Composite Index value of 20.29. Srikakulam exhibited the value of 19.29 and secured 3rd place in terms of infrastructural development. On the other hand Krishna district has exhibited the lowest value of composite index to the extent of 4.92 and occupied the 23rd place. This is followed by Guntur while (22nd rank), West Godavari has not improved its performance in terms of infrastructure at all during the study period and retained (21st rank). East Godavari of Coastal region has exhibited the value of 6.21 and occupied 20th place in the same year. It is also evident from the table that Vizianagaram, district has exhibited the highest value of Composite Index for infrastructural development and occupied the 1st place in 2004-05 in Andhra Pradesh followed by Srikakulam, Nizamabad, and Adilabad Medak districts. On the other hand Guntur has exhibited the lowest value of Composite Index for infrastructural development to the extent of 4.77 and occupies 23rd place. This is followed by Krishna district (22nd rank) chittoor district (21st rank) and East Godavari district (20th rank) of the Coastal Andhra region. On the whole, districts such as Adilabad, Nizamabad, Medak, Srikakulam, Khammam and Vizanagaram have exhibited the higher level of infrastructural development and improved their position over a period when compared to that of other districts under study.

**Composite Index for Industrial Development in Andhra Pradesh**

In order to examine the district/region performance of manufacturing sector in the State, the Composite Index has been calculated and the results are presented in Table1.2 for four points of time i.e., 1982-83, 1990-91, 1997-98 and 2004-05 by taking indicators such as Industrial Units, Employment, Capital and Value added. It is evident from the same Table that Srikakulam ranked 1st in terms of Industrial Development with the highest value of Composite Index in 1982 (22.75) followed by Cuddapah (20.00) and Nellore (19.75). On the other hand Karimnagar accounted for the lowest rank with its index of 3.75. Similarly Rangareddy (4.0), Medak (5.25), Guntur (5.75) did not show any significant Industrial development during the same year. However districts such as Prakasham accounted for 14.25 and ranked 9th followed by Anantapur and Vizianagaram etc. A similar trend is continued as far as Srikakulam district is concerned in the year 1990-91 also where it ranked 1st with the Composite Index value of 22.00 followed by Mahabubnagar, Khammam both have exhibited the same value of composite index to the extent of (20.75) in 1990-91 and placed at 2nd position. Cuddapah district of Rayalaseema region has exhibited the composite index value of 19.00 and occupied the 3rd position.

On the other hand Rangareddy district of Telangana region has accounted for the lowest value of Composite Index to the extent of 2.25 and secured 23rd rank. Similarly Medak and Guntur districts have also exhibited the lowest value of Composite Indices for industrial development in the same year. Further the results indicate that Srikakulam district has retained its 1st position even in 1997-98 by exhibiting the highest value of Composite Index for industrial development (20.50) in Andhra Pradesh.

While Khammam has exhibited the value of Composite Index to the extent of 19 and occupied the second place followed by Vizianagaram district, on the other hand Medak has shown the lowest value of Composite Index (2.50) followed by Rangareddy and Guntur. Mahabubnagar district of Telangana region has occupied the 5th place by exhibiting the value of Composite Index of Industrial development to the extent of 16.75. It is also evident from the same table that in the year 2004-05 Cuddapah ranked 1st in terms of Industrial Development with the highest value of Composite Index (18.75) followed by Vizianagaram (18.5) and Warangal (17.5). On the other hand Rangareddy accounted for the lowest rank with its index of 3.00. Similarly Medak (4.25), East Godavari (4.75), Vishakapatnam (5.75) did not show any significant Industrial development during the same year. One may conclude on the basis of these observations that districts such as Srikakulam, Cuddapah, Vizianagaram, Prakasham, Nellore,
Anantapur, and Khammam performed extremely well in terms of Industry over a period when compared to the rest of districts in the State. On the other hand districts namely Rangareddy, Medak, Guntur, Krishna, West Godavari districts have suffered significantly in terms if industrial development during the study period.

A SUMMING UP

The above analysis of Composite Index for Industrial development and infrastructural development indicate that in respect of district such as Srikakulam, Khammam, Cuddapah, Adilabad, Visanagaram, Nellore and Anantapur, where infrastructural development has taken place, their industrial development has also taken place supporting the validity of our hypothesis that industrial development has taken place in areas where infrastructural facilities are provided more in the State.

Table-1: District Wise estimates of Composite Index for Infrastructural Development in Andhra Pradesh

<table>
<thead>
<tr>
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</tr>
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<td>2</td>
<td>Visakhapatnam</td>
<td>12.17</td>
<td>19.29</td>
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<tr>
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<tr>
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<td>3.88</td>
<td>6.21</td>
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<td>7.03</td>
<td>23</td>
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<tr>
<td>5</td>
<td>West godavari</td>
<td>4.92</td>
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<td>Guntur</td>
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<td>9.04</td>
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<td>Chittoor</td>
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<td>6</td>
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</tr>
<tr>
<td>21</td>
<td>Khammam</td>
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<td>8</td>
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<tr>
<td>22</td>
<td>Karimnagar</td>
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<td>12.67</td>
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<td>11</td>
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<td>23</td>
<td>Adilabad</td>
<td>16.58</td>
<td>18.08</td>
<td>20.50</td>
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Sources: Estimates Obtained By Using Statistical Abstract Data.

Table-2: District Wise estimates of Composite Index for Industrial Development in Andhra Pradesh

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CONCLUSIONS

For achieving rapid industrial development, creation of infrastructure is necessary, otherwise industrial development can not be achieved significantly. In other words, infrastructure acts as a stimulating factor for industrial development in any Country. By realizing the importance of infrastructure in the context of industrial development, many countries have been trying to develop their infrastructural base through various plans and programmes. India is not an exception to it. Infact it has been implementing various programmes through Five Year Plans for creating infrastructure for industrial development in country since independence.

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IMPLICATION OF MICROFINANCE ON TOURISM DEVELOPMENT

Ankita Sharma*

ABSTRACT

Tourism plays an important role in the socio-economic development of all nations, including India. Being a major source of revenue for countries worldwide, tourism is the second largest industry in the world and generates around 200 million jobs world wide & 10% of global GDP. Fighting poverty is a major challenge, in which tourism can make a significant contribution. However, it is important to analyse the basic concepts behind specific policies and actions that would allow tourism to be effective, like the possibilities offered by microfinance. In fact, tourism development must be properly managed, so that it can be transformed into benefits for the local people and their environment.

The paper discussed the implication of microfinance in tourism development and inclusive growth with special reference to district Udhampur of Jammu & Kashmir. Udhampur District offers a wide array of places of tourist interest and if microfinance & tourism development is properly coordinated & integrated, it can act as a major source of employment generation & poverty eradication especially in rural areas, where most of the poor live and where there are very few other development options. The data were collected from 226 microfinance beneficiaries from 60 SHGs of district Udhampur of J&K. The result revealed that out of 226 respondents 146 (65 %) generated for self but only 12 respondents (5%) generate employment for others by employing 18 people. The study suggested that the typical geographic location and Tourism potential of district Udhampur can be used to promote philanthropic tourism and thrust can be used to generate employment for masses.

KEYWORDS

Financial Inclusion, Microfinance, NGO, Philanthropic Tourism, Self Help Groups (SHG), Socio-Economic Development etc.

INTRODUCTION

A continuous flow of capital, technology, innovation, open & competitive markets and e-governance is the key to sustained dynamic growth of any nation. Unfortunately, economic growth in most underdeveloped & developing countries is lopsided in terms human development coupled with excessive Govt. intervention & regulations, weak economic & regulatory mechanism, high degree of social conflict (Shleifer, 2003; Rodrick, 1998; Acemoglu, 2001 and Djankov, 2003). Globalization and present growth trajectory brought about new challenges of widening interpersonal and inter regional disparities with greater rural urban divide in India (Ravindran & Vinodan, 2009). The shift in the development strategy is now from higher growth to inclusive growth through better distribution which is interlinked and broad based across sectors & sections of society. In order to achieve broad based balanced development financial inclusion (FI), microfinance (MF) and self help groups (SHG) are emerging as viable strong alternatives.

In India, despite 9% growth in GDP after 1990, Gini coefficient indicated increase in income inequality in almost all the states both for urban & rural areas and intervention of macro & micro strategies (Rodrik, 2006). Suggestions offered are inclusion of poor from financial services and reapplication of Grameen Bank model suggested by Muhammad Yunus, focusing on ‘economic and social development from below’ in contrast to the typical top-down methods of traditional development. Several bilateral and multilateral aid agencies, Government departments, NGOs, and Civil Society Organisations have begin to give top priority to financial inclusion through microfinance for poverty reduction for enabling the poor to build assets, increase incomes and reduce their vulnerability to economic stress (UN Declaration, 2005).

The UN Millennium Development Goals include specific commitments to reduce by one-half the proportion of people living in extreme poverty by 2015. Poverty is a multi-faceted concept which embraces not only insufficient levels of income but a lack of access to essential services such as education, water and sanitation, health care and housing. At the same time, the World Tourism Organization estimates that tourism accounts for up to 10% of global gross domestic product, making it the world’s biggest industry (Goodwin and Robson, 2004).

The potential for tourism to contribute significantly to poverty alleviation is considerable. Pro-poor tourism (PPT) interventions aim to increase the net benefits for the poor from tourism, and ensure that tourism growth contributes to poverty reduction (Goodwin, 2008). PPT is not a specific product or sector of tourism, but an approach. PPT strategies aim to unlock opportunities for the poor – whether for economic gain, other livelihood benefits, or participation in decision-making (Ashley et al. 2001). Work since 1998 by the Pro-Poor Tourism Partnership has demonstrated that tourism can contribute to poverty reduction and that for many of the least developed countries, and in many rural areas, tourism is one of the few current viable strategies for economic development (Goodwin and Robson, 2004).

*Assistant Director (P & S), Hydraulic Circle, Udhampur, J&K, India, ankita14384@yahoo.co.in

International Journal of Entrepreneurship & Business Environment Perspectives © Pezzottaite Journals 123 | P a g e
TOURISM AND ITS IMPACT

Tourism has grown to be an activity of worldwide importance and significance. In many countries, tourism is the largest commodity in international trade. In others, it ranks among the top industries. Tourism has indeed grown to become a major social and economic force in the world (Mc Intosh et al, 1995). The rapid growth of tourism in the twentieth century has produced both problems and benefits for destination countries. It has had visible impact on the socio-cultural and socio-economic environment. Although tourism can bring economic advantages to a destination country, it also brings with serious long-term problems which, without careful control and planning, can threaten the society (Quesada, 1976).Tourism not only provided legitimate income but, created a socio-economic impact on local people. Tourism-entrepreneurship practices are first responsible towards the society and then towards profitability (Valdez, 2009). It has to consider whether the action is likely to promote the public good, to advance the basic beliefs & culture of society, to contribute to its stability, strength and harmony is the ultimate responsibility of tourism-entrepreneurship practices to itself, to the enterprise, to the cultural heritage, to their society and to their way of life (Valdez, 2009). Tourism strategies must be consistent with local goals and be sensitive to sustaining community’s character and traditions. Thus, we can say that tourism can not only result in enhanced employment opportunities, increased income potential for community, diversification of the local economic base, and additional tax revenues for the government, but also raise community visibility, and add cultural opportunities for residents leading to growth & development (Jurowski 1996).

COLLECTION OF DATA

The data was collected from both primary and secondary sources. The primary data was collected from 226 microfinance beneficiaries from 2 NGO’s of district Udhampur. For this purpose, a cumulative list numbering 268 SHGs linked with four NGOs acted as SHPIs as on 31.3.2008 was obtained from NABARD office, Udhampur. The name of NGO and number of SHGs linked with them are Lok Sewa Sangathan (79), Sudhar Sabha Committee (102), Jan Kalyan Lok Sewa Sansthan (60) and Gramin Pragati Sangathan (27). From the list, data was collected from 226 microfinance beneficiaries comprising 166 microfinance beneficiaries of 43 SHGs of SSC and 60 microfinance beneficiaries from 17 SHG formed by GPS . The survey was conducted during January–June, 2009. Information from secondary sources are collected from E-International Scientific Research Journal, Journal of Rural Development, the Indian Journal of Commerce, Indian Journal of Agricultural Economics, Capco Journal of Financial Transformation, Journal of Microfinance, Journal of Rural Development, Journal of Small Enterprise Development, Quarterly Journal of Economics, South Asian Journal of Tourism and Heritage, books & internet.

INCOME & EMPLOYMENT GENERATION BY MICROFINANCE

BENEFICIARIES OF DISTRICT UDHAMPUR

The district Udhampur has been named after King Udham Singh, the eldest son of Maharaja Gulab Singh who was the founder of Dogra rule in Jammu and Kashmir. The district is situated in the southern part of J&K State and is bound on the west by Reasi district, in the north by Anantnag district, in the north-east by the Doda district, in south-east by Kathua district and in the south-west by Jammu District. The district has mountainous topography with altitude varying from 600 mt. to 3000 mt. with wide variations. The district economy is primarily agarian with 90% population living in the villages & other predominant economic activities are horticulture, dairy farming, poultry farming, handloom etc. It is also an important military cantonment. Udhampur houses numerous shrines like Sudmahadev, Pingla Mata, Mahamaya Mata, Chountra Mata, Mhrada Mata, Baba Dhandar, Siad Baba. In addition to shrines, it also possesses various historic monuments, lakes, forts, parks, picnic spots like Babore temples, Krimchi temples, Mansar lake, Ramnagar fort, Patnitop, Sanasar, etc. as well as honour of serving as the headquarters of Northern command of Army. (indianetzone.com, whereinicity.com, india-travelindia.com, india9.com, ladakh-kashmir.com and jkonline.in)

Income Generation by SHGs

Table1 exhibits the annual income & sources of incomes of the microfinance beneficiaries. Of the total 226 contacted microfinance beneficiaries, 146 are earning annual income of Rs. 19, 43, 400 and only 80 are non earners. The maximum number of the beneficiaries of GPS is indulging in milk-selling (33), service (5), business (4) and one each in poultry and agriculture earning annually Rs. 5,57,200, Rs. 76,800, Rs. 1,08,000, Rs. 7200 and Rs. 6000 respectively. The annual income & source of income of beneficiaries of SSC in decreasing order are Rs. 9,54,600 (milk selling), Rs. 4,14,000 (business), Rs. 1,33,200 (agriculture), Rs. 1,04,400 (service) and Rs. 78,000 (poultry) respectively. Overall, total annual income of microfinance beneficiaries amounted to Rs. 19,43,400 comprising of Rs. 1,39,200, Rs. 85,200, Rs. 15,11,800, Rs. 5,22,000 and Rs. 1,81,200 from agriculture, poultry, milk-selling, business and service respectively.

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*Note: Figures are in thousands.*

**Total Population:** 6,000,000
Employment Generation by SHGs

Table 2 exhibits the total employment generated by SHG beneficiaries. Of the total 60 SHGs contacted, the numbers of workers provided with employment are 13 by SSC and 5 by GPS. For SSC maximum employment is generated by Devika SHG by engaging three workers for making & selling soft toys followed by Chandi Mata Pata and Jai Mata Mongerly by engaging two workers each for working at poultry farm and at floor mill. The remaining SHGs namely Narsingh Bhagwan Salmeri, Nirankari Lansi, Hari Om Sansoo, Vaishno Mata Dhanu, Kalka Mata Pata, and Saraswati Mata Majalta engage one each for various tasks such as working at field & selling milk, grinding floor at mill and working at shops. For GPS maximum employment was generated by Shiva Dandyal by engaging three employees for teaching in school & two workers for working at field & selling milk. Thus we find that additional employment is generated by the SHGs.

Table 2: Employment Generated by SHG Beneficiaries

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<thead>
<tr>
<th>S. No.</th>
<th>SHG</th>
<th>Village</th>
<th>Name of Employer</th>
<th>Nature of Employment</th>
<th>No. of Employee</th>
<th>Basis of payment &amp; Rate</th>
<th>No. of Months Employed</th>
<th>Total Salary</th>
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<tr>
<td>1</td>
<td>Jai Mata Mongerly</td>
<td>Mongerly</td>
<td>Smt. Anita</td>
<td>Work at Shop</td>
<td>1</td>
<td>Salary @2500pm</td>
<td>12 months</td>
<td>30,000</td>
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<td>2</td>
<td>Jai Mata Mongerly</td>
<td>Mongerly</td>
<td>Smt Toshi</td>
<td>Grinding Floor at Mill</td>
<td>1</td>
<td>Salary @3000pm</td>
<td>12 months</td>
<td>36,000</td>
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<td>3</td>
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<td>Salmeri</td>
<td>Smt Makhna</td>
<td>Grinding Floor at Mill</td>
<td>1</td>
<td>Salary @2000pm</td>
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<td>24,000</td>
</tr>
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<td>4</td>
<td>Nirankari SHG</td>
<td>Lansi</td>
<td>Smt. Raj Dulari</td>
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<td>12 months</td>
<td>18,000</td>
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<td>Sansoo</td>
<td>Smt Neelam</td>
<td>Work at Shop</td>
<td>1</td>
<td>Salary @2000pm</td>
<td>12 months</td>
<td>24,000</td>
</tr>
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<td>6</td>
<td>Vaishno Mata</td>
<td>Dhana</td>
<td>Smt Sunceeta</td>
<td>Work at Field &amp; Selling Milk</td>
<td>1</td>
<td>Salary @2000pm</td>
<td>12 months</td>
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<td>Work at Field &amp; Selling Milk</td>
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<td>12 months</td>
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<tr>
<td>10</td>
<td>Devika SHG</td>
<td>MH Udhampur</td>
<td>Smt Kiran</td>
<td>Making Soft toys &amp; Selling</td>
<td>3</td>
<td>Commission @ 50% of the sale proceeds (5000 pm)</td>
<td>12 months</td>
<td>1,80,000</td>
</tr>
</tbody>
</table>

Total SSC: 13 No. of Months Employed: 114 Total Salary: 4,20,000

Total GPS: 5 No. of Months Employed: 18 Total Salary: 1,08,000

Grand Total: 18 No. of Months Employed: 132 Total Salary: 5,28,000

Sources: Authors Compilation.

SHG-LINKED TOURIST INTERMEDIARIES

Table 2 revealed that very few SHGs create employment for other and no SHG uses its potential for creating employment through tourism. If the microfinance beneficiaries use the tourism potential of district Udhampur, they can not only generate handsome income for themselves, but also the employment for others. SHGs & MF can facilitate tourism development with the help of two models of tourism development through microfinance developed by Ravindran & Vinodan (2009) i.e. the destination facilitation model and travel enhancement model.

Destination Facilitation or development involves the application of micro finance as source of capital of locally initiated enterprises for exploration of various business potential available at the destination with available money and the social synergy, for making the destination more attractive and accessible. For destination development, formation of micro enterprises by the people of the locality has been promoted to meet the criteria of sustainability and there by avoid the economic leakage. The major activities in this segments are the formation of major components of existing tourism industry i. e, travel agencies, tour operators, guides and escort services, small hospitality activities like home stays, restaurants, running of vehicles, selling of handicrafts and other locally endemic products, opening of other shops etc. at the respective area through the collective mobilization of money and the social cohesion. Besides these, the development of the natural / cultural sites is also considered as an upcoming option in the community based destination development scenario. Travel enhancement model involves the application of SHG to make the

travel more comfortable it involves providing food, accommodation, engaging sports and entertainment at tourist spots, providing insight to culture include lifestyle, music, art, folklore dance etc Ravindran & Vinodan (2009).

STRAITIGIES FOR FOSTERING TOURISM GROWTH THROUGH SHG

The importance of tourism for reducing poverty was analysed in the WTO report issued in 2004 entitled “Tourism and poverty alleviation: Recommendations for action”. This report listed seven areas of action through which tourism development could fight poverty, with several of them relating to the possibilities created by microfinance. The seven approaches identified in the WTO report are enlisted below:

1. Employment of the poor in tourism enterprises.
2. Supply of products and services by the poor to enterprises in the tourism sector.
3. Direct sale of products and services by the poor to the tourists.
4. Creation and management of tourism enterprises by the poor.
5. Tourism taxation to benefit the poor.
6. Voluntary actions by tourism enterprises and tourists.
7. Investment in basic infrastructure to develop tourism while benefitting the poor.

The W.T.O report suggested that after analysing each of these approaches, a methodology must be drawn up for selecting the most effective projects from two points of view - interest for tourism and impact on poverty reduction. In India NABARD, DRDA and other organizations at National & grass root level are adopting Micro-Finance as a tool to achieve the goal of financial inclusion. With a view to upscale the number of SHG’s, increasing the spread of SHG-BLP programme and fostering tourism development with a view to enhance income, employment & economic growth, a strategic plan needs to be worked out. The main strategies that can be adopted to enhance income & employment opportunities for microfinance beneficiaries of District Udhampur are highlighted below:

1) Tourism department should provide an opportunity for SHGs to directly supply goods and services, produced by them to tourists and tourism enterprises. This can take place at various points in the tourism supply chain: from servicing basic visitor needs (e.g. food and handicrafts, pottering, handicraft, providing some forms of transport, and informal accommodation), to the choice of products featured by tour operators and hotels etc).
2) Wide scale awareness of local tourist spots, local culture, local products is being ensured.
3) Tourism department should provide vocational training for capacity building & skill enhancement of microfinance beneficiaries and SHG indulged in promoting any form of tourism. Stress should be made on educating about local tourism.
4) Pre linking & post linking workshops should be organized by tourism department to educate local people to tackle tourist problems & provide them best facilities.
5) Training for skill up-gradation of group members, necessary infrastructure, backward & forward linkage under employment generation programmes is being ensured.
6) Special initiative must be taken for marketing of products of SHG should be made.
7) Tourism Department should organize exhibition cum sale at tourist spots for sale of handicrafts, paper mashie products, embroidered suits, carpets, pickle, juices etc. manufactured by SHGs & microfinance beneficiaries.

CONCLUSIONS

Tourism is an important opportunity to diversify local economies. It can develop poor and marginal areas with few other export and diversification options, but rich in original cultural, wildlife and landscape values. The study suggested that the typical geographic location, historic monuments are like the Babore temples, Krimchi temples, Sheesh Mahal of Ramnagar, Ramnagar Fort; shrines like ISKON temple and picnic spots like Patnitop, Sanasar can be used to promote philanthropic tourism and thrust can be used to generate employment for masses.

Tourism can make a meaningful contribution to the reduction of poverty, but not without the intervention of various government departments like tourism, handicrafts, handloom, DRDA, NABARD, NGO’s, multilateral & bilateral aid agencies etc. It has been found that microfinance & tourism development if properly coordinated & integrated can act as a major source of employment generation & poverty eradication through livelihood promotion, participative resource management, community development and creation of micro & small enterprise.

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*****
SUSTAINABILITY OF MICRO AND SMALL ENTERPRISES:
IMPERATIVES, MYTHS AND REALITIES

R. Dayanandan

ABSTRACT

The significance of the contribution of Micro and Small Enterprises (MSEs) to the national development goals in general and to the local economy in particular, is being recognized increasingly in many developing countries including Ethiopia. Therefore, closer attention is being paid to the factors that promote the growth and development of this sector. However recent studies indicated that MSEs in Ethiopia are confronted by many problems. Hence this study has been designed to assess the existing situation of micro and small enterprises and the challenges they face for their sustainability taking into account of both internal and external factors. It also traced out the supports provided for MSEs to tackle their problems.

A sample of 124 MSEs entrepreneurs engaged in the 5 sectors was taken for the study using stratified random sampling technique. To address the objectives, questionnaire that include demographic profile, characteristics of MSEs, the support received from different stakeholders and their internal and external challenges for their operation was designed in a closed ended and using Likert scales. The collected data was analyzed using simple statistical techniques (percentages and averages) and descriptive statistics (mean and standard deviations) and presented in the form of tables.

The nature of sample MSEs in the selected town are shows most of them are sole proprietorship and run by youth married males. Among the internal factors identified, marketing related problems are more crucial which affect their sustainability. Among them, lack of promotion, lack of skills to set competitive price, lack of demand forecasting, poor location of business cites and lack of knowledge of the market etc are vital ones. The study also found managerial problems, like lack of business planning, lack of business experience, failure to take risk and over emphasis to short term profit are also important problems to be given attention. Financial related problems are mainly shortage of working capital. The study also discovered some external factors that endanger their sustainability. Among which, lack of access to credit, lack of premises, lack of infrastructure and lack of access to business development service are noted ones. Furthermore the study also found that even if MSEs problems were not solved fully, it was the government who take the first hand to support MSEs in different aspects. Based on the major findings, recommendations were forwarded to all stakeholders.

KEYWORDS

Micro, Small Enterprises, Sustainability, Internal, External Factors etc.

BACKGROUND AND RATIONALE OF THE STUDY

Micro and small enterprises (MSEs) are one of the leading forces of economic development particularly in the developing economies. This is because a vibrant MSE sector is vital to stimulate growth and job creation. MSEs are also flexible and can more easily be adapted to the demands of the market. They further generate jobs more rapidly than any other businesses, are highly diversified and contribute to exports and trade (World Bank, 2005).

In most developing countries including Ethiopia, MSEs by virtue of their size, location, capital investment and their capacity to generate greater employment have proved their powerful propellant effect for rapid economic growth. This sector is also known as an instrument in bringing about economic transition by effectively using the skill and talent of the people without requiring high-level training, much capital and sophisticated technology (FMSES, 1997).

In addition, S.R. Bhowmik and M. Bhowmik (2007) explained that small enterprises in every country even in highly technologically advanced countries with large industries have a special role in the national economy on five grounds. These include (1) generation of employment opportunities (2) helping in equitable distribution of national income (3) mobilization of capital and entrepreneurial skills (4) dispersing of industries and (5) contribution of exports. Small and Micro Enterprises may be defined as businesses with a small number of employees. The legal definition of “Micro and Small” often varies by country and industry, but is generally under 100 employees in the United States while under 50 employees in the European Union (Endalkachew, 2008).

In Ethiopia, the Ministry of Trade and Industry defined micro enterprises as business enterprises found in all sectors of the Ethiopian economy with a paid-up capital of not more than Birr 20,000 (National Currency equal to 1150 USD) but excluding high-tech consultancy firms and other high-tech establishment while Small Enterprises are defined as business enterprises with a paid-up capital of more than Birr 20,000 but not more than Birr 500,000 but excluding high-tech consultancy firms and other high-tech establishments (MSEDS, 1997).

MSEs are special focus of the government of Ethiopia, given that they comprise the largest share of total enterprises and employment in the non-agricultural sectors. In recognition of the important role MSEs have to play in creating income and
employment opportunities and reducing poverty, the government drafted its first Micro and Small Enterprise Development Strategy in 1997.

According to the Central Statistical Authority (CSA, 2009) survey, there are almost 570,000 MSEs in Ethiopia, 99.4 per cent of which are micro-enterprises with fewer than ten employees, accounting for 88.2 percent of private sector employment. On average, they employ one and a half workers (this includes the owner and perhaps one occasional helper), and earn an annual operating surplus of 1,300 Birr. Sole proprietors operated 82 percent of urban enterprises. Of the total employment in these urban micro-enterprises, family members accounted for 60 per cent. Beyond family members, apprentices constituted a large proportion of the remaining MSE’s work force.

The average micro-enterprise has a capital of 3,528 Birr, a yearly production value of 2,300 Birr and an annual surplus of 1,300 Birr. Although significantly more productive and profitable than micro-enterprises, small-scale industries are also very small, with an average of slightly more than three employees, 18,934 Birr in annual operating surplus, capital of 38,554 Birr, and production value of 68,800 Birr (ibid).

According to REMSEDA strategy booklet (1999), the survey was done by the CSA embraced towns like Gonder, Dessie, Bahir Dar and other urban areas of the Tigray Region (one of the nine regions in the country) demonstrated that 150,090 informal sector operators exist which absorb 199,515 labor forces. This data represent 15.2% of the total labor force engaged in the informal sector in the country. The number of establishment in the region has the share of 10.24% from the total establishment of informal sector at the country level and 99.9% from industrial establishment of the region.

**STATEMENT OF PROBLEM**

One of the critical issues regarding MSEs is a matter of sustainability. Studies in this area indicate that there is no universally accepted reason that shrinks the performance of MSEs. The ILO (2000) report has shown that the factors that facilitate the failure of enterprises are internal and external factors. Studies conducted concerning MSEs and their sustainability in Ethiopia is scanty or is too few. According to the REMSEDA Report (1994-1995), the major obstacles experienced by MSEs were lack of access to finance, working premises (at affordable rent), lack of skills and managerial expertise, infrastructure, information and technology etc. These problems result in failure of these businesses to operate sustainably and even these challenges are from the beginning of their operations.

The issue of businesses failing is one of the areas in which researchers and policy makers should give due attention to formulate a workable policy and working environment using which MSEs should flourish without facing major challenges. After observing the aforementioned research gaps which could identify problems that hamper the sustainability of MSEs in Dessie Town in one hand and with the intention of proposing alternative solutions to the problems on the other hand urged the author to initiate this research. Thus, this research paper aims at filling the observed research gaps by assessing the major challenges of MSEs for their sustainability in Dessie town and intends to propose solutions to the identified problems so that MSEs will grow and contribute their immense economic roles to the public.

**OBJECTIVES OF STUDY**

The overall objective of the study is to describe the nature and assess the challenges of micro and small enterprises which shrink their sustainability in the study area.

**Specific Objectives**

- To describe the nature of micro and small enterprise and its contribution to the society.
- To assess the internal and external constraints or factors that affects the sustainability of micro and small enterprise in the study area.
- To assess the support provided to MSEs by different stakeholders to enable they withstand the problems.

**DESIGN OF STUDY**

A descriptive survey research design was employed in the study to assess the internal and external challenges that affect the sustainability of micro and small enterprises in Dessie town, which is located in the northern part of the country. The reason for using this design is that it enables to describe the different factors that affect the sustainability of MSEs. Dessie is amongst the oldest town in the country which is over 100 years old. Geographically, the town is located 400 Km away from the capital of the country. It is surrounded by a chain of mountains which is claimed to be the main reason affecting its growth and development.

**Population, Sample and Sampling Techniques**

The population of the study constituted the owners of 619 micro and small enterprises under different business sectors. Using stratified random sampling method, five sectors of MSEs are selected in order to obtain representative sample from different sectors. The strata of the sectors are (i) food and food related, (ii) urban agriculture, (iii) wood and metal work, (iv) construction and (v) textile and garments. Due to time, cost and resource availability at the disposal of the researcher and the homogeneity of the population, 20% of MSEs were selected from each sector randomly using lottery method by taking list of operators of MSEs
that are engaged in the five business sectors from Dessie town MSEs office. The lottery method gives equal chance for every operator to be represented in the sample. Finally from all sectors, 124 sample respondents were selected. The summary of sample frame and sample size is presented in table 1.

Table 1: Summary of Sample Frame and Sample Size

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Key Sectors</th>
<th>Number of Enterprises</th>
<th>Sample (20%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Food and Food Related</td>
<td>152</td>
<td>31</td>
</tr>
<tr>
<td>2</td>
<td>Urban Agriculture</td>
<td>165</td>
<td>33</td>
</tr>
<tr>
<td>3</td>
<td>Wood and metal work</td>
<td>76</td>
<td>15</td>
</tr>
<tr>
<td>4</td>
<td>Construction</td>
<td>150</td>
<td>30</td>
</tr>
<tr>
<td>5</td>
<td>Textile and garment</td>
<td>76</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>619</td>
<td>124</td>
</tr>
</tbody>
</table>

Sources: Dessie town MSE Bureau (2012).

Sources and Type of Data

Both primary and secondary sources of data were used for the study. The secondary data include information that are obtained mainly from different reports at different levels, records, websites, journals, articles, researches and other relevant literatures, which enrich the subject under study. The primary data was collected from sample MSEs Operators through pre–tested questionnaires.

In order to answer the basic questions raised, a 75 item questionnaire that has 5 parts was prepared. The first part consists of demographic profile of the respondents which is designed in a close ended format. The second part covers the characteristics of MSEs prepared in a close and open ended format. The third part consists of the support provided to MSEs and prepared in a close ended format. The fourth part covers problems in establishment, operation and growth prepared in a close ended format, and the last part, designed using Likert scale, address issues of key internal and external factors that affect the sustainability of MSEs.

Methods of Data Analysis

After data collection, it was coded and fed to excel sheet so as to simplify further tasks. The respondents’ scores were summarized from the sheet and made ready for analysis. After that, it was analyzed using descriptive statistical techniques. The demographic profiles related to characteristics of MSEs, support to MSEs and problems related to establishment, operation and growth were analyzed using simple statistical tools like percentages and presented in table forms. Descriptive statistics (mean and standard deviations) of the respondent scores were computed for the Likert statements and analyzed by comparing these mean scores and deviations among respondents. The reason for using descriptive statistics is to compare the different factors that affect the sustainability of MSEs by the means and standard deviations of scores. The data collected through Likert Scale were converted in to three points scale by giving weightage. In interpreting the results for the Likert questions, the mean scores less than 2.45 implies respondents do not agree; scores in between 2.45 and 3.44 imply they don’t know it and greater than 3.44 indicates agreement among respondents on the issues raised rounding results to the nearest two decimal places. Finally, all these were followed by the necessary interpretations and discussions so as to achieve the desired goals.

RESULTS AND DISCUSSIONS

The objective of the study is to describe their nature and assess the internal and external challenges of micro and small enterprises which could shrink their sustainability in Dessie town and to trace out the support provided to MSEs by different stakeholders to enable them withstand the problems. Data were collected from sample SMEs found in Dessie town through questionnaire from 124 SMEs. Among this 116 questionnaires were completed and returned (93.55%) and analyzed using descriptive statistics.

Demographic Characteristics of Respondents

Demographic characteristics of SMEs business holders play paramount importance for policy making. Various researchers have indicated that females are active players in the informal sector. This is not a case in Dessie town where males owned many of the micro and small enterprises. From the samples collected, it is revealed that the majority of the SMEs are run by male, constituting 78.45% while the rest (21.55%) are being run by females. This finding goes against the view of Joshun and Peter (2010), they portrayed in their research outcome that the majority of SMEs are female-owned. This result has further shown that stringent effort should be exerted in a bid to encouraging females to have their own active role in SME.

It is explicitly stated that marriage has its own significant role on impacting the risk taking behavior of individuals. This is due the fact that such marital arrangement increases both the availability of capital and labor which are the salient ingredient for the establishment of SMEs. In addition, marital arrangement may encourage idea sharing and risk diversification among the family members. The result from the sample collected amplified the fact that 46.55% SMEs are run by married individuals whereas 43.96%, 6.03% and 2.59% are run by unmarried, divorced and widowed households respectively.

Age is also another factor that affects the growth and development of SMEs since young age group normally actively engage in SMEs. When we see the age category of the owners of sample SMEs, most of them are within the age group of 26-30 years.
enterprises stay in business. Long period ensures that SMEs are sustainable. On the other hand, those SMEs which employed 3 to 4 laborers. The other hand of operation increases, SMEs have to expand their business and their employment

ies,
youths. The implication of this result is that youths have either better initiation of launching their own

business or use it as an alternative strategy to escape unemployment. This is because the level of unemployment in Ethiopia is high. According to MOPED (2004) the level of unemployment in Ethiopia reaches 44 per cent.

Ample of research outcomes (Ex: Lee, 2000) have shown that the experience of South East Asian countries particularly South Korea, enormous achievement in vocational training could be taken as a workable model to expand SMEs in an economy. On the other hand, formal university educations are target to create citizens who could be employed in the formal sectors. Thus the level of education affects the kind and type of SMEs. Concerning the educational level of the respondents, the majority of them are high school completed (53.45%) followed by college certificate or diploma (23.27%). The remaining 18.96% and 4.31% are below high school and university degree respectively.

The above figures clearly show that MSE’s offer greater opportunities of creating employment not only for educated people but also for less educated as well. And if this educated business owners get access for training and other consultancy opportunities, they will overcome any challenges that affect their sustainability.

**GENERAL CHARACTERISTICS OF MSEs**

**Legal Forms of Ownership and Years of Establishment and Startup Capital**

Enterprises can be established with different legal forms of ownership statuses such as Sole Proprietorship, Partnership, Corporation, Cooperative and others (Hisrich, 2005 as cited in Mulugeta, 2010). This is also true in case of Dessie town SMEs. It is clearly indicated from the responses of sample SMEs owners that 51.72% of them are owned by sole proprietors while 30.17 of them are owned by cooperatives. The rest, (18.1%) are legal partnership businesses.

Furthermore, these ventures have entered in to business in different times. Two salient things could be deduced from the duration on which the enterprises stay in business. Long period ensures that SMEs are sustainable. On the other hand, emergence of more SMEs in to the scene also shows the existence of favorable condition for them. Following such line of argument, this paper has tried to see the number of firms established within two years and those which stayed in business for more than 5 years. Thus, from the results of analysis show that the majority of the SMEs (74.14%) have been established in between 2-5 years. In addition, 18.10% of them have been operated in between 6-10 years and rest have experience of more than 10 years. From the respondents it has bluntly explained that there are favorable conditions created by the government to the sector.

The respondents were asked about their initial startup capital, and the result showed that 37.07% of them start their business with a capital of more than 20,000 Birr, 25% of the respondents started their business with a capital of 5,000 Birr, and the rest (22.41%) and (15.51%) started with a capital of 10,001-20,000 and 5,001-10000 Birr respectively. The respondents were also asked about their current capital of their enterprise and 34.48% respondents have a capital of 10,001-20,000 Birr followed by above 30,000 (31.03%) and the remaining 24.14% have a capital of 10,000-20,000 and below 10,000 Birr respectively. The above results show that there is a better progress in relation to their startup and their current capital.

**Employment Generated in the Businesses**

According to the latest development plan of Ethiopia, due attention has been given to MSEs as they are very important tools in combating unemployment. To effectively address this issue, this paper has tried to scan the employment opportunities created by the sample SMEs. It has been noticed that 50.86% of the enterprises hired 1-2 employees during their establishment while near to 37% of the enterprises have employed 3 to 4 employees. But only 12.07% of the enterprises hired more than 5 workers during their establishment.

So as to examine the dynamic of employment across SMEs and the trend of employment creation and expansion, researcher has tried to compare their current status with their year of establishment regarding employment generation. Indeed, it is expected that as the year of operation increases, SMEs have to expand their business and their employment opportunities as well. But these facts don’t hold true in Dessie town. According to the result, those who have 1 to 2 workers at this time have increased to 61.21%. On the other hand, those who employed 3 to 4 and more than 5 have shrunken in to 31.03% and 7.76% respectively.

It is a vivid fact that MSEs intensively use family labors to reduce the running costs. In addition to this, owners of SMEs used to give the job opportunity to the family members than to someone else. This has been manifested by the fact that 74.14% of SMEs employed 1 to 2 workers have explained that they employed their family members free of charge while this figure goes to as low amount as 25.86% to those SMEs which employed 3 to 4 laborers. The other interesting result is that those SMEs that employed more than 5 workers disclosed that they don’t employ their family members without free of charge. The table 2 explains the whole truth in a summarized way.
Table-2: Employment Generated in Sample Enterprises

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees During Establishment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-2</td>
<td>59</td>
<td>50.86</td>
</tr>
<tr>
<td>3-4</td>
<td>43</td>
<td>37.07</td>
</tr>
<tr>
<td>Above 5</td>
<td>14</td>
<td>12.07</td>
</tr>
<tr>
<td>Total</td>
<td>116</td>
<td>100</td>
</tr>
<tr>
<td>Employees At Moment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-2</td>
<td>71</td>
<td>61.21</td>
</tr>
<tr>
<td>3-4</td>
<td>36</td>
<td>31.03</td>
</tr>
<tr>
<td>Above 5</td>
<td>09</td>
<td>07.76</td>
</tr>
<tr>
<td>Total</td>
<td>116</td>
<td>100</td>
</tr>
<tr>
<td>Family Members Participated During Establishment Without Payment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-2</td>
<td>86</td>
<td>74.14</td>
</tr>
<tr>
<td>3-4</td>
<td>30</td>
<td>25.86</td>
</tr>
<tr>
<td>Above 5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>116</td>
<td>100</td>
</tr>
<tr>
<td>Family Members Involved Without Payment at the Moment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-2</td>
<td>97</td>
<td>83.62</td>
</tr>
<tr>
<td>3-4</td>
<td>19</td>
<td>16.38</td>
</tr>
<tr>
<td>Above 5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>116</td>
<td>100</td>
</tr>
</tbody>
</table>

Sources: Primary Data, 2012.

Information on the Support Provided By the Government and Other Stakeholders

MSEs could play bigger role in developing national economies, alleviating poverty, creation of employment opportunities and partnering with larger corporations. However, they need promotion and special support from stakeholders. Such support requires commitments by and between governments, business and civil society. The analyses made in previous section witnessed that SMEs have shown a negative trend in employment creation. This could be caused by various factors including limited support provided by stakeholders to SMEs. In this regard, an attempt has been made to examine the types and nature of supports given to SMEs. Such analysis helps to identify factors that contribute for sustainability.

Type and Sources of Supports

In the framework of development, it is expected that the state has to provide a wide range of supports using various initiations to SMEs (Lee, 2000). Following such line of argument, the researcher has asked SMEs owners to identify the kind of support they availed from the government during their establishment. The result deviates from the argument realized that it is only near to 40% of SMEs having got support from the government while 60% of the respondents doesn’t have any support. The implication of such situation is that SMEs are struggling the existing stiff business environment using their own skills which in many cases don’t take them long distances given their level of education and financial strength. Further analysis has been made to identify the type of support SMEs have got across years and which stakeholders have offered such supports. The results show that 27.27% got training from the MSEs Promotion office, 18.18% gained financial assistance, and the rest 22.72% obtained consultancy services. The support given to SMEs from NGOs is infinitesimal. This has shown by the fact that only 9.1% of SMEs got training support from NGOs. The sample SMEs have also got small support from other institutions. For instance, micro finance institution offered training to 15.91% of SMEs operators. Eventually, it is indicated that private organizations offered technical and material support to 6.82% of SMEs. Table3 shows aforementioned facts.

Table-3: Type and Sources of Support

<table>
<thead>
<tr>
<th>Sources of support</th>
<th>Training</th>
<th>Financial</th>
<th>Tech. &amp; material</th>
<th>Consultancy</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSEs promotion office</td>
<td>12</td>
<td>27.27</td>
<td>8</td>
<td>18.18</td>
<td>10</td>
</tr>
<tr>
<td>NGOs</td>
<td>4</td>
<td>9.1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Private bank</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Governmental bank</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Micro finance institution</td>
<td>-</td>
<td>-</td>
<td>7</td>
<td>15.91</td>
<td>3</td>
</tr>
<tr>
<td>Private organization</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>6.82</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>36.37</td>
<td>15</td>
<td>34.09</td>
<td>3</td>
</tr>
</tbody>
</table>

Sources: Primary Data, 2012.
Sources of Finance

Various researches have shown that finance is the life blood of SMEs. SMEs usually vanish when they run out of finance. For instance, O’Neil and Ducker (1986) cited in Habtamu (2007) studied the impact of government financial assistance and policies on small firms. The result has showed that finance to SMEs is critical for their survival. Thus it is quite vital to assess the finance related issues. These include identifying sources of starting capital, access to credit, their view towards the rate of interest and sources of finance to pay their debt. Present analysis has been extended to grasp all the aforementioned financial related issues. The study results revealed that the majority (37.93%) of SMEs owners in our sample have mobilized initial capital by borrowing from their friends. The next huge percentage of sample (32.76%) raised their initial capital from private saving followed by borrowing from micro finance (12.74%). Traditional informal financial sources such as “Equib” also were the other important source of capital to the sample SMEs (12.07%). The table4 summarizes this and other related issues.

<table>
<thead>
<tr>
<th>Item</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Sources of startup capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal saving</td>
<td>38</td>
<td>32.76</td>
</tr>
<tr>
<td>Micro finance</td>
<td>20</td>
<td>17.24</td>
</tr>
<tr>
<td>Borrowed from friends &amp; relatives</td>
<td>44</td>
<td>37.93</td>
</tr>
<tr>
<td>Equib</td>
<td>14</td>
<td>12.07</td>
</tr>
<tr>
<td>Assistance from NGOs</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>116</td>
<td>100</td>
</tr>
<tr>
<td>2 Have you applied for a credit from credit and saving institutions?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>63</td>
<td>54.31</td>
</tr>
<tr>
<td>No</td>
<td>53</td>
<td>45.69</td>
</tr>
<tr>
<td>Total</td>
<td>116</td>
<td>100</td>
</tr>
<tr>
<td>3 Rate of interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very high</td>
<td>19</td>
<td>30.16</td>
</tr>
<tr>
<td>High</td>
<td>26</td>
<td>41.27</td>
</tr>
<tr>
<td>All right</td>
<td>13</td>
<td>20.63</td>
</tr>
<tr>
<td>Low</td>
<td>5</td>
<td>7.94</td>
</tr>
<tr>
<td>Very low</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>63</td>
<td>100</td>
</tr>
<tr>
<td>4 Source of finance to pay for the loan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit from business</td>
<td>46</td>
<td>39.65</td>
</tr>
<tr>
<td>Loan from money lender</td>
<td>6</td>
<td>5.17</td>
</tr>
<tr>
<td>Personal savings</td>
<td>11</td>
<td>9.50</td>
</tr>
<tr>
<td>I don’t have any credit</td>
<td>53</td>
<td>45.68</td>
</tr>
<tr>
<td>Total</td>
<td>116</td>
<td>100</td>
</tr>
</tbody>
</table>

Sources: Primary Data, 2012.

These findings show that MSEs operators have less access to credit from formal financial institutions such as banks and micro finance institutions. This is because formal financial sources require collateral and other requirements which cannot be easily fulfilled by SMEs operators. Endalkachew (2008) also supports the idea that formal financial schemes are very often a constraint to MSEs and thus entrepreneurs are dependent on informal sources of finance such as own sources, family and friends or savings and credit associations.

In some cases, SMEs owners might not apply for credit due to many reasons. Therefore, questions were raised whether they applied for credit from credit institutions or not before they commenced their business. The results showed that, 54.31% of them applied their request to micro finance institution and the remaining (45.69%) not. Those who applied for credit has got the credit but majority of them (30.46%) responded that the interest rate is very high and 41.27% explained that the interest rate attached to their credit is unfair. Unlike the formers, 20.63% of them opined that the interest rate is fair and 7.94% of them reported that the interest rate is very low. Concerning sources of finance to pay for their debt, 39.65% paid their debt from the profit they earned from business, 5.17% repaid their loan from other sources such as money lenders while 9.15% paid their loan from their personal savings.

**EXTENT OF INTERNAL AND EXTERNAL CHALLENGES IN ESTABLISHMENT, OPERATION AND GROWTH**

The issue of businesses failing is one of the areas in which researchers and policy makers should give due attention to formulate workable policies and working environment using which MSEs should flourish without facing major challenges. As it is observed
from the analysis (Table 5) of sample data, 41.38% respondents have previous experience and the rest (58.62%) have no experience at all. This figure signifies most MSEs in Dessie town start their business without any prior experience.

Table 5: Internal and External Challenges for MSEs

<table>
<thead>
<tr>
<th>S.no</th>
<th>Item</th>
<th>No.</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Do you have any prior work experience?</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>48</td>
<td>41.38</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>68</td>
<td>58.62</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td>116</td>
<td>100</td>
</tr>
<tr>
<td>2</td>
<td>Do you have business license?</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>90</td>
<td>77.59</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>26</td>
<td>22.41</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td>116</td>
<td>100</td>
</tr>
<tr>
<td>3</td>
<td>If your answer for question number 2 is “No” what is your basic reason?</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Afraid of tax payments</td>
<td>6</td>
<td>23.08</td>
</tr>
<tr>
<td></td>
<td>Inability to pay register fee (license fee)</td>
<td>6</td>
<td>23.08</td>
</tr>
<tr>
<td></td>
<td>Bureaucratic processes of registering</td>
<td>14</td>
<td>53.85</td>
</tr>
<tr>
<td></td>
<td>Any other</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td>26</td>
<td>100</td>
</tr>
<tr>
<td>4</td>
<td>Do you have the necessary skills (managerial, technical, marketing and other skills) to run your enterprise?</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>51</td>
<td>43.07</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>65</td>
<td>56.03</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td>116</td>
<td>100</td>
</tr>
<tr>
<td>5</td>
<td>Are you making profit?</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>99</td>
<td>85.34</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>17</td>
<td>14.65</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td>116</td>
<td>100</td>
</tr>
<tr>
<td>6</td>
<td>If your answer is “yes” for Q.5, for what you spend your profit?</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>On families</td>
<td>32</td>
<td>32.32</td>
</tr>
<tr>
<td></td>
<td>To expand your business</td>
<td>50</td>
<td>50.50</td>
</tr>
<tr>
<td></td>
<td>I saved it</td>
<td>17</td>
<td>17.17</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td>99</td>
<td>100</td>
</tr>
<tr>
<td>7</td>
<td>Are your employees qualified/trained in the area</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>48</td>
<td>42.24</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>67</td>
<td>57.76</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td>116</td>
<td>100</td>
</tr>
<tr>
<td>8</td>
<td>If your answer for Q.7 is “No”, don’t you think this affects your business success?</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>26</td>
<td>38.80</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>41</td>
<td>61.20</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td>67</td>
<td>100</td>
</tr>
<tr>
<td>9</td>
<td>If you have partner or cooperative member, do you have a formal contractual agreement with your partner/cooperative member?</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>39</td>
<td>69.64</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>17</td>
<td>30.36</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td>56</td>
<td>100</td>
</tr>
<tr>
<td>10</td>
<td>Who assisted you in establishing this cooperative/partnership agreement</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dessie town SMEs office</td>
<td>18</td>
<td>46.15</td>
</tr>
<tr>
<td></td>
<td>NGOs</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>No one</td>
<td>13</td>
<td>33.33</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>8</td>
<td>20.51</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td>39</td>
<td>100</td>
</tr>
<tr>
<td>11</td>
<td>Does your company have a business plan?</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>37</td>
<td>31.90</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>79</td>
<td>68.10</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td>116</td>
<td>100</td>
</tr>
<tr>
<td>12</td>
<td>If yes, what was the major reason to prepare the business plan?</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>To get loan from financial institutions</td>
<td>19</td>
<td>51.35</td>
</tr>
<tr>
<td></td>
<td>Required by registering companies</td>
<td>3</td>
<td>8.11</td>
</tr>
<tr>
<td></td>
<td>To guide the operations of the company</td>
<td>15</td>
<td>40.54</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td>37</td>
<td>100</td>
</tr>
<tr>
<td>13</td>
<td>What is your future plan?</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stop operation</td>
<td>5</td>
<td>4.31</td>
</tr>
<tr>
<td></td>
<td>Maintain production at the same level</td>
<td>26</td>
<td>22.41</td>
</tr>
<tr>
<td></td>
<td>Expand Capacity</td>
<td>85</td>
<td>73.27</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td>116</td>
<td>100</td>
</tr>
</tbody>
</table>

Sources: Primary Data, 2012.

Concerning business license, the majority (77.57%) of the sample have business license whereas 22.41% of them have not. The respondents were also asked to justify their reasons for not having business license and 23.08% of them responded due to fear of tax payment, 23.08% due to inability to pay registration fee and 53.85% of them did not availed because of bureaucratic processes
of registration. The above result signifies still MSEs owners’ attitude is not good towards business license and it supports the view of WBCSD (2007) towards bureaucratic processes of registering. Governments need to create enabling frameworks and relax the burden of regulatory measures. They must simplify business registration procedures and paperwork to make them cheaper, simpler and speedier.

Concerning the required skills to run the enterprise, 43.07% of the respondents realized that they have the necessary skills but 56.03% denied. The above result shows the sample MSEs Operators lack entrepreneurial skills. They manage their business by trial and error which may cost them a lot in the competitive business environment. The data was also gathered regarding profit from their venture and the majority (85.34%) of them reported that they are making profit and the rest (14.65%) are not making profit. Among those who make profit, 32.32% use the profit for their family affairs, 50.50% use the income to expand their business and the remaining (17.17%) saved it. It is also observed from the results, 42.24% of the respondents have qualified employees and 57.76% don’t have such employees, among this 38.80% of them thought that this will not have a problem on their enterprises success, the rest 61.20% thought that it may have an impact on business success.

Concerning the contractual agreement, the majority (69.64%) of the sample other than sole proprietorship operators has a legal agreement with their partners or cooperative members and remaining 30.36% have not the contractual agreement with their partners. Among those who have a legal agreement, they were also asked who assists them to make such contractual agreement and the results reveal that 46.15% were assisted by Dessie town MSEs promotion office and for 33.33% without any such assistance and the rest (20.51%) helped by others.

Business planning is the core managerial function upon which all others depend. Planning determines where a firm intends to go and how it intends to reach there. The approaches to business planning vary from informal to formal; and from deductive to incremental planning depending on type of industry and the nature of business. In case of SMEs, the planning approach is non-formal and unsystematic. As shown in the results, only 31.90% of them replied that they prepare business plan and the rest (68.10%) did not prepare any plan for their business. Among those who prepared business plan, majority (51.35%) of them prepared to get loan from financial institutions followed by 40.54% to guide the operation of their enterprise, the remaining (8.11%) thought it is required for getting license.

The above figures clearly show that most sample MSEs owners run their business by traditional rule of thumb than guiding their business operation through the help of their business plan. Henry (2009) also emphasizes the importance of contingency planning when things do go wrong, and highlights the importance of planning for success as it buffers oneself against business failure. Many SME managers do not have the time to plan because of the intensity of daily operations. Monk (2000) also argues that many SMEs fail to develop an initial plan, those that do establish a plan fail to continuously adjust and use it as a benchmarking tool. Respondents were also asked to identify their future plan in their business activity. And, most of them opined that they want to expand their capacity (73.27%) and 22.41% wish to maintain at the same level. And only 4.31% wants to cease their operation of the business. This shows that most of the owners have a plan to expand their business if their requirements fulfilled by the government and other stake holders.

Data was also gathered regarding the methods of promotion used for their enterprise and the result (Table 6) shows that 18.96% of them not used any advertisement for their business, 31.03% used poster as promotional tool, 11.21% conducted trade fair to promote their business, 7.76% promotes through preparing business card and the remaining 18.10% and 12.93% used combination of poster as well as trade fair and business card as well as poster respectively. The above result shows their knowledge towards promotion is poor and limited to certain promotion methods. This may require additional effort and cost to attract and persuade their customers.

### Table 6: Methods of Promotion Adopted by Sample MSEs Owners

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Promotional Methods Adopted</th>
<th>Number of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>No Advertisement</td>
<td>22</td>
<td>18.96</td>
</tr>
<tr>
<td>2</td>
<td>Poster/outdoor advertising</td>
<td>36</td>
<td>31.03</td>
</tr>
<tr>
<td>3</td>
<td>Trade fair</td>
<td>13</td>
<td>11.21</td>
</tr>
<tr>
<td>4</td>
<td>Business card</td>
<td>09</td>
<td>7.76</td>
</tr>
<tr>
<td>5</td>
<td>TV, Radio and Magazines</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6</td>
<td>Poster and Trade Fair</td>
<td>21</td>
<td>18.10</td>
</tr>
<tr>
<td>7</td>
<td>Business card and poster</td>
<td>15</td>
<td>12.93</td>
</tr>
<tr>
<td>8</td>
<td>Others</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>116</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Sources:** Primary Data, 2012.

An attempt was also made in this paper to identify their problems that hinder from achieving the business objectives. Since the sample owners identified more than one problem (Table7), some of them appeared frequently and the results indicate that 82.76% faces lack of capital, 72.41% due to premises/absence of working place, 62.07% due to lack of training, 54.31% due to problems of credit facility, 43.96% faced problems related to access of market. The remaining 31.03% and 18.96% have problems of competition and unavailability of raw material respectively. From the above results, we can deduce that the problems and challenges of micro and small enterprises are divers in nature. The major problems that micro and small enterprise faces based on the above result are explained further with supporting studies.
Table 7: Factors that Hinder the Success of their Ventures

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Hindering Factors</th>
<th>Number of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Lack of Premises</td>
<td>84</td>
<td>72.41</td>
</tr>
<tr>
<td>2.</td>
<td>Lack of Credit</td>
<td>63</td>
<td>54.31</td>
</tr>
<tr>
<td>3.</td>
<td>Lack of Capital</td>
<td>96</td>
<td>82.76</td>
</tr>
<tr>
<td>4.</td>
<td>Unavailability of Raw Material</td>
<td>22</td>
<td>18.96</td>
</tr>
<tr>
<td>5.</td>
<td>Competition</td>
<td>36</td>
<td>31.03</td>
</tr>
<tr>
<td>6.</td>
<td>Market Issue</td>
<td>51</td>
<td>43.96</td>
</tr>
<tr>
<td>7.</td>
<td>Lack of Training</td>
<td>72</td>
<td>62.07</td>
</tr>
<tr>
<td>8.</td>
<td>Others</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Sources: Primary Data, 2012.

Shortage of Capital

Henry (2009) found that one of the major reasons for SMEs failures is the lack of sufficient capital, coupled with cash flow problems. This alone will prevent them from growing their business venture or to become more sustainable in a competitive business environment. In support of these findings, the major challenge for MSE sustainability in Dessie town is shortage of finance. Even if organizations like ACSI extended loan for few respondents the amount they received is not that much satisfactory to run the business operation as the current inflation is concerned.

Lack of Premises

Andu-Alem (1997) found that lack of premises is a major problem for MSEs and for the informal ones; they can rarely acquire suitable locations where they can get easy access to markets. The transaction cost of securing premises is also a constraint for MSEs. The land lease promulgation which has been effective in most urban areas has an impending impact on micro and small entrepreneurs who wish to start up business. According to the finding, the same is true in case of Dessie town. Also CSA (2002) report as cited in Endeshawe (2005) in Amahra region survey supports the problem associated with working premises hindering the smooth performance of small-scale enterprises in the region.

Lack of Access to Credit

Other important problem faced by the Dessie town MSEs owners is access to credit. SMEs often struggle to obtain credit and loans. SMEs require greater access to financial services and investment capital. Large corporations have little difficulty in securing sizeable bank loans and private investments. This study finding is supported by WBCSD (2007) view i.e. SMEs in the developing world are considered high-risk, as their managers are perceived as lacking managerial expertise, credit history, and/or tangible assets to secure loans. Thus loans to SMEs, when they are able to obtain them, tend to carry higher interest rates and shorter pay-back times.

Lack of Access to Training

The other problem for MSEs operators in Dessie is lack of training. This is also evidenced by responding the majority of them running their business without planning and prior work experience. This implies that the range of relevant training on vocational, technical and business skills made available to MSEs is very low and it also implies that MSE operators lack awareness about the already existing training facilities. This finding also supported by ANRS survey (2000), 50% of the respondents reported that they lack sufficient training while 50% of the MSEs operators have not been encountered with lack of sustainable training.

THE MAJOR INTERNAL AND EXTERNAL PROBLEMS OF MSES

Ishengoma and Kappel (2006) as cited in Endalkachew (2008) categorized factors hindering the performance of Micro and Small Enterprises as internal and external. But to simplify the discussion, these internal and external factors are presented under five categories i.e. environmental, managerial, marketing, financial and others, in this section.

Environmental Factors

As the mean score 3.25 and standard deviation 1.40 in the table 8 shows the intensity of competition in the local market is almost undecided. However it is discussed in table 12, competition has its own impact for MSEs success. With regard to climate condition the respondents are unable to decide with a mean score of 2.52 and a standard deviation of 1.34.

As it is shown in the table 8, among the listed environmental factors they disagree with affordability of business license problems, rapid technological change and lack of government encouraging policy with a mean of 2.15, 2.35 and 2.23 with a standard deviation of 1.13, 1.37 and 1.07 respectively.
Table-8: Environmental Factors

<table>
<thead>
<tr>
<th>S.no</th>
<th>Environmental Factors</th>
<th>Mean</th>
<th>Stan. dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Intensity of local competition</td>
<td>3.25</td>
<td>1.40</td>
</tr>
<tr>
<td>2</td>
<td>Climate conditions</td>
<td>2.52</td>
<td>1.34</td>
</tr>
<tr>
<td>3</td>
<td>Inability to compete with foreign firms/products</td>
<td>2.65</td>
<td>1.50</td>
</tr>
<tr>
<td>4</td>
<td>Rapid and costly technological changes</td>
<td>2.35</td>
<td>1.37</td>
</tr>
<tr>
<td>5</td>
<td>Affordability of business license</td>
<td>2.15</td>
<td>1.13</td>
</tr>
<tr>
<td>6</td>
<td>Bureaucracy in company registration and licensing</td>
<td>2.73</td>
<td>1.40</td>
</tr>
<tr>
<td>7</td>
<td>The impact of the surrounding culture and norms</td>
<td>2.74</td>
<td>1.35</td>
</tr>
<tr>
<td>8</td>
<td>Lack of government encouraging Policy</td>
<td>2.23</td>
<td>1.07</td>
</tr>
</tbody>
</table>

Sources: Primary Data, 2012.

As shown in the results (Table 8), the respondents are unable to decide on inability to compete with foreign products, the availability of bureaucracy in venture registration and licensing and problems related to culture with a mean score of 2.65, 2.73, and 2.74 with a standard deviation of 1.50, 1.40, and 1.35.

Habtamu (2007) explained the impact of environmental factors that affect organizations indirectly and include economic, political, demographic, cultural, regulatory and social sectors. These factors are expected to influence the performance of small firms because they differ in uncertainty. Thus, it is crucial that small firms be aware of the nature of the environment. The findings in this study show environmental factors are not that much significant challenges for MSEs in Dessie town since most of the factors they are unable to decide on it.

Managerial Factors

Of the different factors that hinder the sustainability of MSEs, the impact of managerial aspects influence is not to be undermined. Table 9 displays the key managerial factors that affect the sustainability of MSEs in the study area.

Table-9: Managerial Factors

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Managerial Factors</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lack of clear division of activities and duties</td>
<td>2.59</td>
<td>1.41</td>
</tr>
<tr>
<td>2</td>
<td>High employee turnover</td>
<td>2.25</td>
<td>1.29</td>
</tr>
<tr>
<td>3</td>
<td>Lack of well trained &amp; experienced employees in the market</td>
<td>3.37</td>
<td>1.26</td>
</tr>
<tr>
<td>4</td>
<td>Dependence on families and relatives for labour</td>
<td>2.24</td>
<td>1.35</td>
</tr>
<tr>
<td>5</td>
<td>Lack of experience in owning/managing the business</td>
<td>3.75</td>
<td>1.19</td>
</tr>
<tr>
<td>6</td>
<td>Lack of strategic business planning</td>
<td>3.99</td>
<td>1.00</td>
</tr>
<tr>
<td>7</td>
<td>Over emphasis on short-term profitability</td>
<td>3.66</td>
<td>1.30</td>
</tr>
<tr>
<td>8</td>
<td>Fear of failure, bankruptcy and risk taking</td>
<td>3.64</td>
<td>1.37</td>
</tr>
<tr>
<td>9</td>
<td>Lack of quality control system</td>
<td>3.00</td>
<td>1.34</td>
</tr>
<tr>
<td>10</td>
<td>Lack of inventory control</td>
<td>2.87</td>
<td>1.38</td>
</tr>
</tbody>
</table>

Sources: Computed from Survey Data, 2012.

As one can see from the table (9) results in relation to lack of clear division of work in their enterprise, the respondents do not like to decide on it. This is justified by the mean score 2.59 and the standard deviation 1.41. The score for high employee’s turnover in the table shows that the respondents do not agree with a mean of 2.25 and standard deviation 1.29. In relation to lack of well trained and experienced employees in the market, the respondents do not like to decide on it with a mean score of 3.37 and standard deviation 1.26. The mean score 2.24 and standard deviation 1.35 in the same table shows that MSEs operators dependent on their family labors. They do not agree on the idea, they are not dependent on family and relative labor force.

Concerning the idea that MSEs operators lack experience in managing a business, lack of preparation of strategic business planning, giving prime concern to short term profit and failure to take risk, the respondents agree on the idea with the mean score of 3.75, 3.99, 3.65 and 3.64 with standard deviation 1.19, 1.00, 1.30 and 1.37. Lastly, the scores for lack of quality control and lack of inventory control in the table shows the respondents are not able to decide with a mean of 3.00 and 2.87 with standard deviation 1.34 and 1.38 respectively.

Habtamu (2007) found that lack of strategic business planning, lack of low cost and accessible training facilities, lack of experience in owning / managerial a business and lack of well trained & experienced employees in the market impacting the
performance of MSEs. In support of this, among the various factors listed as managerial factors, it is only lack of experience in managing the business, lack of strategic planning, overemphasis on short term profit and failure to take risks that challenges their sustainability. Among this significant factors, both lack of experience and lack of planning also evidenced in the previous findings. And the above result shows in one way or another, the problems are associated with lack of training and entrepreneurial skill. Entrepreneurial skills help the MSEs owner/manager to build a confidence in their business activity by taking a failure as an experience. May be through time they can learn to take risks. If MSEs owners get access to training, they will develop the skills and methods of business planning.

**Marketing Factors**

Generally marketing problems are the major problems of all SMEs in many developing countries and they are different in nature. The table 10 shows the different problems associated with marketing.

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Marketing Factors</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Lack of product/service promotion</td>
<td>4.17</td>
<td>0.93</td>
</tr>
<tr>
<td>2.</td>
<td>Lack of skill to set clear and competitive pricing policy</td>
<td>3.86</td>
<td>1.14</td>
</tr>
<tr>
<td>3.</td>
<td>Lack of demand forecasting</td>
<td>3.76</td>
<td>1.15</td>
</tr>
<tr>
<td>4.</td>
<td>Poor location/business site</td>
<td>4.20</td>
<td>0.99</td>
</tr>
<tr>
<td>5.</td>
<td>Poor customer relationship &amp; handling</td>
<td>3.32</td>
<td>1.42</td>
</tr>
<tr>
<td>6.</td>
<td>Lack of knowledge on market</td>
<td>3.71</td>
<td>1.21</td>
</tr>
<tr>
<td>7.</td>
<td>Poorly trained sales staff</td>
<td>3.78</td>
<td>1.15</td>
</tr>
</tbody>
</table>

**Table-10: Marketing Factors**

As shown in the table 10, all the ideas listed under marketing factors are the problems of MSEs managers in the study area. This is justified by the mean score and standard deviation results, except the idea associated with poor customer relation or poor handling of customers, the respondents unable to decide on it with a mean score 3.32 and standard deviation 1.42. The finding shows that marketing problems are critical for their sustainability. According to the results, most of the MSEs lack promotion of products. As Henry (2009) supports this finding that problems related to the promotion of products are many. MSEs’ plan on promoting their products, however, their budget is mostly tight or absent at all. Even though some enterprises understand that issuing flyers, posters and business cards have promotional values, they refrain from undertaking such promotional activities to use the money for other urgent matters and many MSEs are not correctly informed on how to join their respective Chambers of Commerce, or Trade Association of their industry. They seem not to be aware of the services that they could obtain from chambers and associations such as: publication of journals, organizing promotional events, organizing trade fairs, advertising MSEs’ products, upgrading skills, assisting MSEs in finding market outlets and solving general market outlet problems.

The other critical problem that affects the sustainability of MSEs in Dessie town is lack of skill to set competitive price for their products. The following are the most important problems in relation to price. Some MSEs sell at break-even or even below production cost. Some of the reasons for selling at such a lower price can be attributed mainly to: lack of basic costing knowledge; overhead costs are mostly not calculated as expenses; salaries or wages of family members involved in production or sales are overlooked as cost of product; not knowing the exact earnings from sales separately; during and at the end of the day all family members spend the money earned from sales without recording; manufacturers do not correct knowledge about how much raw material and accessories are required to make one unit of a product etc.

The other marketing related problems that affect the sustainability of MSEs in the town are lack of demand forecasting. This problem may be associated with their lack of knowledge regarding the importance of forecasting and its techniques. The other related problems are poor business location, poor knowledge of the market and untrained sales staff.

The finding related to poor business location is in line with Endalkachew (2008) finding, the majority of informal enterprises lack a decent location for their businesses. Some of them are located in places with a limited supply or lack of public services and economic infrastructure (water and electricity, transport systems, telecommunication systems, sanitation services etc).

**Financial Factors**

The performance of SMEs is affected by lack of financial record keeping and documentations, insufficient provision for contingencies, high investment in fixed assets particularly during start up stage, inadequate estimated capital requirements, inability of failure to analyze financial statements, misperception of turnover as profit, and under utilization of venture assets. High investment in fixed assets means that a huge sum is unnecessarily tied up in fixed assets. Start up firms must not tie their initial capital in fixed assets because the return from fixed assets cannot be realized in the near future. Investment analysis often produces alternative ways of financing current and fixed assets and identifies appropriate sources of funds. Although the fixed assets can be used as collateral for bank loans, it is mostly difficult for new start-ups to get adequate credits and overdrafts to be used as working capital. As the table 11 result shows, in relation to lack of credit facilities and shortage of working capital the respondents agree with the mean score of 3.72 and 4.21 with the standard deviation 1.18 and 1.17 respectively. The respondents disagree with the idea of making unplanned withdrawal of cash for their personal use and underutilization of venture assets. This is justified by the mean score of 2.37 and 2.38 with standard deviation 1.35 and 1.17 respectively.
As it is depicted in the table (11), respondents are not able to decide with the idea of lack of record keeping and documentation with a mean score 3.13 and standard deviation 1.31. Also the same respondents are not able to decide with regard to Poor cash flow management, Poor management of Current Assets, High investment in fixed assets during start-up time and failure to analyze financial statements with a mean score of 3.13, 2.77, 2.99, and 2.98 with standard deviation 1.26, 1.27, 1.29 and 1.26 respectively.

Among the different financial factors, only lack of credit facilities and shortage of working capital challenges MSEs in Dessie town. This finding is in line with Abdullah and Baker’s (2000) finding, lack of credit as one of the major factors inhibiting the success of small firms. Many studies have also found that majority of MSEs lack access to formal financial services. Sethuraman (1997) as cited in Endalkachew (2008) evidenced that the micro and small firms start their business with their own savings supplemented by borrowing from friends and relatives. Since most of the operators are poor they start their business with very little capital.

Other Factors

Other factor that does not directly to the above strategic classification categorized under others. Tax problems, government intervention, personal business owner problems, lack of infrastructure and access to business development service included in this category. With the mean score of 2.86 and 2.86 with standard deviation 1.44 and 1.05 respectively in the table 13 results, respondents do not like to decide on it. Regarding the personal problems of the manager affects the success of their MSEs, the respondents disagree with mean score 2.40 and standard deviation 1.3. Health and their social problems do not affect their business. Lastly, the scores for lack of infrastructure and lack of business development service in the table shows that the respondents agree with absence of these inputs with a mean of 3.53 and 4.07 and standard deviation 1.2 and 1.09 respectively. This is evidenced in table 7, 62% of the respondents believe lack of training affects their success in the business.

Table-11: Financial Factors

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Financial Factors</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Inadequacy and costly credit and sources</td>
<td>3.72</td>
<td>1.18</td>
</tr>
<tr>
<td>2.</td>
<td>Lack of record keeping and documentation</td>
<td>3.13</td>
<td>1.31</td>
</tr>
<tr>
<td>3.</td>
<td>Poor cash flow analysis and management</td>
<td>3.13</td>
<td>1.26</td>
</tr>
<tr>
<td>4.</td>
<td>Poor management of current assets</td>
<td>2.77</td>
<td>1.27</td>
</tr>
<tr>
<td>5.</td>
<td>High investment in fixed assets during startup time</td>
<td>2.99</td>
<td>1.29</td>
</tr>
<tr>
<td>6.</td>
<td>Failure to analyse financial statements</td>
<td>2.98</td>
<td>1.26</td>
</tr>
<tr>
<td>7.</td>
<td>Unplanned withdrawal of cash for personal use</td>
<td>2.37</td>
<td>1.37</td>
</tr>
<tr>
<td>8.</td>
<td>Under utilization of company assets (space, machine)</td>
<td>2.38</td>
<td>1.35</td>
</tr>
<tr>
<td>9.</td>
<td>Shortage of working capital</td>
<td>4.21</td>
<td>1.17</td>
</tr>
</tbody>
</table>

**Sources:** Computed From Survey Data, 2012.

The major findings of this section indicate that the sample SMEs in the study are suffers business development service and lack of infrastructure. The findings also supported by Ishengoma and Kappel (2006), the majority of MSEs have no access to business development services (BDS) offered or coordinated by governments. Some of them are unaware that business development services are offered while others are ignorant to its worth. BDS providers do not market their services to small and informal enterprises appropriately, assuming that these enterprises cannot afford the services. In some cases the services offered are of low quality or irrelevant to MSEs.

**CONCLUSIONS**

The study is focused on identification of existing nature and the challenges of micro and small enterprises for their sustainability in Dessie town taking into account both internal and external factors. Micro and small enterprise have their own characteristics which make them differ from large firms. The nature and characteristics of MSEs operated in Dessie town concluded as most of MSEs in the town run by youth married males. Such marital arrangement increases both the availability of capital and labor which are the salient ingredients for the establishment of SMEs and launching their own business or use it as an alternative strategy for unemployment. When we compare their current status with their year of establishment regarding employment generation, even if it is expected that as the year of operation increases, MSEs have to expand their business and so do their employment opportunities as well. But these facts don’t hold true in the study area, this may be due to the current inflation problems.
Government recognized and paid due attention for the promotion and development of MSEs as they are important vehicles to address the challenge of unemployment, economic growth and inequity in the country. Even if this is the focus and interest of the government, various studies evidenced that MSEs faces a lot of challenges that put their sustainability endanger. The same is true MSEs in Dessie town also. Micro and small business in the Dessie town are faced with a number of challenges which are diverse in nature that lead to business failure. The study established internal micro and small enterprises constraints. Among which, managerial related factors are lack of strategic business planning, fear of failure/failure to take risk, lack of business experience and over emphasis for short term profit are the major ones. Among marketing related problems, lack of promotion, lack of skill and knowledge to set competitive price, lack of demand forecasting, poor location of business site and untrained sales staff are internal marketing related challenges for their business success. The other is financial related problems among which shortage of working capital is the dominant one.

The study also established external challenges for their sustainability, among which access to credit facility, lack of premises, lack of infrastructure and access to business development service are the major constraints for MSEs in the study area. The study also reveals that even if the MSEs operators are not satisfied and unsure of their sustainability in the future, MSEs owners receive some support from the government and mainly emphasizes on training, financial and consultancy service.

**RECOMMENDATIONS**

The main objective of this paper is to identify the internal and external challenges of MSEs that affect their sustainability and to suggest the possible solutions to overcome the challenges and offer their economic benefits to the society and the country as well. Thus the following recommendations are forwarded to be considered by all stakeholders.

- Most of the problems especially the internal problems can be solved by designing effective and efficient business development services. Through this service they can fill their gap associated with marketing and managerial problems. Efforts must be made to incorporate entrepreneurship in to the national culture and way of life. In order to create entrepreneurial culture, existing theoretical teaching practice should be replaced by attractive and practical way of teaching.

- The proprietors of SMEs typically perceive capital to be their most serious growth constraint and one of their greatest assistance needs. Much of this perceived need is typically for working rather than fixed capital. In order to solve problems associated with access to credit, financial institutions (Banks and Micro Finance Institutions) need to allocate a certain portion of their loan funds for MSEs entrepreneurs. This has to be supported by special lending and repayment arrangement, such as lending by minimum collateral at fare interest rate. In this regard, all stakeholders should work harmoniously to find out the system for solving their credit problem.

- Construction of market sheds and common facility centers at suitable location for business by the assistance of the government and other stakeholders can tackle two problems (i.e.) lack of premises and lack of infrastructure simultaneously. Government needs to encourage model entrepreneurs by recognizing them in the open forum and functions. Such actions will motivate other MSEs operators to strive well in their ventures to achieve such recognition.

- All parties, the government, NGOs, private organizations and other stakeholders should work jointly in providing an appropriate and conducive regulatory environment for MSEs development. Implementing an appropriate regulatory and policy environment in which business can flourish is a long and costly process that requires the commitment of the different parties involved.

**REFERENCES**


*****

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Note: Total amount if computed in US$ must be converted into Indian Rupees as per Currency Exchange Rates on the day of placing the order; Computed amount (in Rupees) is to be transferred in Pezzottaite Journals Bank Account (s); In case, where the transacted currency is not US$, then, purchaser must consider the exchange rate of domestic country’s currency against ‘US$/ Rupees’ and transfer the same.

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STUDY ON E-BANKING SERVICES: A CONCEPTUAL VIEW

Taru Gupta

ABSTRACT

There is a saying that “Nothing is permanent but change”. Certainly world events and their impact on banking have proved this beyond doubt. Through information technology India’s banking system has changed and improved its customer service, its product range and its general health considerably over the last 7 or 8 years. Banking is becoming more of a game of ideas than any other business: building new products that attract customers, creating new services and learning new skills. It is also becoming an extensive marketing exercise as much as journey up the technology ladder. In order to improve customer service, increase volumes, reduce costs and justify their existence in the market, banks are spending on information technology according to their capacity and future growth plans.

The focus of this paper is mainly around technology issues (e-banking) in the banks, which are expected to change the way of banking in the fast changing world, banks are looking for those kind of profitable opportunities through which they will be able to focus on the customers to become “customer centric”. The study will throw light on the benefits of services to the customers as well as to the bank.

KEYWORDS

Information, Customers, e-Banking, Technology, Customers, Skills etc.

INTRODUCTION

Banking is becoming more of a game of ideas than any other business: building new products that attract customers, creating new services and learning new skills. It is also becoming an extensive marketing exercise as much as journey up the technology ladder. In order to improve customer service, increase volumes, reduce costs and justify their existence in the market, banks are spending on information technology according to their capacity and future growth plans. IT has changed the paradigms of business in many service industries. One industry that has really felt the impact of IT has been banking sector. Credit card and ATMs were only the first step away from physical cash. The next major step has been introduction on Internet and Mobile banking and that is likely to be the most important of future. Technology is used in banking business to lower costs, increase productivity, improve the way service is delivered, put more information in the hands of service representatives, the service, collect data on customer needs, add value for the customer and build relationships with customer. Banking in India has seen the induction of new technologies during the decade, broadly computerization and networking. This has opened up new avenues for diversification and augmenting revenues. With the increasing and continued globalization of capital and financial markets, banks can ill afford to be left behind. Worldwide banks are growing in size by communication and technology, which has left other banks uncompetitive in the market. Technology particularly computer, and communication has generated economies of scale unthinkable a few years ago. Banks have also begun spread to serve communities, continents apart.

So, technology will play a major role in increasing efficiency and courtesy as also the spend of customer service. In the changing banking scenario Tele banking, Credit card, ATM card, ECS, EFT will be dominated by the customer on an aggressive scale. In fact, banks, which do not see the writing on the wall and do not take proactive steps, will be out of the race in an era of competition.

OBJECTIVES OF STUDY

The present study has the following objectives:

1) To check the awareness and usage of their services by the customer.
2) To determine customer view point regarding their services.
3) To judge the risk involved in e-banking.
4) To gain knowledge about the electronic services provided by the banks.
5) To find out new e banking services of banks.

BENEFIT

Technology is now able to deliver the advantages of reach without the attendant paraphernalia and costs associated with a limbering branch network. As ATMs, Tele banking and more recently, Net banking practices proliferate and a bank will need fewer branches to achieve critical mass. Banks have now clicks and bricks strategy. However brick and mortar branches will coexist with electronic delivery channels to provide multiple options to its customers. ICICI bank is already planning to provide web bank at every ATMs outlet.

10Assistant Professor, Department of Mathematics, S.S.D.W.I.T., Punjab, India, taru275@gmail.com
One way to support the cause of internet banking would be through cyber cafes, as they offer a cost effective option to the middle class to become netizens. ICICI is in the process of putting up about 250 centers for this across India. In this way, e banking growth is not restricted to the four million odd PC owners in the country alone. In addition, ICICI is working with Satyam Info way to install ATM in Satyam Cyber Cafes across the country.

Working professionals know what it’s like to visit a bank on their way to work, or sometimes during the day. For many, that usually means spending an hour or two attempting to ‘check’ out the various procedures and deal with the familiar hassles. However, that may not be possible for most of us and we’d usually get the office peon or family member to do a routine banking task. In this scenario, the concept of anytime, anywhere, anyplace banking is a big convenience for all concerned. ATM machines and extended banking hours enable us to perform certain transactions at convenient times. But it is Internet banking that is really making anytime, anywhere, anyplace banking practical. It clearly shows that need of an hour is e-banking. With the advent of e banking it here will be a paradigm shift in banking processes leading to greater customer satisfaction.

Table-1: Common E-Banking Services

<table>
<thead>
<tr>
<th>Retail Services</th>
<th>Wholesale Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Account Management</td>
<td>Account Management</td>
</tr>
<tr>
<td>Bill payment and presentment</td>
<td>Cash Management</td>
</tr>
<tr>
<td>New account opening</td>
<td>Small business loan application, approvals, or advances</td>
</tr>
<tr>
<td>Investment/Brokerage service</td>
<td>Commercial wire transfers</td>
</tr>
<tr>
<td>Loan application and approval</td>
<td>Business-to-business payments</td>
</tr>
<tr>
<td>Account aggregation</td>
<td>Employee benefits/ pension administration</td>
</tr>
</tbody>
</table>

Sources: Authors Compilation.

e-banking…

“the automated delivery of new
And traditional banking products
And services directly to customers
Through electronic, interactive
Communication channels.”

INTERNET BANKING IN INDIA

The Reserve Bank of India constituted a working group on Internet Banking. The group divided the internet banking products in India into 3 types based on the levels of access granted. They are:

- **Information Only System:** General purpose information like interest rates, branch location, bank products and their features, loan and deposit calculations are provided in the banks website. There exist facilities for downloading various types of application forms. The communication is normally done through e-mail. There is no interaction between the customer and bank's application system. No identification of the customer is done. In this system, there is no possibility of any unauthorized person getting into production systems of the bank through internet.

- **Electronic Information Transfer System:** The system provides customer- specific information in the form of account balances, transaction details, and statement of accounts. The information is still largely of the 'read only' format. Identification and authentication of the customer is through password. The information is fetched from the bank's application system either in batch mode or off-line. The application systems cannot directly access through the internet.

- **Fully Electronic Transactional System:** This system allows bi-directional capabilities. Transactions can be submitted by the customer for online update. This system requires high degree of security and control. In this environment, web server and application systems are linked over secure infrastructure. It comprises technology covering computerization, networking and security, inter-bank payment gateway and legal infrastructure.

**BRIEF SUMMARY OF VARIOUS FACILITIES PROVIDED THROUGH NET BANKING**

You can use the net banking to avail various facilities like:

- **Available Balance:** The amount available to you for withdrawal.
- **Uncleared Fund:** The total amount of cheques deposited by you that are yet to be cleared.
- **Ledger Balance:** The closing balance as of the previous day.
- **Account Statement Inquiry:** You can view a statement of the transaction you have completed on your accounts for the current period, or a specific period determined by you.
- **Cheque Status Inquiry:** You can use net banking to view the status of a specific cheque that you have issued on any of your accounts.
- **Stop Payment Request:** You can request stop payment on a cheque or series of cheques online.
Demand Draft (DD) / Banker’s Cheque (BC) Request: You can have a banker’s Cheque or Demand Draft issued from your account. All you have to do is to select the account to be debited, enter the location (in case of DD) and enter the name of the beneficiary and the amount. The DD/ BC will be sent by courier to your mailing address on the records.

Funds Transfers: Net banking makes it easy transfer funds between any of your accounts, even if they are in different branches.

Cheque Book Request: You can request for a new cheque book online, your cheque book will be sent by courier to the address on the records.

FD Inquiry: You can use Net banking to access the details of your Fixed Deposits account such as: Principal Balance (Initial and Current), Tel me of deposit, Rate of interest, Maturity date, Maturity amount, Instructions for payment on maturity & Lien amount.

New FD Request: You can open a fixed deposit account by following simple steps.

TDS Inquiry: You can access information on the tax deducted at source for all your FDs held at any of the branches for the current or previous financial year.

Leave an Instruction: You can leave any instruction not currently included in net banking services that you would like to perform on any of your accounts.

STEPS TO TAKE CARE OFF

- Make sure no one can see the account login name or password you’re entering when you log on to infinity.
- Logout of infinity before moving on the other websites.
- Before leaving the PC please “close” the browser.
- Do not write your infinity login name or password.
- Do not leave your login name and password such that someone sitting at your computer could see them.
- Never reveal your infinity login name and password to anyone (No representative of the bank will ever ask you for your infinity password).
- Notify your bank immediately if you notice any unusual account activity.
- Keep all documents that include your account information in a secure location.

NEW HAPPENINGS IN E-BANKING

Swadhan

Swadhan is the name given to the ATM network of public sector banks and some private banks. Over the past year up to 44 banks in Mumbai, Vashi and Thane have become a part of swadhan, a system of shared payments network, introduced by the Indian Banks’ Association (IBA). The 44 members between them have 85 operational branches whose clients could swap the existing ATMs card of one member bank for the swadhan card to access the teller machines of this retail chain.

A self evident testimony to the demand for ATMs from customers which was first triggered off a decade ago in 1987 when the Hong Kong and Shanghai Bank first introduced ATMs in Mumbai. With Swadhan it was hoped that Indian bank’s customers would be able to benefit from an ATM pool that solved the problems of single-ATM outlet banks and its attendant problems of limited access, distance and time.

The Main Features of This Card Are:

No exchange fee is charged to change an old ATM card for a swadhan card Rs. 3000 is fixed as the ceiling in withdrawal. Exception made for selected customers who can withdraw up to Rs. 10000 still this is lower than the average withdrawal of Rs.15000 by regular ATMs.

IBA gives banks the discretion to decide to decide a higher amount for withdrawal. Transaction conducted through any of the member banks appear on bank statements, which is given only by your own bank. All transactions conducted in any of the member banks appear on the statement, but only your own bank will provide this. However, no overdraft works.

A switch routes all information and transactions among member Institutions. It transmits the information, and/ or data to the card-issuing bank of its processor, which approves or declines the transactions request and notifies the switch. The switch to the processor of the ATM, which completes the transactions, then routes the card issuing bank’s decision. At the end of each day, accounts among members are settled and account balances are transmitted to each member institutions.

RTGS (Real Time Gross Settlement)

In a key technology initiative, the Reserve Bank of India (RBI) has shifted the entire clearing operations to the real-time online mode. The RTGS interacts with the current account of the banks maintained with RBI and settles the payment instructions across these RBI accounts on a real time basis. The RBI promoted RTGS provides on-line fund settlement of banking transactions on a real-time basis. The proposed system allows clearing of transactions with in a day, against two days taken now for intra-city
cheques and around a week for outstation cheques. The purpose for undertaking this exercise is to reduce the transaction processing and clearing to the lowest possible time.

Share Trading

A number of banks have either set up or are in the process of setting up Internet trading facilities for their customers. ICICI bank already offers its customer e-broking services through a ICICI brokerage service. HDFC too offers e-broking facilities through HDFC securities and e-Net facilities for equity brokerages.

Security in e-Banking

It has been observed that threat of security and large & continuous flow of resources required for maintenance of error-free and secured transactions in the e-banking/ commerce environment has been one of major deterrents for venturing into this field. Security is a key point to be addressed in the new phase of cyber-banking. Internet banking and WAP-banking have opened up the banks’ network. In a real life environment, it might be tougher for a burglar to burgle many branches of a bank; whereas in the cyber-banking scenario, a hacker has the whole bank on a platter in the absence of security. Many security features like firewalls, encryption /decryption, public key cryptography, etc. are being put in place to effectively safeguard these networks. These features safeguard us from threats, which have been perceived so far; but the unperceived threats need to be addressed.

A constant R&D has to be in place to ensue a safe banking over cyberspace. it is, therefore essential that adequate and redundant security layers should be in place to gain the trust of the users of technology. The following basic security infrastructure should be made available for operations. It is equally important that the security provision so put in place initially should be upgraded on periodical intervals in time with emergence of newer technologies so that the technology provides a safe to use the following basic security features.

CONCLUSIONS

With the advent of IT in the Banking sector, there has come a change in the way of banking that has done before. Banking is now moved from its brick and mortar structure to customer centric approach. Various e-banking services are giving customers unthinkable benefits like 24 hr banking, anywhere banking, speedier transactions and time saving. The banks are now riding themselves on this new wave to have more profitable opportunities. Banks are now spending heavily on information technology front. It is win-win situation for both the customers and the banks. Slowly and steadily customers have started moving towards e-banking system in India. The future would witness an increase in the e-banking financial products. Banking is getting a new shape with all E-Banking services. Now customers prefer to use E-banking products than traditional banking products. It is still beginning…… there is a long way to go…

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Editor-In-Chief
Pezzottaite Journals,
24, Saraswati Lane, Bohri, Near Modern Dewan Beverages,
(Mobile): +91-09419216270 – 71
editorinchief@pezzottaitejournals.net, contactus@pezzottaitejournals.net
INTRODUCTION

Micro Small and Medium Enterprises (MSME) occupy an important and strategic position in the economic growth and equitable development in all countries (Schumacher, 1973). The cause of small, appropriate technologies that believed to have empowered the people more, in contrast with phrases such as “bigger is better”. Micro Small and Medium Enterprises is the backbone of Indian economy and despite industrialisation in the last few decades MSME occupies a prominent position in the manufacturing sector of the Country. The contribution of MSME towards the manufacturing output, employment and exports of the country is quite significant. MSME is referred to as the engine of the Indian economy as well as the catalysts for the socio-economic transformation of any country. They are an indispensable source of creating jobs, entrepreneurial spirit and innovation in the country. This ultimately fosters competitiveness and employment in the adjoining local society. Their potential to contribute towards confiscating poverty and facilitating a more appropriate and just distribution of wealth in developing economies cannot be undervalued. It is estimated that there are around 15 crore MSME in 130 Countries employing about 65 percent of the total labour force.

The present study seeks to interpret the various challenge confronted by the entrepreneurs administering Micro, Small and Medium Enterprises in rural areas of Jammu and Kashmir. Moreover, effective and practical remedial measures are also spent out in this study.

KEYWORDS

MSME, Rural Areas, Economy, J&K, EDP etc.

ABSTRACT

Micro Small and Medium Enterprises (MSME) is the backbone of Indian economy and despite industrialisation in the last few decades MSME occupies a prominent position in the manufacturing sector of the country. The contribution of MSME towards the manufacturing output, employment and exports of the country is quite significant and MSME is referred to as the engine of the Indian economy as well as the catalysts for the socio-economic transformation. They are an indispensable source of creating jobs, entrepreneurial spirit and innovation in the country. This ultimately fosters competitiveness and employment in the adjoining local society. Their potential to contribute towards confiscating poverty and facilitating a more appropriate and just distribution of wealth in developing economies cannot be undervalued. It is estimated that there are around 15 crore MSME in 130 Countries employing about 65% of total labour force.

The present study seeks to interpret the various challenge confronted by the entrepreneurs administering Micro, Small and Medium Enterprises in rural areas of Jammu and Kashmir. Moreover, effective and practical remedial measures are also spent out in this study.

INTRODUCTION

If the investment in plant and machinery excluding land and buildings and the items specified by the ministry of small scale industries does not exceeding Rs. 25 lakhs, then it is considered as a Micro enterprise. Additionally, the total no of employee’s ranges in micro enterprises is 2-9. Additionally, a small enterprise is that where the investment in plant and machinery original cost excluding land and building and the items specified by the ministry of small scale industries is between 25 lakhs and Rs. 5 crores. The range of total no of employees in small enterprises is between 10 to 49. Moreover, a medium enterprise is a venture where the investment in plant and machinery original cost excluding land and building and the items specified by the ministry of small scale industries dated 5th October 2006. Is more than Rs. 5 crore and not exceed Rs. 10 crore and the total no of employees are between 50 to 250.

The government proposed to increase financial resources allocation for the Micro, Small and Medium Enterprises sector by Rs. 2,400 crore for the financial year 2010-11. According to estimates, in terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 per cent of the total exports of India. Sales and employment are two important indicators when analyzing size of firms (Delmar et al., 2003). Moreover, The MSME sector employs about 60 million persons in over 26 million units throughout the country. There are more than 8000 products ranging from traditional to high –tech items, which are being manufactured by the Indian MSME. It has been estimated that number of MSE has increased steadily in India from 67.87 lakhs in 1990-91 to 133.68 lakhs in 2007-08 and the same phenomenon is proceeding till now. This was possible due to the conducive policy environment devised by the government of India during the liberalisation era (post1991).

Additionally, the number of persons employed in MSME has elevated from 158.34 lakhs in 1990-91 to 322.28 lakhs in 2007-08 and the process is still continuing. The contribution of the MSE sector to the gross domestic product (GDP) has increased from 5.86 percent in 1999-2000 to 9 per cent in 2011 and the exports from the small scale industry have seen tremendous increase. However, exports oriented SMEs are exposed to the unpredictable and erratic external business environment as globalisation influences the business activities. Owing to inevitable global slowdown exports from SMEs continues to dominate only eight product groups namely readymade garments, engineering goods, electronic and computer software, chemical and allied products, basic chemicals, pharmaceutical and cosmetics, processed goods, finished leather and leather products, and lastly the plastic products. The above mentioned product categories account approximately 90 percent of the total value of SME exports.

11Assistant Professor, JGEI, J&K, India, nsgcommando@gmail.com
All India censuses of Micro, Small and Medium Enterprises reveals that the percentage of female employed in MSME sector is only 13.31 percent pointing towards the prejudice existing towards women, in getting employed in MSME. Moreover, considering the demographic aspects of India pertaining to the employment of women in SSI it was revealed that in Mezoram, Orissa, Karnataka, Goa, Lakshadweep, Kerala, Tamilnadu, and pudichery, the percentage share of employed women was considerably higher that is more than 20 percent as compared to the rest of state. After the liberalisation of the economy, government’s attitude towards the MSME sector changed and many of the products which were exclusively manufactured by these units got dissolved. It is a matter of revelation that a sector which was once advocated and supported by the father of the nation is now confined to only 21 products which includes bread, pickles, wooden furniture, wax candles, exercise books and registers, safety matches, incense sticks, fireworks, stainless steel and aluminium utensils.

Due to liberalisation of the investment during 1990 and opening economic doors to foreign direct investments in addition to the establishment of world trade organisation in 1995 the MSME sector today faces tremendous cut throat competition. Developing countries are facing competition from other countries due to globalisation and trade is increasing but restrictions generally favour developed countries (Lind, 2009). As a result there was a huge hue and cry and ultimately the government of India had to intervene in order to protect the struggling MSME industry. The Indian government development an act which came into effect from 2nd Oct 2006, which made it obligatory for both the central and state government to implement the act appropriately throughout the length and breadth of the country.

According to Lind (2005) SMEs in developing countries are often competing in price, thus, they do not focus on adding value to products and services. According to Cheah and Cheah economic crisis has constrained the development process in many developing countries in Asia which has a great impact on SMEs as they play an important role in these countries. It is argued that SMEs are more vulnerable to economic crisis and due to their small size they have limited resources such as finance, knowledge, technology and skills (Cheah, Cheah, 2005). In order to assist the MSME to survive in this competitive market scenario the government of India during the budget speech of 2005-2006, devised A National Manufacturing Competitiveness Program (NMCP) the objectives of which is to ensure healthy growth of the MSME. In order to elevate the competence of the programme the government of India has incorporated five components which includes quality management systems and technology tools, building awareness and intellectual property rights, support for entrepreneurial and managerial development through incubators and finally setting up of new mini tool rooms and marketing assistance or support to SME. For the implementation of all the above mentioned activities, occasionally the MSME are confronted with the challenge to best utilise the scares financial resource.

To mitigate this constraint Small Scale Industrial Development Bank of India (SIDBI) came into existence. Moreover, the Govt of India in conjunction with the Small Scale Industrial Development Bank of India, which is also the apex bank for MSME in India requested the world bank to extend their support in order to eliminate the financial restrictions faced by MSME. The access to term financing further fosters the pace of the SME development. This noble project was approved by the government of India on 31st March 2005. The objective of the project was to improve SME access to finance and business development services by fostering MSME growth, competitiveness and employment. Furthermore, to endow some superfluous financial assistance to the MSME the government of India in accordance with the Securities and exchange board of India (SEBI) issued new norms to separate stock exchanges investments specifically for MSME. Additionally, the Reserve Bank of India (RBI) has taken several measures to enhance credit delivery to employment intensive Micro, Small and Medium Enterprises.

RBI have issued guidelines from time to time thereby advising banks to grant collateral free loans up to Rs. 5 lakhs to the units of Micro and Small (MSE) sector (both manufacturing and service sector enterprises). Moreover, RBI has also advised to sanction collateral free loans up to Rs. 25 lakhs based on the good track record and financial positions of the units. A working Group was set up by RBI to review the credit guarantee scheme and the group has submitted its final report which was released on 6th March 2010. The RBI has also constituted a working Group on Rehabilitation of sick SME under the dexterous guidance of K.C. Chakrabarty.

Furthermore, recognising the importance of the sector and the various constraints being faced a high level task force has been constituted by the Govt. of India under the chairmanship of principal secretary to the honourable Prime Minister in order to consider the various issues raised by various MSME associations and to draw up an agenda for action. The Task Force has submitted its final report on 31st January 2010 this report consists of several recommendations drawn on the issues pertaining to credit, taxation, marketing, labour, exit policy, infrastructure or technology and skills development.

The study area comprises of the rural areas of Jammu which have tremendous market potential. The climatic condition of this region is appropriate and moderate for working conditions of operating units. Because of the national highway and the availability of golden quadrilateral road projects these areas entice investors to invest in the enterprises. Additionally, the availability of free land for establishing new units contributes to the economic upliftment of the region.

In the present study Enterprises are divided into three groups namely Micro, Small and Medium. So, it is not possible to take only one group of enterprises for the investigation or accurate conclusion. Therefore, investigator has taken three size groups for the study. Entrepreneurs face a series of problems right from the beginning till the enterprise functions. The tradition, customs, socio cultural values, ethics, physically weak, hard work, feeling of insecurity etc are some peculiar problems that the people of Jammu are coming across.
REVIEW OF LITERATURE

Gurol and Atsan (2006)

According to the authors there are six personality characteristics which are applied to conceptualize the concept of entrepreneurship. These are; need for achievement, locus of control, risk taking propensity, tolerance for ambiguity, innovativeness and self confidence. Additionally the authors have highlighted certain independent variables which influence the entrepreneurial process to a great extant. These are; need for achievement, risk taking ability of the entrepreneur, tolerance for handling ambiguity, locus of control, self efficacy and appropriate dexterous goal setting. According to the researchers by incorporating the above mentioned qualities an entrepreneur can increase his probability of success in the ever changing hostile business environment.

Meyanathan (1994)

The researcher advocates that Small Scale Industries Development Programme fosters further the business partnerships and linkages. Here, a substantial enterprise has access to various markets and thus is in a position to assist small size firms operating in different market scenarios. The arrangement has the effect of promoting the management, access to technology and improved production techniques of the small scale firms. Another related policy interventions is the “Localization” or “deletion” programme in which small and medium-size firms are assisted to manufacture parts and components for the major assembly. Under the programme both inputs and technical assistance are provided to clusters of small scale manufacturing firms.

Vander Meij and Heijinder (2006)

The researchers review the literature on the impact of such interventions and that the literature is not rich, the defined Community Based Rehabilitations (CBR) as “A strategy within community development for the rehabilitation, equalization of opportunities and social integration of all people with disabilities. CBR draws on the resources and efforts of people with disability, their families and their communities, as well as government. However, it has been observed by the researchers that very less has been delivered into this cause by the respective governments as a result of which entrepreneurs with disabilities are not able to compete that effectively with other business organisations as is required. Additionally, if they are provided some assistance from the government they can sustain themselves in such competitive business environment.


Hazard ratios are used as an econometric measure effect. The study aims to identify key differentials factors of long term survival and viability in small businesses and enterprises that affect women entrepreneurs in comparison with their male counterparts. Feasible recommendations are made in order to improve the plight of women entrepreneurs and to help them improve their economic contribution to the national economy. The researchers advocate advanced training and development programmes in order to encourage women entrepreneurs. Additionally, they should also have access to easy and flexible financial resources.

Amha and Narayana (2004)

In this research the researchers have revealed that majority of the entrepreneurs do not have access to adequate financial resources and they rely heavily on indigenous social capital schemes. The key challenge faced by the entrepreneur in this sector is constrains concerning the access to appropriate and flexible financial resources. This ultimately leads to incapability of the entrepreneur to bear risks of large magnitude. As a result of which the entrepreneur is not able to invest in expansion of the work force and operations of the business leading to sluggish growth rate.

Kebede (2002)

The researcher in this study has revealed that only one in three small businesses survive long enough to witness their third anniversary. Additionally, the likely hood of the survival of small firms operated and governed by women entrepreneurs is closely associated with the degree of support given to women in terms of access to finance, improved skills and an enabling macroeconomic environment. The management skills of women and men entrepreneur are found more or less of equal effectiveness and success. Ultimately it is the dexterous management handling which makes the decisive difference.

Carl Leidham (2001)

According to the researcher the contribution of Micro Small and Medium Enterprises in generating employment and income has become increasingly significant around the world. MSE affect the lives and livelihood pattern of numerous people and they also constitute a large portion of manufacturing industry in the developing countries like India. Surprisingly, this is the sector where there is tremendous scarcity of the required skills which is causing a significant obscurity in the achievement of the organisational goals and objectives. In order to increase the pace of economic growth and improve livelihoods of the people MSEs play a pivotal role. Moreover, it has been revealed by the researcher that in many economies which are not performing well and are subjected to repeated process like downsizing and rising unemployment levels it is often the small businesses that survive.
Itoh and Urata, (1994)

In this study the researchers have revealed that MSME relay mainly on inter-firm linkage, subsidy, tax measures and training to enhance product quality and elevate the production techniques. Moreover, there are numerous development programmes which integrate individualized advisory services and practical implication of these services. The major form of inter-firm linkages through which firms upgrade their technology is the process of subcontracting. The process of subcontracting advocates that the parent firms which are usually large enterprises are at the top of the heretical pyramid or multi-tier heretical structure, where the parent firms train and develop the skills of the workers bellowing to the subcontractor firms and also upgrade their machinery and equipment in order to ensure that they continuously uninterruptedly supply parts to the parent firms. Additionally, the researchers suggest that subsidies need to be bestowed to the small and medium size firms and their industry associations with the intention to encourage them to undertake research and development projects.

Wong (2005)

This research reveals that devising, monitoring and implementation of master plan is of immense importance especially when it comes to entrepreneurial growth. Moreover, the study emphasizes the significance of master plan in accordance to the local business environment. SME master plan is aimed at the integration of the programmes run by the public and private bodies that were providing assistance to small and medium enterprises. The SME master plan, later referred to as Enterprise Development Plan (EDP) is a blueprint for development of small Enterprises to achieve their respective organisational goals and objectives.

OBJECTIVES OF STUDY

To make the present study systematic and scientific, following objectives of the study will be achieved:

- To find out the constraints being faced by the entrepreneurs.
- To find out the future prospects of Micro, Small and Medium Enterprises in rural areas of Jammu and Kashmir.

Research Design

In this study Descriptive research design was implemented by the researcher where the data source is primary and a survey method was implemented. Self administered questionnaire was implemented by the researcher. The size of the sample used for this research was 260 out of which only 253 questionnaires were found fit to be used by the researcher constituting 97.30 percent response rate. Moreover, convenience sampling method was utilized by the researcher to collect the relevant data. The statistical methods used to ascertain the research objectives are descriptive statistics, Cronbach’s alpha, KMO and Bartlett’s test and factor analysis.

Data Collection

Primary data has been collected from the sample entrepreneurs through schedules and the pre-tested questionnaire. After proper classification and tabulation of the collected data, suitable statistical tools and techniques have been applied for analysis and interpretation.

Instrument Development

The questionnaire utilized in this study comprises of 2 sections namely section 1 and 2. Both the sections are self administered. The study aims to investigate the constraints being faced by the entrepreneurs on five point Likert scale. Where for each item, 1 represents strongly disagree, 2 as disagree, 3 represents neither agree nor disagree, 4 for agree and 5 represents strongly agree. The first part of the questionnaire entertains the reasons leading to the constraints being faced by the entrepreneurs. However, the second part of the questionnaire caters to the demographic profile of the respondents. In order to ensure appropriateness of the questionnaire the Cronbach’s alpha test was administered on the questionnaire. The value of which was found to be .864 which validates that the questionnaire’s appropriateness to be utilized in the study.

Adequacy and Scale Purification

Preliminary to conducting Factor Analysis checking sampling adequacy and sphericity is of paramount import. The salient objective of conducting this test is to ensure that the data collected is fit for conducting Factor Analysis. Moreover, KMO (Kaiser Meyer Oklin) test was executed on the available data to verify the same.

Table 1: KMO and Bartlett’s Test

<table>
<thead>
<tr>
<th>Adequacy</th>
<th>0.874</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barlett’s Test of Sphericity</td>
<td></td>
</tr>
<tr>
<td>Approx. Chi-square</td>
<td>187.536</td>
</tr>
<tr>
<td>df</td>
<td>162</td>
</tr>
<tr>
<td>Significance</td>
<td>0.0001</td>
</tr>
</tbody>
</table>

Sources: Data Analysis.
Here, as the value of KMO is 0.874 the researcher has concluded that there is no multicollinearity in the data. Moreover, when the data will be subjected to factor analysis there will be no or little multiple loading in the rotated factor loading table. Hence, the researcher assumes that the data is fit for conducting factor analysis.

**Eigen Values**

Eigen values are the variances of the factors. The first factor will always account for the most variance (and hence have the highest Eigen value), and the next factor will account for as much of the left over variance as it can, so on and so forth. Hence, each successive factor will account for less and less variance. Thus the amount of variation in the data described by each component decreases successively with each factor; the first pattern defines the greatest amount of variation, the last pattern the least.

Therefore, the components having Eigen values greater or equal to 1 are significant and from the above output we analyzed that there are only two components that are significant. Rests of the components are not significant thus they get eliminated from our observations.

**Factor Analysis**

<table>
<thead>
<tr>
<th>Name of Factor</th>
<th>Eigen Value</th>
<th>% of Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you feel that your education qualification is appropriate to effectively support your work.</td>
<td>8.318</td>
<td>17.235</td>
</tr>
<tr>
<td>You feel that social environment is not conducive and it hampers your growth.</td>
<td>6.267</td>
<td>11.752</td>
</tr>
<tr>
<td>You feel that shortage of raw material is causing barrier to your entrepreneurial growth.</td>
<td>4.984</td>
<td>10.323</td>
</tr>
<tr>
<td>You faced fewer constraints while accruing financial assistance or help from the banks.</td>
<td>4.312</td>
<td>8.526</td>
</tr>
<tr>
<td>You are confronted with tremendous competition which is hampering your growth rate.</td>
<td>4.081</td>
<td>8.909</td>
</tr>
<tr>
<td>You feel that high cost of production is forcing you to increase the cost of the final product as a result of which your sales has dropped.</td>
<td>3.643</td>
<td>9.472</td>
</tr>
<tr>
<td>Your low risk bearing capability has hampered your ability to innovate new products and services and resulted in slowing down your growth.</td>
<td>2.491</td>
<td>6.466</td>
</tr>
<tr>
<td>Mobility barriers are negatively affecting your business.</td>
<td>2.361</td>
<td>6.311</td>
</tr>
<tr>
<td>Your limited or not up to date managerial skills are causing constraints in the rate of your business growth</td>
<td>1.024</td>
<td>2.737</td>
</tr>
<tr>
<td><strong>Cumulative Percentage of Variance</strong></td>
<td></td>
<td><strong>81.734</strong></td>
</tr>
</tbody>
</table>

**Sources:** Data Analysis.

Considering the above table the first factor that is, “Do you feel that your education qualification is appropriate to effectively support your work”. This factor explains 17.235% of 81.734% of cumulative variance.

The second factor which is “You feel that social environment is not conducive and it hampers your growth” and this factor explains 11.752% of 81.734% of cumulative variance.

The third factor is, “You feel that shortage of raw material is causing barrier to your entrepreneurial growth.” This factor explaining 10.323% of 81.734% of cumulative variance.

Fourth factor is “You faced fewer constraints while accruing financial assistance or help from the banks.” Moreover, this factor explains 8.526% of 81.734% of cumulative variance. “You are confronted with tremendous competition which is hampering your growth rate.” is the fifth factor which explaining 8.909% of 81.734% of cumulative variance.

The sixth factor is, “You feel that high cost of production is forcing you to increase the cost of the final product as a result of which your sales has dropped.” and explaining 9.472% of 81.734% of cumulative variance.

Seventh factor is “Your low risk bearing capability has hampered your ability to innovate new products and services and resulted in slowing down your growth.” which explains 6.466% of 81.734% of total cumulative variance.

The eighth factor is “Mobility barriers are negatively affecting your business.” This factor explains 6.311% of 81.734% of cumulative variance.

Finally the last factor is “Your limited or not up to date managerial skills are causing constraints in the rate of your business growth” which explains 2.737% of 81.734% of total cumulative variance.
RESULTS AND DISCUSSIONS

The results of the research pointed out that the entrepreneurs are confronted with many challenges which are stumbling block in their growth. Persistently it has been established that not all entrepreneurs are dexterous enough to handle these snags which ultimately leads to unhappy ending of the entrepreneur. When an entrepreneur fails it is not he alone who fall short but instead all other people who are associated with the business also become jobless. Therefore, it is imperative for the government and the entrepreneur to devise innovative solutions for the confronting problems. The study reveals the following problems being faced by the entrepreneur of J&K.

- **Lack of Appropriate Education**
  
  People dwelling in rural areas of (J&K) are lagging far behind in the field of education. A colossal size of India population accounting approximately 60 percent of the total population is illiterate. Those who are educated are endowed with either less or inadequate education pertaining to financial restrictions and constraints. Due to lack of proper education entrepreneurs remain in dark concerning the development of new technology, new methods of production, marketing and other governmental support schemes which are directed towards encouraging entrepreneurship.

- **Social Barriers**
  
  The second barrier which was revealed by the research work is the social barrier. The traditions and customs prevailed in Indian societies and J&K occasionally acts as an obstacle in the path of the entrepreneur to grow and prosper. Moreover, it has been observed that many times castes and religions dominate the rational decision making process of the entrepreneurs. Additionally, the study highlights that in rural areas, entrepreneurs come across more daunting social barriers as compared to metro cities.

- **Shortage of Raw Materials**
  
  Scarcity of raw materials sometimes and knotty availability of proper and adequate raw materials is the death-knell of the small business run by the entrepreneurs. Entrepreneurs really face a tough task in getting the required raw material and other necessary inputs for the enterprises when the prices are very high and demand is extremely high as well.

- **Problem of Finance**
  
  Entrepreneurs face a lot of inconvenience in raising and meeting the financial needs of the business. Bankers, creditors and financial institutes are not coming forward to provide financial assistance to borrowers due to their less credit worthiness and more chances of business failure. They confront many other financial problems arising from blockage of funds to purchase raw materials, to finish work-in-progress and nuisance caused by non receipt of payments from the customers in time.

- **Tough Competition**
  
  Usually entrepreneurs employ low technology in the process of production. In a market where the competition is too high, they have to fight hard to survive in the market against the organised sector in comparison to the other business organisations which are acquainted with vast experience and capacity to adopt swiftly the advanced technologies in managing enterprises.

- **High Cost of Production**
  
  Several factors including inefficient management contribute to the high cost of production which stands as a stumbling block before the entrepreneurs. People face technology obsolescence due to non-adoptions or slow adoption to changing technology which is a major factor of high cost of production.

- **Low Risk-Bearing Capacity**
  
  Entrepreneurs in J&K are by nature weak, shy and mild. Majority of them cannot bear the financial risk which is essential for running and operating an enterprise. Additionally, the dearth of education, training and financial support from outsides also reduce their ability to bear and manage risks involved in the functioning of an successful enterprises.

- **Limited Mobility**
  
  Due to the absence of good road connectivity and availability of vehicles toiling in the rural areas the mobility of men and material is highly limited and has become a hurdle in the growth of the entrepreneur. Additionally, due to traditional values and inability to drive vehicles many women entrepreneurs are totally dependent on other people, which deteriorates their efficiency and money generation ability of the business organisation. Moving alone and asking for a room to stay out in the night for business purposes are still looked upon with suspicious eyes and not welcomed by the family members.
• Limited Managerial Ability

Management has become a specialised job which only efficient managers perform. Entrepreneurs are not efficient in managerial functions like planning, organising, controlling, coordinating, staffing, directing, motivating the employees in an appropriate manner etc. of an enterprise. Therefore, less and limited managerial ability of the entrepreneur has become a predicament for them to run the enterprise successfully.

SUGGESTIONS

1. The study highlights that inappropriate education qualification of the entrepreneurs is acting as a barrier in the fast growth of their business. Hence, the researcher advocates that the government needs to establish effective training and development centers where the entrepreneurs can enhance their skills and update their dexterity in accordance with the changing business environment.

2. More flexible and assessable loan policies need to be adopted and implemented.

3. The infrastructure pertaining to roads, communication, electricity, water, medical facilities etc need to be effectively devised, improved and accomplished.

4. Feedback systems need to be implemented so that the government can access and audit their entrepreneur supportive policies appropriately.

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MARKETING STRATEGIES TO SUSTAIN THE BUSINESS DEVELOPMENT DURING AND AFTER ECONOMIC TURBULENCE

P. C. Reddy12 C. S. Sai Prasad Reddy13

ABSTRACT
Economic slowdown or turbulence refers that of back plash of industrial growth and individual incomes. This cause industries and countries economy suffering with lack of financial turnover and liquidity. Due to this affect, not only the industries or companies suffer but also the countries economy will be disturbed. This kind of recession or turbulence damages both individual economic life and also industrial growth and prosperous. Paper highlights how the recession can be faced through marketing strategies in particularly at organizational (industrial) level. Business firms, no doubt, will be affected mostly at the time of economic recession. However, to avoid much affect and to survive in this tough-time the organization usually adopts different strategies.

KEYWORDS
Recession, Economy Turbulence, Economic Saturation, Economic Growth, Consumption, Inflation, Profit, Marketing Strategies, Elements of Marketing, Sustainability, Business Development etc.

INTRODUCTION
The present world has been facing by the panic economic turmoil. The economy turbulence often termed as economic depression. It is the stage of economic saturation and growth decline. Due to this impact the world industries and nations economy has been fall back and suffers with lack of financial capabilities in spending and consumption of goods and services. The economic recession is not only affects the industries, but also influences the buying capacity of average consumers. Due to this the income of the consumers suddenly falls down and the purchasing capacity will decline. Therefore, demand of goods and services by the consumers are drastically fall down. With this contrast, the business organization can witness the fall of their sales and revenue. Once sales and revenue fall down the profitability of the organization come into negative figure. This is dangerous situation to any business organization. However, to avoid this situation, most of the companies adopt certain plans strategies, basically such as production strategies, marketing strategies, HR strategies and finally financial strategies. More or less all the strategies are equally important to sustain the economic recession, because to slim those losses or to come out form the losses every organization has to adopt two strategies, that is either to reduce expenses or to improve the revenue. Look at the following equation.

Figure-1

Sources: Authors Compilation.

To get the profit, business organizations always keep the revenue more than their total expenses. Therefore to keep their profit, in constant, they must be increase the revenue or to reduce the cost. In this economic turmoil, the total revenue has been reduced due to lack of appropriate sales, and moreover, the total cost remains constant, so that the profits has been slimming continuously the organization do tieh to stand their total revenue at constant or to reduce the regular expenses (cost). To reduce the cost there are possible strategies in HR, production, and finance functions. But, to generate the revenue and to substantiate in the crises situation only function is marketing. Therefore, the marketing function is considered as revenue generation function, also treated as heart of the business. Let’s briefly discuss some to the marketing management strategies often required to face economic turbulences.

MARKETING STRATEGIES FOR SUSTAINABLE BUSINESS DEVELOPMENT
Marketing strategies of any firm can be standard in terms of production, price, place and promotion. In the long-term plans and strategies, the business organization often follows all those strategies for profit making, but, in the recession time, the organizations have been suffering with financial liquidity and survival. Therefore, any strategies adopted at this time might be short-term or medium-term, perhaps less than 3 years. In particular, recession time the organizations, industries, government and even individual personals have been suffering with lack of financial liquidity. Therefore, the demand for the goods and services are very less. As result, business organizations are about to employ an abundance of strategies stances in their relentless race to stay ahead of competition. However, a close survey reveals that all strategies can be fitted into three broad categories. That is:

1. The price-oriented strategies,
2. The differentiation-oriented strategies,
3. The collaborative strategies.

12 Assistant Professor, Department of Business Management, Vikrama Simhapuri University, Andhra Pradesh, India, drpcreddy9@gmail.com
13 Associate Professor, Department of Management Studies, Narayana Engineering College, Andhra Pradesh, India.
In the price-oriented marketing strategy, the firm takes to the price quote a marketing strategy to compete on the strength of pricing. They use price as their competitive lever. They juggle the price of their product to suit the prevailing competitive reality. They can afford to offer prices and still make the targeted profits. They elbow-out competition with the cushion they enjoy in the matter of pricing. Because, the demand for goods and services and price of them are directly influence each other. In order to reduce the company’s price levels to the customer’s affordable level, the following measure has to consider:

1. Drop unprofitable customers / segmentation,
2. Minimize the expenditure in R&D,
3. Put into practice the JIT inventory.

At the time of economic turmoil the companies have to reduce the price to match the consumer’s tendency to lower spending. However, it is only possible reducing the overall expenditure from all operations while decreasing the product price, the following factors also considered and kept in mind:

1. Strength of product,
2. competitor’s pricing strategies,
3. Elasticity of demand,
4. Market Structure,
5. Cost structure,
6. State of Economy, and
7. Market conditions.

All are the essential factor which has to be considered by the promoters while reducing price. Another strategy often practiced at the time of recession is differentiation of product. Even though it is long-term strategy, it should work at the time of recession too. Because, the competition revolving around small number of customers, therefore, any firm differentiates its product, towards producing benefits to them automatically turns even in most conditions. The differentiation strategy of production most in terms of product feature, additional benefits, quality offer, extra offers and so on along with main product/service. Fore example, JET Airways introduced the production differentiation strategies by adding additional services to the customers for the same fair.

The last and most important marketing related strategy is friendly collaboration. Instead of fighting with the companies or any two rivalries can combine to share the different market segments. Instead for going with all market segments they simply concentrate on single or niche market with out competitive nature. Therefore, the respective rivalry firm will be gain and prevent the losses. For marketing strategy what ever it is to work, the firm must have the relevant competitive advantages and the strategy must be woven around them. It is worth reciting here, the dictum, ‘execution is strategy’. Any strategy gain when it is exacted and yields the intended results. To execute the strategy, firm should have relevant capabilities or expertise, at the same time it should maintain a competitive advantages. In absence of relevant competitive advantages all strategies will fair even in general condition.

10Ps of Marketing

To sustain the business growth and developments in the competitive environment, the marketing functions should be added with 10 more elements as for the contribution of McCarthy and his associates, the 4Ps of Marketing or 7Ps of Services Marketing are just not enough to overcome the today’s business marketing and problems. It is also required the additional P’s, such as Polices, Politics and Philosophy. Therefore, altogether (4, 7, 3) 10 Ps of Marketing elements are being practices to sustain the businesses growth and development. Because, today’s, marketing management philosophy has changed. The tangible marketers not only confined with 4ps of marketing plans, but also they should adopt the other elements which has been using by the intangible products marketers. The tangible good’s marketers even should be loyal and pleasing to offer the product to the customers. Therefore, there is no standard practice and marking in between the 4ps and 7ps. By observing the various plans and strategies of the companies on the respective marketing activities, it is finding the additional marketing elements to survive in the competitive business environment. That let’s see the 10Ps of Marketing elements from the Fig.1.

Figure-2: 10 Ps of Marketing Management

Sources: Authors Compilation.
All the elements together have been coordinated to sustain the development irrespective of product or services marketing. Tangible marketers also should learn to attract the customers and do more for customers satisfaction like as intangible products marketers does.

In addition to the earliest 7P’s of marketing, the additional 3 Ps are added to, that is Politics, Polices and Philosophy. Today’s business environment and the enterprises stabling are closely associated with the political arena. Polices of the both government and organizations has influence on the marketing activities.

Philosophy is related to the society and individuals. Today’s people’s philosophy is liberal in spending and bargaining. It is the major part of the marketing. There fore, the marketing elements have shifting from 4 to 7 and 7 to 10.

CONCLUSIONS

All the above strategies are equally important to the industries or business organizations at the time of recession. However, the most and crucial activity of business organization is marketing, because, it is the heart of the business function, therefore, the companies might adopts the specific marketing related strategies to face the economic turmoil. Basically all four elements of marketing turn into the tools for substantial strategies. Such as, product related strategies like new product development cost effective production system, less cost product, demand oriented market target production, price related strategies, distribution strategies and especially marketing communication strategies. Apart from this, today’s, marketers should change or shift their marketing mix elements from four to ten.

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ROLE OF INFORMATION TECHNOLOGY IN KNOWLEDGE MANAGEMENT AND ITS IMPORTANCE IN PRESENT COMPETITIVE ERA: A CONCEPTUAL STUDY

E. Manohar14

ABSTRACT

The contribution of IT in Knowledge Management is rapidly increasing in the competitive world. Every organization intends to have hedge over other organizations in management of its operation efficiently. In this eternal and infinite ambient, our fate depends on our knowledge. Although Man is the most developed amongst the phenomena we know, this does not guarantees our survival. Rather than indulging in this relative perception, it is reasonable to assume that our ambient - the Universe - may soon bring in new challenges that stretch beyond our current capabilities. A rational strategy is to speed up both the development and transport of our knowledge. This can be enhanced by sharing and disseminating knowledge to adequate human resources, not to mention broader possibilities. The Knowledge Management efforts typically focus on organisational objectives such as improved performance, competitive advantage, innovation, the sharing of lessons learned, and continuous improvement of the organisation.

Managing an organization’s knowledge more effectively and exploiting it in the marketplace is the latest pursuit of those seeking competitive advantage? The interest in knowledge management has surged during the last few years, with a growing number of publications, conferences and investment in knowledge management initiatives. The present article focuses on the contribution of IT in Knowledge Management and its impact on organizational efficiency.

KEYWORDS

Performance, Innovation, Competitive Advantage, Organization, Information Technology, Knowledge Management, Efficiency etc.

INTRODUCTION

Today, knowledge management has been overwhelmed by information technology (IT). Many of the IT disciplines previously mentioned, and the tools that they have enabled, have undoubtedly transformed the face of knowledge management for the better. Yet, most of the truly difficult barriers to successful knowledge management environments lie not in the problem domains that IT can address, but in those that Nonaka and Takeuchi initially identified: Who owns as enterprise’s knowledge? Where does it reside? How is it transferred from an individual or group of individuals to others? What are the incentives for sharing? What is the impact of IT contributed knowledge to the organizations? It is the need of the hour that all these questions are to be considered for managing the knowledge organizations.

Today we can say that while IT may be the cornerstone of an enterprise’s knowledge management architecture, one cannot be successful at knowledge management with IT alone. There are too many other components outside the IT domain that must play an active role to ensure success.

The field of knowledge management is of great importance in the commercial world, in part because technological economies are increasingly knowledge based, Sallis, E & Jones, G (2002) but also through a growing realization that intellectual capital is the key driver in organizational success, and that an organization’s people are the locus of much of its knowledge Osorio, J, Zarraga, C, & Rodriguez, J (2001). “Knowledge management is not the activity only for resources called knowledge, but the activity to consider how all resources are utilized. You have to make the new structure by repeating new discovery and new creation rather than storing knowledge and considering the combination. Creation can be performed only by people's capability instead of a system.” Apparently this expresses the disappointment to the information technology. However, if this is true, systems scientists cannot contribute to knowledge creation theory. Now, let us consider the definition of knowledge creation, especially what creation means, and roles of systems science and technology. There is a nuance of a completely new thing in the word creation.

In the absence of a universal and comprehensive definition of KM, it is common myth that KM and IT are conceptually interchangeable. However, KM means much more than IT and it is crucial to view them as mutually exclusive. This is because an organisation does not have to employ IT for it to manage some of its knowledge assets.

Knowledge

Knowledge is a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information (Davenport 1998). It originates and is applied in the minds of knower. In organizations, it often becomes embedded not only in documents or repositories but also in organizational routines, process, practices and norms.

14Assistant Professor, Department of Commerce & Business Management, Satavahana University, Andhra Pradesh, India, enugala.manohar@gmail.com
Veteran management guru Peter Drucker’s thought transformed corporate management in the 20th century. His ideas and writings are still considered by many to be the most indisputable in management. He will be remembered for many things, especially for his concept “Knowledge Worker” which brought revolutionary changes in the way the workforce is treated today in the corporate world. He coined the term “knowledge worker” in his book Landmarks of Tomorrow. He describes the character of knowledge workers- knowledge workers are not satisfied with the work that is only a livelihood. Their aspirations and their view of themselves are those of the “professional” or “intellectual”. They demand that knowledge become the basis for accomplishment. They rely on knowledge rather than skills to perform his or her job and who know more about what they are doing than their managers do. According to Drucker, “The most important thing about these knowledge workers is that they do not identify themselves as ‘workers’ but as ‘professionals’”. Peter Drucker forecasted then that the management’s new role is to make knowledge more productive. The core idea of his belief is that highly skilled people are an organization’s most valuable resource and that a manger’s job is to prepare and free people to perform. Drucker pointed out, “We live in an economy where knowledge, not buildings and machinery, is the chief resource and where knowledge workers make up the biggest part of the workforce.”

Drucker commented, in his book Post-Capital Society, individuals are central to the knowledge societies. Knowledge is very individualistic and sustains the society. Increasingly, knowledge workers would have to learn to live and work simultaneously in two cultures- the first one, intellectual culture that thrives on ideas and the culture is important, for individuals to transform themselves into good employees of knowledge-based organizations.

**Knowledge Management**

Knowledge management is a prerequisite for competition. It is the critical element for innovation. Theories elaborated in the 1980s by economists such as Romer (1986) predicted the shift to a new era in which knowledge is the primary source of wealth. Labor, land, and capital are no longer enough to generate wealth. In the same time, Drucker (1993) introduced the concept of knowledge worker and translated it into business practices.

The term KM was coined in 1986 as a core business competency practiced in most corporations, especially in knowledge intensive industries such as software and pharmaceuticals industries. Expectations were high, mainly because people believed that a new economic era requires new business concepts. During the last decade, KM has had its ups and downs. The last few years have been particularly tough. Since 2001, IT budgets have been reduced drastically by the recession. Although, KM should not be considered as another IT application, it is still perceived as such. Consequently, KM practitioners had to abandon most of their projects. KM became a luxury that cannot be afforded in difficult economic times. Does it mean that KM is useless? Most people inside the industry, without going so far in their conclusions need to see and hear more about success stories. KM has gained dubious reputation because of too many failing projects. Nonetheless, most agree that KM can provide both strategic and tactical business advantages.

Knowledge management is given much scope in knowledge economy. It is the systematic management of the knowledge. “Knowledge management” refers to a set of different practices to identify, create, gather, organize, innovate, transfer and re-use knowledge in spreading the learning process across organizations. Examples of such practices are identifying and managing intellectual capital, creating of teams to innovate and share knowledge, recruiting and retaining talented persons, reward and appraisal systems to motivate employees to do the best and so on. Knowledge-based organizations must understand these practices which will support the creating, acquisition, sharing and transferring of knowledge. Knowledge management focuses on getting better performance and results from knowledge workers. It is the most important task. Management practices pool the resources of the organization to improve the productivity of knowledge workers. Inefficient work of managing authority affects the efficiency of an organization both internally and externally. Thus, responsible management practices are always needed for the success of any organization.

**Table-1**

<table>
<thead>
<tr>
<th>Knowledge Types</th>
<th>Definitions</th>
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</thead>
<tbody>
<tr>
<td>Tacit</td>
<td>Knowledge is Rooted in Actions, Experience and Involvement in Specific Context, Mental Models, Know-How Applicable To Specific Work</td>
</tr>
<tr>
<td>Cognitive Tacit</td>
<td>Articulated, Generalized Knowledge</td>
</tr>
<tr>
<td>Technical Tacit</td>
<td>Created By And Inherent In The Individual</td>
</tr>
<tr>
<td>Explicit</td>
<td>Created By And Inherent In Collective Actions Of A Group</td>
</tr>
<tr>
<td>Individual</td>
<td>Know-About</td>
</tr>
<tr>
<td>Social</td>
<td>Know-How</td>
</tr>
<tr>
<td>Declarative</td>
<td>Know-Why</td>
</tr>
<tr>
<td>Procedural</td>
<td>Know-When</td>
</tr>
<tr>
<td>Causal</td>
<td>Know-With</td>
</tr>
<tr>
<td>Conditional</td>
<td>Useful Knowledge For An Organization</td>
</tr>
</tbody>
</table>

**Sources:** Alavi & Leidner (2001).
In this global knowledge economy, competitiveness is derived from the knowledge, skills and innovation of the workforce. Learning, training and the education system play a crucial role in the nation’s ability to prosper. Knowledge is the key factor in sustaining competitive advantage at both the organizational and national levels. Today, without knowledge workers, much of the world business came to a standstill. Knowledge workers account for more than two-thirds of the global workforce. In an era of knowledge workers, companies are increasingly gaining more value from them than they do from the physical assets or products. This is more visible in the internet world, in which knowledge workers are in high demand. At the beginning of 20th century, unskilled labour accounted for about 90% of the workforce, but today it is closer to 20%. As the countries across the globe morphs into a knowledge economy, the new workforce has become the kingpin to an organizational success. However, on the other hand, many companies are yet to figure out to manage this vital workforce.

INFORMATION TECHNOLOGY CONTRIBUTION IN KNOWLEDGE MANAGEMENT

Although, IT is important in its own right and remains a critical success factor in the development of an effective KM programme. Browning (1990) contends that “information technology is no longer a business resource; it is the business environment”. Since the 1960s, IT has become an all-pervasive force in the business world, superseding more conventional tools for data storage and communication. It has been argued that IT has the potential to “redefine the management and control of innovation on a global basis through the removal of barriers such as time and distance” (Egbu, 2000, p.109).

USING INFORMATION TECHNOLOGY FOR KNOWLEDGE MANAGEMENT

The impact of each technology varies enormously from situation to situation. Several technologies recur in many knowledge management programs, partly because they are generic and pervade many core activities and processes. Internet/intranet/email, IT based database, Telephone, Informal Networks, E-Document & Reports, Knowledge based expert systems, Video-conferencing, Decision support systems, Knowledge maps and Groupware. The main ones are now briefly reviewed:

Intranet, Internet: The ubiquitous Internet protocols make it easy for users to access “any information, anywhere, at any time”. Further, browsers and client software can act as front-ends to information in many formats and many of the other knowledge tools such as document management or decision support. Remember too, that the basic functions of email, discussion lists and private newsgroups often have the biggest short term impact.

Groupware - Lotus Notes: What groupware products like Lotus Notes add over and above Intranets are discussion databases?

Intelligent Agents: The problem of information overload is becoming acute for many professionals. Intelligent agents can be trained to roam networks to select and alert users of new relevant information. Additionally they can be used to filter out less relevant information from information feeds. However, in practice it seems that a well run knowledge center, such as those at Price Waterhouse, the best intelligent agent is still a human being!

Mapping Tools: There are increasing numbers of tools, such as COPE and IDONS, that help individuals and teams develop cognitive maps or ‘shared mental models’. These have been used by companies such as Shell to develop future scenarios and resolve conflicting stakeholder requirements. In addition, other mapping tools, such as those found in knowledge X, can represent conceptual linkages between different source documents.

Document Management: Documents, and especially structured documents, are the form in which much explicit knowledge is shared. With annotation and redlining facilities, they can become active knowledge repositories, where the latest version and thinking is readily shared amongst project teams.

Knowledge Management and Performance in Continuous Development: Knowledge Management consists of making sure that the teams and individuals have the know-how they need, to make their task easier and to improve their performance. Knowledge therefore feeds performance, and knowledge is also derived from performance. Performance and Learning can form a closed loop.

Figure-1: The Knowledge / Performance Loop

Sources: Authors Compilation.
The knowledge/performance loop shown in figure 1 shows the close link between these two elements, and it is fairly obvious from this link that Knowledge Management and Performance Management will also be strongly linked. The more you know, the better you perform. If you learn from performance, you increase knowledge, if you increase knowledge, you improve performance. KM will be therefore be one of the engines that drives continuous performance improvement, and the Knowledge Management cycle should be embedded within the performance management cycle, whether this cycle is applied to a project, or to an operation.

Many organisations employ IT in one form or another to manage their knowledge. It is primarily used to store and transfer explicit forms of knowledge. However, IT is not just about computers. Tools such as video-conferencing may also be useful for the transmission of tacit knowledge as it is, in crude terms, a form of socialisation (as defined by Nonaka and Takeuchi, 1995).

Capturing tacit knowledge and then storing it in ITcon, Vol. 7 (2002); Egbu and Botterill; pg. 128 repositories is vital for effective KM. Many organisations have developed sophisticated methods for storing their intellectual capital, including patenting knowledge assets to protect trade secrets.

FRAMEWORKS FOR THINKING AND ACTION

From the perspective of a knowledge architect, frameworks provide a convenient way of thinking about the role of ICT in supporting knowledge processes. Most frameworks map different ICT tools according to their function and whether they are used individually or by teams. One such framework is shown in Table 1.

<table>
<thead>
<tr>
<th>Table 2: Knowledge Transfer Mechanisms</th>
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<tbody>
<tr>
<td><strong>Passive (Information)</strong></td>
</tr>
<tr>
<td>Person to Person</td>
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<tr>
<td>Person to Computer</td>
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<tr>
<td>Computer-Computer</td>
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</tbody>
</table>

Sources: Authors Compilation.

It is argued that KM is about mobilising the intangible assets of an organisation, which are of greater significance in the context of organisational change than its tangible assets, such as IT. While IT is an important tool for a successful organisation, it is often too heavily relied upon as a guarantee of successful business.

Edvinsson (2000) contends that such tools as the Internet are merely ‘enablers’ and that the true asset of an organisation is the brainpower of its workforce. He stresses that it is the intellectual capital (IC) of an organisation that is the key to success (as cited in Dearlove, 2000, p.6).

Thus IT is not just about databases or information repositories. “In computer systems the weakest link has always been between the machine and humans because this bridge spans a space that begins with the physical and ends with the cognitive” (McCampbell IT should be understood less in its capacity to store explicit information and more in its potential to aid collaboration and co-operation between people.

Dougherty (1999) argues that IT should be seen as a tool to assist the process of KM in organisations. Such a process relies more on the face-to-face interaction of people than on static reports and databases (Davenport and Prusak, 1998).

Some organisations have developed software to encourage social interaction in organisations in the hope that a unique forum for tacit knowledge exchange will be established. For example, Teltech is a consultancy service offering KM services to businesses, including an Expert Network which brings together a network of thousands of technical experts to share and develop knowledge in technical areas holistic approach to integrating technology and people is Virtual Teamwork (VT) initiative connecting employees all over the world through IT, such as video-conferencing. Lotus Notes, electronic whiteboards and a corporate intranet. In a global forum, knowledge can be shared instantly which leads to the development of an ‘empowered culture’ and a set of structures that transcend traditional boundaries.

CONCLUSIONS

The contribution of Information Technology is an important ingredient of virtually every successful knowledge management program. An ever wider range of highly effective solutions are coming to market, including a new generation of artificial intelligence solutions, new flavors of document management systems and various collaborative technologies such as the Internet.

IT is becoming more sophisticated and is being recognised among construction organisations as a useful and effective tool for KM. The Internet and corporate intranets are especially commonplace in such environments, for the effective acquisition and transfer of knowledge and information.

However, despite greater availability of more sophisticated IT, such as Groupware and Knowledge maps, perceptions about more conventional techniques for acquiring, developing and applying knowledge, such as telephone and face-to-face interaction, seem unchanged.
Successful implementation depends, as always, on giving appropriate focus to the non-technical factors such as human factors, organizational processes and culture, the multi-disciplinary skills of hybrid teams and managers, and the already existing knowledge repository of prior learning - providing, of course, that it is well structured, accessible and gives you access to critical expertise.

REFERENCES


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A STUDY TO IDENTIFY RELATIONSHIP BETWEEN FOREIGN DIRECT INVESTMENT AND ECONOMIC GROWTH IN POST LIBERALIZED INDIA

Pragyesh Nath Tripathi

ABSTRACT

The aim of this study is to explore the relationship between Foreign Direct Investment and Economic Growth in post liberalized India. India has liberalized his economy for the foreign capital inflows especially after 1991. In the analysis of the results there are some econometrics techniques like Unit Root Test, Co-integration test and Granger causality tests have been used. The study which used quarterly data covering the period between June 1996 and March 2010 shows the relationship from Foreign Direct Investment to Economic Growth in India. In other words, there is one way causal relationship between FDI and Economic Growth and the direction of the relationship is form Economic Growth to Foreign Direct Investment.

KEYWORDS

Foreign Direct Investment, Economic Growth, Unit Root Test, Co-integration Test, Granger Causality Analysis etc.

INTRODUCTION

Increase in the size of an economy determines the level of growth of a country. There are three important factors on which size of an economy depends these are 1) Physical Capital, 2) Human Resources and 3) Technological Advancement. Among these resources Technological Advancement depends upon both domestic and foreign sources like, Foreign Direct Investment (FDI), Revenue from Taxes, Portfolio Investment and Foreign Loans. Among all the foreign sources, Foreign Direct Investment has a very important role to play in economic growth of a country. According to Griffiths and Hall (1984) “Foreign Direct Investment is an investment made by Multi-National Enterprises (MNEs) or by the non-resident enterprise of host (recipient) countries over which they have a control and earn private return. It is important to make distinction between Direct and Indirect Foreign investment. The indirect foreign investment includes portfolio investment, acquisition of stock of an enterprise, medium-term and long-term loans by financial institutions and intermediaries, and investment in new issue of national loans, bonds and debentures. The direct investment is a long-term equity investment in a foreign company that gives the investor marginal control over the company.”

In modern times FDI become a competing factor between developing countries to draw investment from abroad and to increase domestic rate of investment like India and China. Moreover, FDI is considered as an equity capital in India. Government of India redefined the FDI inflow in 2002 and included the reinvestment and venture capital along with equity capital. According to United Nation World Investment Report (UNCTAD, 1999), “FDI as an investment involving a long term relationship and reflecting a lasting interest and control of a resident in an economy other than that of the foreign direct investor. However, the present study has considered FDI as an equity capital.” The definition mentioned above describes that with the direct investments the foreign investor aspires to direct management control, which he would like to exercise for a long period of time.

Theoretical Aspects of FDI

Many theories have come to support the FDI in the host countries. Heckscher-Ohlin theory of international finance is based on the assumption of free flow of capital and labour in one country to other to achieve the higher rate of growth. The Solow model of economic growth is also support the technological advancement of the country is important factor to achieve a higher label of growth. And the endogenous growth theories, developed in 1980s also support the capital formation, which is an important factor for economic development. These theories do not directly support the FDI but the give the importance of capital in process of economic development.

Foreign investment is one of the emerging issues among the researcher. This is the main reason for developing a number of theories in FDI. These theories are trying to explain the answer of various questions as to why multinationals prefer one country to others. Some of the FDI theories have explained the outward FDI, whereas some theories try to explain inward FDI. Agaraval (1980, p.740) has referred these theories as hypothesis, because “there is not one but a number of competing theories with varying degree of power to explain FDI”. So for this reason the theories of FDI are basically hypothesis. In these hypotheses some theories based on the assumption of perfect market situation, some hypothesis based on imperfect market situation. The main FDI theories are MacDougall-Kemp Hypothesis, Industrial organization theory, Location theory, internalization theory, and Market size hypothesis.

Determinants of FDI

According to Chakrabarti, “A number empirical literature has developed around the issue of determining the forces attracting FDI. In the literature Most of these studies have used cross-country regressions to analyze for empirical linkage between FDI and economic growth. These literatures are not only controversial but as well extensive. The lack of agreements over the conclusions

Pragyesh Nath Tripathi

Research Scholar Department of Economics, Faculty of Social science, Banaras Hindu University, Uttar Pradesh, India, pragyeshnath@gmail.com

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reached by the wide range of empirical studies as to the relative importance and the direction of impact of the potential determinants of FDI can be explained to some extent, in terms of the wide difference in perspectives, methodology, sample-selection and analytical tools. From the substantial empirical literature on the determinants of FDI it is difficult to discern a conventional wisdom (see the table 1). Table 1 suggests that how confusing the evidence is. But it presents the observed effects of 8 potential determinants of FDI - market size, trade barrier, growth rate, openness, trade deficit, exchange rate, tax- that have received the most attention in the literature”.

Earlier studies on FDI have predicated the utilitarian assumption which states about investors investment in those areas which gives them maximum profitability. In consideration for the patterns of macroeconomic exchange the approach FDI suggests that host country provides information about potential returns of the investment from foreigner investor. In the line of above these investors chose that line (country) which gives them more profits and security of investment.

### Table-1: Empirical results for Determinants of FDI

<table>
<thead>
<tr>
<th>Potential Determinants of FDI</th>
<th>Observed Effects</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Negative</td>
</tr>
<tr>
<td></td>
<td>Billington(1999)</td>
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<td></td>
<td>Pistoresi(2000)</td>
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<td>Cassout(1997)</td>
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</tbody>
</table>

*Sources: Authors Compilation.*

The above table (2) shows empirical studied on the basis of determinants of foreign direct investment in host countries. There many factors likes market size, wage, trade barrier, growth rate, openness, trade deficits, exchange rate, and tax rate determines the FDI in the countries. The empirical studies based on these determinants showed mixed trend about significance of the determents of FDI such as the positive, negative and insignificant on the host countries. If we look at table 2 more precisely, we find that market size has positive impact on determinants of FDI. At the same time, the table also shows that some studies based on other variables like wage, trade barrier, exchange rate and tax which have positive, negative and insignificant impact on determinants of FDI. Nevertheless, some studies likes’ growth rate and openness which have positive and insignificant and trade deficits of the country have both positive and negative impact on the inflow of FDI in a country.

**OBJECTIVES OF STUDY**

- To examine the long run relationship between FDI and Economic growth in India.
- To show the causal relationship between foreign direct investment and gross domestic product in India after 1991.
RESEARCH METHODOLOGY

The methodology has been used to identify the relationship between the economic growth and FDI in India during the post liberalization period. The data used in this analysis from first quarter of 1996 to fourth quarter of 2010 and the following tests were used to analyze the data such as Unit Root Test, Co-Integration Test and Granger Causality Test. Simultaneously, I have also examine, which type of causality whether uni-direction causality or bi- direction or no-causality prevails between FDI and GDP.

PARTS OF THE ARTICLE

The article consists of four parts. The first part deals with issue, determinants of FDI, objective and methodology of the study. The part second is devoted to reviewing the literature on the relationship between the FDI and Economic Growth. The third part studies the modeling on FDI and Economic growth in India and show the impact of FDI in Economic growth in India. And the last part summarizes the major finding of the study and direction for future research.

LIMITATION OF STUDY

- The examination of the relationship between the Economic growth and FDI in terms of GDP has been done but others measures of economic growth has been ignored.
- The study based on the quarterly data of the GDP and FDI inflow in India since 1991 to 2010 but quarterly data was not available in GDP before the 1996.
- Due to constraint of Time and cost the study has been controlled.

LITERATURE REVIEW

In India Foreign direct investment (FDI) is a fertile researchable topic. There is an extensive and voluminous literature available on the foreign direct investment in India. Latest studies include M. Feridun (2004), and Sridharan p. and VijayKumar. n et al. (2009). G. Jayachandran and A. Seilan (2010), Syed KhajaSafiuddin (2010), Abu nurudeen and Obidawfaregobna et al. (2010). V.N. Balasubramaniam and VidyMahambare had studied in Foreign Direct Investment in India. They mentioned that many developing countries has been change there policies to attract FDI in the country. India in 1991 through Liberalization, Privatization and Globalization (LPG) policy given by Dr. Manmohan Singh, begin to open the economy to the world market, which primary was based on the concept of abolition of the industrial licensing system, free flow of foreign capital and trade and removals of ceilings in equity ownership by foreign firms. However, initially the new economic policies were not in such a position to increase inflows of FDI during 1990s.

A good amount of empirical studies based on the relationship between the FDI and Economic Growth in developed and developing countries. This section mainly reviews those studies which support the findings of relationship between the FDI and GDP in such as:

G. Jayachandran and A. Seilan (2010) have examined the relationship between trade, FDI and economic growth for India during the period 1970-2007. In this empirical analysis data has been used in annual basis, for the period 1970-2007. This study has used three main econometrics methods for drawing the results. These are the Unit Root Test (Augmented Dickey- Fuller test), Co-integration and Granger Causality Test. The unit root test result showed that the variables are non-stationary in label but after taking first difference it is became stationary. The co-integration test results suggested that there is a long run equilibrium relationship between the variables. And the granger causality results showed that there is reciprocal causality relationship between variables in India. The causality relationship between exports and growth are unidirectional and as well as the direction of causality relationship FDI and economic growth are also unidirectional. So FDI and exports are the factors which determine economic growth but economic growth does not have any effect on presence of FDIs and exports. However, the paper does not include some important aspects of the topics. The paper does not make any distinction became the pre-liberalizations phase of the economy and the post-liberalized economy. But this paper would help my study in the sense that to draw the relationship between the Gross Domestic Product and Foreign Direct Investment in India after 1991.

Syed KhajaSafiuddin (2010) analyzed the pattern and direction of sector wise FDI inflows in India for the period 2000 and 2009. This paper analyzed that in the earlier stage manufacturing industries, automobile industries, transportation industry attract more FDI but since it is services sector that gain much attention. It shows that there are sixty two sector in which FDI inflow are seen but top ten sector attracting almost 70% FDI inflows such as housing and real estate sectors and constriction industry also Automobile industry and electrical equipment industry had got maximum FDI inflows during the initial phase since it is declining.

Abu nurudeen and Obidawfaregobna et al. (2010) have studied the Nigeria economy during the period 1970-2008. In this paper they used secondary (annual) data, 1970-2008. The data were collected from the central bank of Nigeria statistical bulletin (2009). The growth of Nigeria economy has measured by the Real Gross Domestic Product (RGDP). In this analysis they used two important econometrics techniques Johansen co-integration and granger causality test. The Johansen co-integration results showed that FDI and economic growth are co-integrated. And the variables have long run equilibrium relationship. The results of granger causality statistics showed that the unidirectional causality running from FDI to economic growth.
Sridharan P. and Vijay Kumar et al. (2009) in there paper made an attempt to examine the causal relationship between Foreign Direct Investment (FDI) and growth with special reference of Brazil, Russia, India, China and South Africa (BRICS) countries. In the paper they have used industrial Production Index (IPI) to measure the economic growth of BRICS countries. The quarterly data set obtained from International Monetary Fund (IMF) International Financial Statistics Year Book. The stationary do data series of this country is checked by the Unit Root Test (Augmented Dickey Fuller). The test results showed that the series is non-stationary in levels with constant, except IIP series of China. Where the FDI and IPI series of China and India for the constant and constant with trend is stationary at levels. But after tacking first difference of the series remove the problem of non-stationary data in all the cases (constant and constant with trend). It confirms that the FDI and IPI are integrated in order one. Johansen co-integration results showed that in BRICS countries only Brazil is co-integrated at levels. The checked the long run relationship between the FDI and IPI the authors used Vector Error Correction Model (VECM). The results of VECM found that Growths leads FDI bi-directionally for Brazil, Russia and South Africa and FDI leads growth uni-directionally for India and China.

M. Feridun (2004) has studied in Cyprus economics to show the relationship between FDI and economic growth during the period 1976-2002. All the data collected from the World Bank WDI data base. Economic growth of Cyprus had measured by the GDP of the country. In this study he using the methodology namely Unit Root Test (ADF Test), Granger causality, Johansen co-integration and vector auto regressive. The Unit Root Test result shows that the data are non-stationary in level but after tacking first difference it’s become stationary. The both results of Johansen co-integration tests rejects the null no co-integration at the 5% level. And the Granger causality and VAR results shows that FDI granger causes GDP per capita, but not GDP per capita granger causes FDI. This analysis suggested that economic development of Cyprus economy is depend upon the attracting foreign capital inflow of the country.

Mohd. Shamin Ansari and Mukesh Ranga (2010) have given the importance of foreign capital in the economic growth of the country. This article specially studies in the FDI current status, issue and policy recommendation. In this purpose they have used data from 2000-2009. The data was collected from various sources like government of India (GOI), FDI statistics, ministry of commerce & industry, and department of industrial policy and promotion. They are used the FDI equity inflows country-wise, sector-wise, region-wise and technology approval and transfer from different country to different sector. Mauritius, Singapore and USA are top investing country in India. The services sector has been the highest contributor to FDI inflow of India. This sector has got 22% FDI inflow into the country. This paper shows that India is attracting a low level of FDI because of poor business environment in the country. The author analyzed that FDI is playing a important role in financing economic development but in case of India, FDI is not a solution for poverty eradication, unemployment and other economic problem. The author suggested that India needs a massive investment to achieve the inclusive growth. For this purpose policy makers need to ensure transparency and consistency in policy because of long term development strategy.

Muharem Afsar (2007) his paper has studied the turkey economy, and tried to find the relationship between the FDI and the economic growth in Turkey. These studies especially based on after 1999 because turkey has liberalized his economy to foreign capital inflows. This study used the quarterly data covering the period between 1992:1 quarter and 2006:3 quarter. To find the relationship between the variable the author has used the Unit Root Test and granger causality test. Economic growth of turkey was measured by in terms of GDP. The unit root test results shows the variable are non-stationary but after tacking first difference it’s became stationary. The granger causality test results show that there is no bi-directional causality relationship between variable. It means the direction of causality relationship is only from FDI to growth rate and there is no causality relationship from growth rate to FDIs. The author suggested that FDI inflows in Turkey economy are one of the important factors to achieve faster economic growth but growth rate does not have an effect on presence of FDIs in Turkey. However it is necessary to encourage FDI inflows to achieve and maintain constant economic growth.

Rudra P. Pradhan (2010) has studied the impact of globalization on the Indian economy. This paper examined the trend and causality relationship between the FDI inflows and trade openness in India in the 1990s. In this study he used two indicators one is internationalization of capital flow (FDI inflows) and the other is internationalization of trade flows (trade openness). The paper also analyzed FDI inflows and trade openness in Indian economy during 1970-2008. This study used the Unit Root Test, Granger Causality Test, and Johansson’s Maximum Likelihood (ML) approach to test the co-integration. This study finds that India’s performance on trade openness and foreign direct investment is very significant. But in compression to China, India get limited FDI because of low economic interconnection both in terms of internationalization of capital and trade. The empirical results suggested that the variables are co-integrated and unidirectional causality from trade openness to FDI inflows. Study suggested that in case of Indian economy there is need of the more economic integration to get more trade and FDI inflows of Indian economy.

Wenhu Wei (2005) has studied in the two important emerging economies in this world India and China. In this paper he mentioned that the factors are create the difference in the FDI performance in both the country. There is huge difference between FDI performances in both the countries. In this paper the author was employed tow important methods one is random effect model and other is Oaxaca-Blinder decomposition. The first method had used to find the determinants of FDI from OECD countries to China and India. Second method had used to examine the causes of the difference. The result of the paper was found that china’s are getting much higher FDI in compression to India from OECD countries because of its larger domestic market and higher international trade with OECD countries. However, in case of India has advantage in its cheaper labour cast, lower country risk, geographic closeness to OECD countries and cultural similarity to attract FDI.

Henrik Hansen and John Rand (2005) studied the causal relationship between the Foreign Direct Investment and the growth in the 31 developing countries over the time period of 1970-2000. In this paper to estimate the relationship he used the unbalanced panel
data and causality test to shows the causal link between the variables. The main finding of this paper is that bi-directional causality between the FDI-to-GDP ratio and the level of GDP. This paper also shows that long-run effects from FDI-GDP. So according to this paper, FDI has an impact on economic growth of the country because of FDI provides the knowledge transfers and adoption of new technology.

V. Reddy Dondeti and Bidhu B. Mohanty (2007) have focused on the impact of FDI in the four Asian countries namely India, China, Singapore and Malaysia. In this paper he used four variable FDI, GDP, Exports, and Imports of these countries. In these four Asian countries the growth of the economy of China and India grown very rapidly in recent year because of adopted a trade liberalization policy. To find the relationship between these variable they used panel data estimation technique. The main finding of this paper is that FDI promotes the economic growth and they mentioned one very interesting estimation result that inflows of FDI one dollar add about 3.27 dollars to the GDP in the four Asian countries. This paper also identified the differentials negative impact of the Asian financial crisis on the growth of these countries. They also give the forecast results of FDI inflow in these countries by using the autoregressive approach. According to estimates the forecasting model, China has been able to attract $15 billion more in FDI than India, because of combined effects of policies. This paper also suggested that if India wants to attract more FDI inflow than see the policies and strategies of China. The results of the countries also indicate that the FDI has no effect on the balance-of-payment positions and the situation is same in growth of exports and imports of these countries. So in this paper they give the important of Government policies to attract FDI inflows of the economy.

Khan and Leng (1997) examined the relationship between the inflow of FDI, Exports and economic growth for three countries namely Singapore, Taiwan, and South Korea at the aggregate level during the period from 1965 to 1995. In this paper they are used the Granger causality Tests to shows the relationship between the variable. The test results supports that there is no causal link between the FDI and Exports in Taiwan and South Korea. Moreover, a one way causal relationship exports to inward FDI in Singapore.

AddusSamad has analyzed the relationship among the FDI and economic growth with special reference of nineteen developing countries in South East Asia and Latian America. For this analysis he used cointegration technique, Granger causality test, and Error Correction Mechanism. The main results of this paper is the five countries in Latin America and one country in East and South East Asia have long run relation and unidirecional causality running from GDP to FDI. Seven countries, two form latian America and Five forms East and South East Asia showed the bi-directional short run causality relationship between GDP to FDI. And the direction of causality in four countries, one form Latin America and three forms east and south East Asia was short run unidirecional type from GDP to FDI. In this paper India is one of Asian country India results shows the short run bidirectional link between GDP and FDI. In this paper he is not give a clear cut idea about data and sample size of different countries.

**MODELING AND EMPIRICAL RESULTS**

Many empirical studies have used time series data to analysis the relationship between the FDI and GDP. To find out the relationship they have used the time series data. But the main feature of time series variable that they are non-stationary (poses unit root) in levels. Broduly, a time series where mean, variance, and covariance, are time invariant are said to be (covariance or weekly) stationary. The data which do not have this property are said to be non-stationary, e.g. a random walk process. Most of the econometrics time series data in general and financial or stock market variables in particular are sensitive to shock and known to be non-stationary. Since econometrics modeling with the desirable statistical properties of the estimators are given the misleading inferences, so it has become necessary to test the stationary of the series before using any econometrics exercise. A simple first order autoregressive process can be expressed by the following general equation:

\[ yt = \mu_0 + \alpha yt-1 + \varepsilon t \]  

(1)

Where \( yt \) is the stochastic process, \( \mu_0 \), \( \mu_1 \), and \( \alpha \) are parameters and \( \varepsilon t \) is a random disturbance term with white noise properties.\( \mu_0 \) is called drift or constant or intercept. The parameter of equation (1) gives the nature of the time series. If \( \mu_1 \neq 0 \), and \( \alpha < 1 \), then \( yt \) follow a deterministic trend. The presence of autoregressive component (\( \alpha yt-1 \)), means there may be short run deviation, but series will return the trend. This is called the Trend Stationary Process (TSP) as residual from the regression of \( yt \) on a constant and trend will be stationary. If the time series is said to follow a simple random walk then it is called unit root process. Any non-stationary process, which becomes stationary after difference once, is called as difference stationary process.

There are several tests for testing non-stationary time series, is known as unit root test. The Dickey-fuller, Augmented Dickey-Fuller (ADF), and Philips and Perron (PP) unit root test are widely used in the literature.

**Unit Root Test**

In this dissertation I am going to use two important tests for Unit root. These are explaining below:

**a) The Dickey-Fuller and Augmented-Dickey fuller tests**

Dickey-Fuller test examines whether the value of parameter \( \alpha=1 \) in the equation (4), in other words, the first order autoregressive has unit root.

Specifically, assuming their absence of trend term in equation (1), and equation (1) can be written as:
\[ \Delta y_t = \mu_0 + \delta y_{t-1} + \epsilon_t \]  \hspace{1cm} (2)

Where: \( \Delta y_t = y_t - y_{t-1} \) and \( \delta = \alpha - 1 \).

The null hypothesis is that there is unit root, i.e. \( H_0: \delta = \alpha - 1 = 0 \)

More generally, if the time series follows a autoregressive process in order \( p \) or even moving average process an extended Dickey-fuller test called augmented Dickey-fuller (ADF) test.

In the main problem of Dickey and Fuller test is that the error term are serially correlated. So the ADF is the modified version of Dickey-Fuller Test (DF) which includes extra lagged terms of the dependent variables in order to eliminate the problem of autocorrelation. The lag length of dependent variable is either determined by Akaike Information Criteria (AFC) or Schwartz Bayesian Criteria (SBC). So before apply the ADF test first checked the lowest value of AFC or SBC and then determine the lag length of dependent variable as an explanatory variable.

So, if the original time series follows AR (\( p \)) process, than the augment Dickey-fuller (ADF) test uses the following regression:

\[ \Delta y_t = \mu_0 + \delta y_{t-1} + \sum \gamma_i \Delta y_{t-i} + \epsilon_t \]  \hspace{1cm} (3)

Equation (3), the residual sequence is now white noise and removes the problem of autocorrelation. So ADF is the batter measure to deduct the time series are stationary or not. There is different form of DF and ADF tests, which are possible by including trend and also excluding drift (intercept) term from equation (2) and (3).

b) Phillips-Perron (PP) Unit Root Tests

P. C. Phillips and P. Perron (1988) have developed a Unit Root Test in his paper “Testing for a Unit Root in Time Series Regression.” In this test involves the calculation of \( t \) ratio of the coefficient so that serial correlation does not affect the asymptotic distribution of the test statistics. They are developed the generalization of ADF test procedure that allows for fairly mild assumption concerning the distribution of error. The test statistics for the Phillips-Perron (PP) test is AR (1) process is:

\[ \Delta y_t = \mu_0 + \delta y_{t-1} + \epsilon_t \]  \hspace{1cm} (4)

In the ADF test corrects the higher order serial correlation by adding lagged difference terms on dependent variable in right hand side, the PP test makes a correction to the \( t \)-statistic of the coefficient of \( \delta \) from AR(1) regression to account for the serial correlation in disturbance term.

Co-Integration

The concept of co-integration was first developed by the Engle and Granger in 1986. The concept of co-integration is good rule thumb to suspect the relationship between the variables is not spurious. It must be a long run equilibrium relationship between the variable. So in this concept if the two variables are I (1) processes (non-stationary) then the linear combination of these non-stationary may be I (0) process (stationary).

Testing for Co-Integration

Co-integration analysis helps to identify long run economic relationship between variables. Two important methods was developed for examine the co-integration relationship between variables. One is the Engle - Granger (EG) test or Augmented Engle Granger (AEG) test and other is Johansen’s Methodology. But in this analysis I am going to use Johansen’s Methodology.

Johansen’s Methodology

Johansen has developed one of the celebrated tests to identify the co-integration relationship between the variables. In the Johansen multivariate co-integration frame work, the following system is estimated:

\[ \Delta x_t = \Gamma_1 \Delta x_t - 1 + \cdots + \Gamma_k \Delta x_t - k - 1 + \Pi x_t - 1 + \mu + \epsilon_t \]

Where \( \Delta \) is the first difference operator, \( x \) denotes vectors of variables, \( \mu \) is the drift parameter, \( \epsilon_t \) is the independently and identical distributed \( n \)-dimensional vector with zero mean and variance matrix. \( \Pi \) is a \( (p \times p) \) matrix of the form \( \Pi = \alpha \beta \), where \( \alpha \) and \( \beta \) are both \( (p \times r) \) matrices of full rank, with \( \beta \) containing the \( r \) co-integrating relationships and \( \alpha \) carrying adjustment coefficients in each of the \( r \) vectors.

In this approach the first step is the estimation of an unrestricted, closed \( p \)-th order VAR in \( k \) variables. So in this test statistics Johansen suggested two test statistics to determine the co-integration rank. The first of these is known as the trace statistics:

\[ \lambda_{\text{trace}} (r) = -T \sum_{i=r+1}^{n} \ln (1 - \lambda_i) \]
And second is known as max statistics:

$$\lambda_{\text{max}}(r, r + 1) = -T \ln(1 - \hat{\lambda} r + 1)$$

Where $\hat{\lambda}$ are the estimated values of the characteristics roots (also called Eigen values) obtained from the estimated $\pi$ matrix.

$T$ = Number of usable observation.

In the first statistic tests, the null hypothesis that number of co-integrating vector is less than or equal to $r$ against the alternative. The second statistics tests the null hypothesis is the number of co-integrating vectors $r$ against the alternative of $r+1$ co-integrating vectors, and if the estimated value of the characteristic root is close to zero, $\lambda_{\text{max}}$ will be small.

**The Granger Causality Test**

C. W. J. Granger (1969) has given causality test in his paper, “Investigating Causal Relationship by Econometrics Models and Cross-spectral Methods”. Granger causality test shows the relationship between the variable. “A variable is said to be Granger Causes y if and only if the forecast of y is improved by using the past value of x together with the past value of y. In other words prediction of time series variable (for example Money Supply and Gross Domestic Product) money supply is a function of past value of money supply and past value of GDP and vasa versa. So in this test involve following regression:

\[
\text{GDP}_t = \sum \alpha_i \text{M}_{t-I} + \sum \delta_i \text{GDP}_{t-I} + U_{1t} \quad (5)
\]

\[
\text{M}_t = \sum \alpha_i \text{M}_{t-I} + \sum \delta_i \text{GDP}_{t-I} + U_{1t} \quad (6)
\]

Then Granger causality test mention four cause:

1. Unidirectional causality from money supply to GDP is indicated if the estimated coefficients on the lagged money supply in equation (5) are statistically significant, different from zero as a group and the set of estimated coefficients on the lagged GDP in equation (6) is not statistically significant different from zero as a group.
2. Unidirectional causality from GDP to Money Supply is indicated if the set of estimated lagged M (5) coefficients are not statistically significant different from zero. And the set of lagged GDP coefficients in (6) is statistically significant different from zero.
3. If the sets of M and GDP coefficients are statistically significant, different from zero in both the regression then it is called the bi directional causality between the variables.
4. If the sets of coefficients money supply and GDP are not statistically significant in both the regressions then is called no causality relationship between variables.

The steps involved in the Granger causality test are:

1. Calculate the $\text{RSS}_r$ (Restricted residual sum of square) from run the regression that current GDP is function of all lagged GDP terms and other variables but not include M variable in the regression.
2. Calculate the $\text{RSS}_ur$ (unrestricted residual sum of square) from run the regression that current GDP is function of all lagged GDP, and other variable and lagged M terms.
3. Formulate the null hypothesis that is lagged M term do not belong in the model.
4. The test hypothesis, rejection and accept the null hypothesis is used the F test is:

$$F = \frac{(\text{RSS}_r - \text{RSS}_ur)/m}{\text{RSS}_ur / (n - k)}$$

Which follow the F statistics with m and $(n - k)$ degree of freedom. Where m = number of lagged M terms and k = number of parameters estimated in unrestricted regression.

5. In the decision rule of this test is if the calculated F value exceeds the critical F value at a chosen level of significance, reject in null hypothesis (lagged M terms belong in the model) otherwise accepting it. And it is the called M granger causes GDP.

**Data, Variable Selection and Empirical Results**

In this analysis I was taken the quarterly data on the Gross Domestic Product and Foreign Direct investment in India from June 1996 to march 2010 have been collected from Hand book of statistics published by Reserve Bank of India (RBI) and FDI data have been collected from Central for Monetary Indian Economy (CMIE). The GDP data are seasonally adjusted.

The base year of GDP data is 1993-94. The study has been shows the relationship between GDP and FDI post liberalization and also include crisis period study. To find out the relationship in this study I used the Unit Root Test, Co-integration test and Granger Causality Test.
Table-2: Unit Root Test
Augmented Dickey Fuller Test
Gross Domestic Product

<table>
<thead>
<tr>
<th>Test Without an Intercept And Constant</th>
<th>t-statistics (p-value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levels</td>
<td>10.14310 (1.0000)*</td>
</tr>
<tr>
<td>1st Difference</td>
<td>-0.270980 (0.5834)*</td>
</tr>
<tr>
<td>Test With An Intercept</td>
<td></td>
</tr>
<tr>
<td>Levels</td>
<td>1.476831 (0.9991)*</td>
</tr>
<tr>
<td>1st Difference</td>
<td>-9.308239 (0.0000)*</td>
</tr>
<tr>
<td>Test With An Intercept And Trend</td>
<td></td>
</tr>
<tr>
<td>Levels</td>
<td>-1.781597 (0.7002)*</td>
</tr>
<tr>
<td>1st Difference</td>
<td>-9.536216 (0.0000)*</td>
</tr>
</tbody>
</table>

Sources: Data Analysis.
*Mckinnon Critical Value.

Table-3: Unit Root Test
PP Test Results
Gross Domestic Product

<table>
<thead>
<tr>
<th>Test Without An Intercept and Constant</th>
<th>t-statistics (p-value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levels</td>
<td>12.46634 (1.0000)</td>
</tr>
<tr>
<td>1st Difference</td>
<td>-3.321442 (0.0013)</td>
</tr>
</tbody>
</table>

Sources: Data Analysis.

In the above table, the ADF test results show that GDP at levels is non-stationary. It means there have unit root but after tacking first difference it is stationary with intercept and trend. So the test results show that GDP is the trend stationary process. The PP test results show that GDP data is non-stationary at levels but after tacking first difference it is become stationary.

Table-4: Unit Root Test
Augmented Dickey Fuller Test
Foreign Direct Investment

<table>
<thead>
<tr>
<th>Test Without an Intercept And Constant</th>
<th>t-statistics (p-value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levels</td>
<td>1.557966 (0.9693)*</td>
</tr>
<tr>
<td>1st Difference</td>
<td>-9.716520 (0.0000)*</td>
</tr>
<tr>
<td>2nd Difference</td>
<td>-6.761807 (0.0000)*</td>
</tr>
<tr>
<td>Test With An Intercept</td>
<td></td>
</tr>
<tr>
<td>Levels</td>
<td>-0.773681 (0.8184)*</td>
</tr>
<tr>
<td>1st Difference</td>
<td>-10.01555 (0.0000)*</td>
</tr>
<tr>
<td>2nd Difference</td>
<td>-6.688765 (0.0000)*</td>
</tr>
<tr>
<td>Test With An Intercept And Trend</td>
<td></td>
</tr>
<tr>
<td>Levels</td>
<td>-3.055972 (0.1271)*</td>
</tr>
<tr>
<td>1st Difference</td>
<td>-9.917548 (0.0000)*</td>
</tr>
</tbody>
</table>

Sources: Data Analysis.
*Mckinnon Critical Value.
The lag length was determined using SIC.

Table-5: Unit Root Test
PP Test Results
Foreign Direct Investment

<table>
<thead>
<tr>
<th>Test Without an Intercept and Constant</th>
<th>t-statistics (p-value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levels</td>
<td>2.564672 (0.9971)</td>
</tr>
<tr>
<td>1st Difference</td>
<td>-9.823908 (0.0000)</td>
</tr>
</tbody>
</table>

Sources: Data Analysis.

In the above table, the both test result shows that the FDI data are non-stationary at levels but after tacking first difference it become stationary. It is also very much clear in ADF test results that The FDI data are also stationary with constant and with constant and trend.

Co-Integration Test

In these variables co-integration is possible because the Unit Root Test results show that the variables are integrated of order one. So in this purpose to analysis the co-integration relationship use the Johnson methodology. The test result of this methodology is:
Table-6: Johansen Co-Integration Test Results

<table>
<thead>
<tr>
<th>Null Hypothesis (H0)</th>
<th>Trace Statistics</th>
<th>5% Critical Value</th>
<th>Maximum Eigenvalue Statistics</th>
<th>5% Critical Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>r=0</td>
<td>9.222461</td>
<td>15.49471</td>
<td>7.289017</td>
<td>14.26460</td>
</tr>
<tr>
<td>r&lt;0</td>
<td>0.035171</td>
<td>3.841466</td>
<td>1.933444</td>
<td>3.841466</td>
</tr>
</tbody>
</table>

Sources: Data Analysis.
Where: ‘r’ the number of co-integration vectors under the null hypothesis.

In the above table, the Johansen test results show that in both statistics trace and maximum Eigen values indicates that there is no co-integration vector at the 5% level between the GDP and FDI in India. In both statistics we do not rejects the hypothesis at 5% level because the calculated value is less than the critical value.

Granger Causality Test

This test shows the causal link between the GDP and FDI in India for the period June 1996 to March 2010. The test result of this methodology is:

Table-7: Granger Causality Test Results

<table>
<thead>
<tr>
<th>Null Hypothesis</th>
<th>F-Statistics</th>
<th>Lag 1</th>
<th>Lag 2</th>
<th>Lag 3</th>
<th>Lag 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOGGFDIT does not Granger Cause LOGGDPT_SA</td>
<td>0.11415 (0.7368)</td>
<td>0.37205 (0.6912)</td>
<td>0.41548 (0.7427)</td>
<td>0.73378 (0.5740)</td>
<td></td>
</tr>
<tr>
<td>LOGGDPT_SA does not Granger cause LOGGFDIT</td>
<td>10.9271* (0.0017)</td>
<td>3.20006** (0.0494)</td>
<td>2.71089*** (0.0558)</td>
<td>1.97203**** (0.1159)</td>
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Sources: Data Analysis.

In the above table, the granger causality test results show that we do not reject the hypothesis that FDI does not causes GDP in all the four lags. But we rejects the hypothesis that GDP does not causes FDI in all the four lags at 1%, 5%, 10% and 15% level of significance. So in case of India growth of the country is one of the important factors which influence the FDI.

SUMMARY AND CONCLUSIONS

In the present study has been made an attempt to examine the flow of FDI in India after independence. To sum up, the government has introduced changes into the Economic Policy for time to time attracts more and more FDI. Through this study we can see that before 1991 India got limited FDI because of restricted government policy. And after the adaptation of new economic policy the flow of foreign capital increased very vastly. In the initial stage, secondary sector allotted major amount of FDI but at present the territory sector is the leading sector which has to be provided maximum FDI in India. However, country wise and state wise FDI inflow in India show that Mauritius is highest investing country in Indian economy and Maharashtra is the highest FDI inflow state in our country.

In this study I collected data of FDI and GDP from RBI and CMIE June 1996 to March 2010. To find out the relationship between these two variables I have applied Unit Root test, Johansson co-integration test and Granger causality test. The both (ADF and PP Tests) unit root test results shows that the variables are non-stationary at level but after taking first difference it’s became stationary. The Johansson co-integration test results indicate that has no co-integration vector exist between the GDP and FDI. And the Granger Causality Test results confirm that only Uni-directional causal relationship exist between the GDP and FDI. In India, from June 1996 to March 2010, there is a causality relationship between GDP and FDI but no causality relationship exists between FDI and GDP. In other words this study concludes that economic growth leads to FDI.

Major Finding of Study

1. There is no long run relationship between the Growth and FDI in India after 1996 because of the co-integration test results indicate that no co-integration vector between these two variables.
2. The growth of the country is one of the important factors to determine the inflow of FDI in India because causality test results shows that only GDP granger causes FDI but inverse is not possible. The result clearly indicates that in case of India in period 1996 to 2010 growth lid FDI. So if India wants huge amount of FDI inflows than it must be maintain the growth of the economy.

Direction for Future Research

1. The present study is concentrated on the GDP and FDI but ignores some other economic variables like Exports, Imports, and trade balance etc.
2. Foreign investment is of two types- Direct Investment and Indirect Investment (Portfolio Investment), but this study includes particularly FDI gross inflow in India.
3. Due to the state government policy some of the states have got a huge amount of FDI and other is not getting much. Here question arises that do the socio-economic condition play an important role to determine the inflow of FDI in Indian states also ground to test.

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Editor-In-Chief
Pezzottaite Journals,
24, Saraswati Lane, Bohri, Near Modern Dewan Beverages,
Jammu Tawi – 180002,
Jammu and Kashmir, India.
(Mobile): +91-09419216270 – 71
editorinchief@pezzottaitejournals.net, contactus@pezzottaitejournals.net
VALUE BASED DECISION MAKING: A THREE DIMENSIONAL APPROACH

Santhosh Kumar A. V.\textsuperscript{16} Dinesh N.\textsuperscript{17}

ABSTRACT

Financial crisis has taken grip of the global economy. Corporate and industrial enterprises have turned to their respective governments for bailouts. The governments have no money of its own but would be drawing a roadmap for bail out with the tax payers’ funds. In essence the situation is not favorable to any of parties, heading towards a Lose-lose situation. Imaginable reasons have been offered for this fiasco. Academicians, Economists, Businessmen, political people and other known affected societies have who would bear the negative impact of this downturn are seriously pondering over possible solutions, to help navigate through this situation. There are some tough questions to be asked and no subject is kept off limits, including posh lifestyles of chief executives in the current defunct corporations.

KEYWORDS

Mind, Intellect, Bounded Rationality, Malfeasance, Incrementalism etc.

INTRODUCTION

The theme of this precarious situation can be captured by even a commoner. Yes! Decisions taken by different people at various levels have cumulatively resulted in this high tide situation. As goes the old saying, “Business has two dimensions, one reason and other result” Unfortunately the reasons do not count. Such is the nature of business; so unforgiving. This down turn has yet again provided us an opportunity to set back our prerogatives. The scope of this study will deal with the popular models of decision making. It will take on its relevance as well, a fresh proposal titled - value based decision making; will be presented as a concluding part of the study.

REVIEW OF LITERATURE

John Dewey (1910) approached the art of decision making with three questions:

- What is the problem?
- What are the available alternatives?
- Which is the best among the alternatives?

Almost all the subsequent models fall under the broad generalization of the above three questions. Robert Tannebaum feels the decision making to be a conscious choice or selection of the one behavior alternative from among the group of two or more alternatives. Whereas Terry comprehends that a decision is usually made within the guidelines of an established policy. Chester Barnard puts it in a crispier way as “The processes of decisions are largely techniques for narrowing choices”. During the early part of the 20th century, there existed two types of thinkers. Classical thinkers such as Henry Fayol, Urwick were concerned with the decision making process only to the extent that it affects delegation and authority. Whereas, F.W.Taylor; Father of scientific management perceives science as an ideal medium for making decisions. In the midst of these multi dimensional non converging approaches to decision making, H. A. Simon entered the arena with a breaking concept called as Bounded Rationality. He induced rationality to the process of decision making and made Decision making as a subject that can stand to its own merits. He was also reasonable enough to give the limitations of rationality as concept and rational decisions.

Figure-1: Seckler Hudson – Bases For Decision Making

Sources: Authors Compilation.

\textsuperscript{16} Lecturer, Department of Commerce and Management, Seshadripuram First Grade College, Karnataka, India, sankum7578@gmail.com

\textsuperscript{17} Sr. Lecturer, Department of BBM, PES College of Business Management, Karnataka, India, dinesh_n04@yahoo.co.in
Simon observed that “the optimum rational choices between alternative courses of action” is the process of decision making. He proposed a new concept of organization based on the theories and methodology of logical positivism with focus to decision making.

There are various types of rationality explained by Simon.

- **Objectively Rational**: If in fact it is the correct behavior for maximizing given value in a given situation.
- **Subjectively Rational**: If it maximizes attainment relative to the actual knowledge of the subject.
- **Consciously Rational**: That the adjustment of the means to the ends has been deliberately brought about by individual or organization.
- **Deliberately Rational**: To the degree that the adjustment of the means to the ends has been deliberately brought about by the individual or organization.
- **Organizationally Rational**: Oriented towards organizational goals
- **Personally Rational**: Oriented towards personal goals.

Further, Simon believed that total rationality is impossible. Hence maximizing decisions are also not possible. He further observes that the human behavior in an organizational setting is characterized by Bounded Rationality, leading to satisficing (Satisfying-Suffice) decisions.

Every Decision is based on two premises: Fact and Value. Fact is a statement of reality, whereas value is an expression of preferences. A factual premise can be tested empirically to find its validity. A value premise is put to subjective validity.

Decisions are classified in many ways as programmed/ non programmed; Generic / Unique; Organizational / Personal; Policy / Operating; Individual / Group.

**Figure-2: Simon’s Bounded Rationality model of Decision Making**

Simon’s model of rational decision making is also known as “Behavior alternative” as against the economic rationality model. Bounded Rationality became a base model in the arena of decision making over the years. However, critiques like Chris Agryis felt Simon’s insistence on rationality alone, fails to recognize the role of intuition, tradition and faith in the decision making. He extends further in analyzing “Satisficing” concept as a cover towards rationalizing incompetence.

Charles. E. Linblom, in his article, “Science of muddling through” depicts decision making as largely an incremental choice. Meaning, each decision taken today has a root or parent decision upon which the current choice shall be based. He highlights various limitations like the money, time, information, politics and others which govern the actual decision making process. Accordingly, the decision maker is almost, always makes a decision from where he has last left. This is called as Incrementalism. In Mixed Scanning: A third approach to decision making”, Etzioni clarifies a couple of drawbacks in the incremental model. He sees the incremental model discourages social innovation and is partisan in approach. As well this model lacks application to fundamental questions in social sciences. There is an also similar research input on the decision for Public policy. Yezhekel Dror in his “Public Policy Making Re-examined” talks about an optimal model. He further enlists the basic characteristics of decision making in the public policy.
DECISION MAKING – AN ONGOING PROCESS

Making choices and taking decisions is a phenomenon as old as mankind. Every situation is confronted with one or more possible alternatives. As Shakespeare writes: To be or not be” that’s the question. Taking a cue out of this economic crisis, we identify three areas of irregularity.

- Behavior – Heard Instinct,
- Approach – Lack of common sense,
- System – No man’s land.

Behavior – Herd instinct

In one of the news article, a year back in Turkey, two thousand sheep followed one another to death over a cliff. Not one of them paused and hence chances of diversion and safety was virtually unavailable. Each followed the other as if they were all doomed to die. This case is no different when it comes to Human being.

The lending rates of the banks went low in United States of America, creating a conventional demand. All people were made to believe, their properties are going up in monetary value and they all pitched in for new purchases. Demand created further demand making room for inclusion of customers in the NINJA (No Job, No Income & Assets) segments. When alarm bells were raised over the continued volatility in the market and gradual erosion of investor confidence in the system, by and large the corporate and federal America was complacent.

When prudence failed, the finest minds (due to whatever their compulsions are) followed one another in the chase for better businesses, which eventually pulled all of them into this state of misadventure.

Approach – Lack of Common Sense

It is difficult to render oneself into the herculean task to perform due diligence at all possible times. Sometimes, the Profit & loss; Balance sheet are read inadequately leading to the deviations and maleasance. To top it all, we have creative accounting practiced at levels to induce further vulnerability by escalating the degree of opaqueness. However, it is impossible to keep things straight and transparent unless that piece of hard work is completed. It’s clearly a lacuna on the part of the regulators for having failed to regulate at appropriate moment. Competition in the finance sector has never seen the business so boiled in history as evidenced in the recent past. Bigger corporate were pitched against one another to get the best chunk of business on their sides.

The corporate wars failed to indicate the players that if one collapses, one has to witness the power of interdependency and interconnectivity unleash itself in the crudest of forms. In one of the expert observation, the writer had clearly pointed to the liquidity crunch which had proved to be the dooms day for Lehmann brothers. However, still the problem is much more that just that alone. For, there is very thin line of difference between confidence and insecurity.

System – No man’s Land

In cricket when India defends on a final of a tournament, the catches would most likely fall on a no-man’s land. Even assume if there is a fielder to receive the catch, chances are he may ingeniously develop and get into justifiable positions to avoid defame incase undesirable happens, which can be here as dropping a catch. Such is the asymmetry in the business world today. Credit rating agencies are responsible to cite the credibility of a corporate. As it stands today, the credit rating agencies have no more credibility. But the crime does not really end there, but stays permeated as it were, incase these agencies would be allowed to go scot-free shrugging their responsibilities. This will eventually happens anyway just as how the increments and incentives fire the belly of the work force in capitalism; it could also potentially misfire if we fail to administer corrections at appropriate intervals.

The executive staff in a company has the capacity to create enormous wealth to the company and its stake holders. For this act in principle he is rewarded generously. The same person can also wipe out the entire balance sheet with one wrong decision. The company is in soup and the employees are left no where, the society becomes a defunct beneficiary. Having brought the organization to the near fatal collapse, loss of men material and money, all that can worst happen to the executive is, they might lose their job. Inherent asymmetry and lack of integrity separating the employee and the ownership becomes a strong zone of No-man’s land.

VALUE BASED CHOICES I – CONCEPTUAL ANALYSIS

Decisions are of two types, Impulsive and logical. Decisions are either taken by individuals or by group. However, even in a group, the most influential person’s idea will take center stage pushing others to the back stage. That said this model talks about and individual process in decision making.
All human beings have choice for the fundamental three namely body, mind, and the intellect. Every other individual human being is best endowed with these three equipments and no more. Let us put to examination how such values are manifested at each of these levels.

**Body**

Each one of us takes decisions or makes choices for our physical needs. They basically constitute of Food/water, clothing and shelter. Extension of these bodily needs could be seen as cozy lifestyles, comforts/luxury and the procreating needs. It’s evident that every human being makes a decision on behalf of his body. Do I consume this type of food? Will this dress suit more? Can this present house where I’m put up take care of my comforts? So on and so forth.

The person strives to continuously increase the bandwidth of the bodily comfort levels, and the choices in this world are made on behalf of this body yet again. The nature of this body is transient and hence the choices are non-linear. The forces of attraction and affectation pertaining to the body are gross and strong.

**Mind**

Unlike body, mind needs more explanation. Mind is a stream of thoughts that push a person into action. It is emotional equipment. It feels joy and sorrow as against the body which feels pleasure and pain. This mind is much more subtle and stronger than the mind. For instance, body can be trained to generate appetite for food at a specific time. Whereas it’s not easy to kick out a dirty food habit (Say junk/high calorie food).

There are situations one chooses to perform an action end up doing completely another; possible the opposite. Oops! I should not have done this! Kind of late reactions indicate the play of the mind. At various occasions in the scriptures the mind is refereed to as child, ghost, monkey etc. Notwithstanding all these, the mind has the largest followers among the humanity. No two minds are the same, but all have a common denominator. It seeks self sufficing principles and ends up building a larger net of unsecured thoughts.

Every single person in this planet has a huge value for their minds. Meaning, they have great value for their emotions. An unattended emotional request can quickly lead to frustrating events such as envy, Jealousy, Fear and hatred. It is to the complex web of thoughts called mind that every individual cater to religiously. As it were, the decisions are taken and the choices are made on behalf of their minds. The decision made may not conform to the mind, or might partially do so, otherwise may completely align with it. Most cases we see the decisions are made on the likes and dislikes; hidden/latent desires, which is but the mind.

**Intellect**

It’s the most subtle equipment among the three given to the mankind. Let us straight get clarified on Intelligence versus Intellect. Collection of fact and data without much emphasis on the quality aspect of the same (without review) can be called as Intelligence. Intelligence helps one to apply their specific knowledge to the field of expertise. Example, an Accountant can be good at his profit and loss accounting, but not necessary he might/should possess knowledge on Einstein’s mass-energy equivalence.

Whatever be the field of occupation, the intellect helps to make sense of it all. Intellect aids, supports in making sense of what one does, how the person applies to the situation as well every other moment of life. In other words, intellect is synonymous to concepts such as Awareness, consciousness etc, not just to a particular aspect but on a holistic scale of your personality that comprises your body and mind.
Figure-4: Illustrative Decision Making Composition

Sources: Authors Compilation.

Aims, Ambitions, honor, dishonor, acceptance, importance, powers, and positions to name a few belong to the intellect. Roughly ten percent of the populace takes decisions on behalf of their intellect; forty percent go by their minds and balance give lot of preference to their bodies when making decisions.

For instance, at the intellectual level, whether it is Obama or Osama, the ideas and ideology still remains a large prison house and perhaps, one of which the person may not come out in entire lifetime. However, in the above case, eventually what you choose to be makes the difference.

VALUE BASED CHOICES II – SUGGESTIVE REMARKS

Three aligned and independent suggestions in its own right have been propose as down under. They are not exclusive but covers the three key areas of societal well being:

Catch em’ Young:

Most of the academic institutions globally offers subjects for the study covering virtually every explored areas by mankind, be it science, arts, history, economy and so forth. There are some areas beyond philosophy that lends greater impetus to all learning a person does; as well the experiences they undergo. The knowledge of the self! What constitutes a person; what those equipments do to that person; how does the person relate to them; how does the personality take shape, and much more questions that needs an answer.

This highly valuable knowledge stays in strange hiding from the society. The schools, colleges, Universities, advanced centers of learning do not utter a word on this vital topic. Just as how air in the atmosphere stays in abundance, which is vital to recognize yet gets unnoticed, such is the relevance and status towards study of the self.

Need of hour is put up a task force to study this subject and explore it. The benefits of this profound study should be expounded at appropriate levels. Its not just about ethics, morals but fully and truly the knowledge of the self is vital. Ways and means have to regularize this study in the curriculum must be sought and the deeper purports requires to be imbedded right at the impressionable age to the children.

Confucian – Corporate:

“Honesty is being true to other, when you are that to yourself, its integrity” Integriy has become a casualty in the recent past. Culture has come onto a head on collision with principles. No doubt competition is acute and business bottom lines are the blood line. However, they are still traditional excuses. Unless one defines systemic way of growth, the benefits accrued over the years can be wiped out overnight. The lack of vision and spread of polarized discipline needs to the arrested immediatly. Corporate conduct audit is essential. But this forms just about tip of the iceberg. The audit should be backed with consistent and rigorous training sessions which can comprise of debates, discussions, brain storms to visit and revisit the values and principles of the organization. Though the importance of this set up has been realized in the past, but not been serious enough, to impart essence into the minds of the employees. Corporate culture build program should be devised. Similar content can be devised for industries too and clearly management should push and back this initiative, since it can only work to start with top-down.

Gandhian – Government:

Government as a state machinery has enormous responsibilities. They need to facilitate the overall development aspects of the economy, society, polity and culture. Sustainability as a concept is holistic. Unless all areas of the public governance is taken care, and catered to in right proportions; developments will be imbalanced. Biggest issue today we face in the government is corruption and malfeasance. It is a universal landmark, devoid of universal solutions. Though administrative commissions reform has sought to root this evil out, it still exist as a deep pain to the society.As it were, we should DIC- Denounce, Isolate and Critic the act of wrong, creating a stigma association to such actions.
Nepotism, Bureaucracy, Red tapism, unfair control cumulatively leads to larger power and vested interests. True freedom springs
when one is freed from the sands of old dead habits. To this extent, governments should initiate a program. The senior
administrative officers should be captains and be given the first level of information on principles, ethics, values of humanity. This knowledge should percolate to the last mile clerk and peons.

A committee can be set up immediately to look into the program contents and timelines to deliver. The governments should take a
vow to offer this exercise an unlimited funding and complete support. Time and again, our country’s strength has been perceived
to be its ancient spiritual traditions. Its time for the governments to take over the mantle from philanthropists and organize
symbols in order they take the subtle energies of this country to higher levels. Of course abiding and sticking to our tradition and
faith of secularism of equidistance.

Conclusively, sustainability in the economy as reiterated time and again can be achieved when sustainable concepts and principles
are followed in letter and spirit. Societal, cultural, political can be resurged when the bases of decision making is well un-
derstood and followed. Value based choice model may not have anything ground breaking and new. However, it gives yet another
dimension of thought to human in attempting to solve their age old problem of making decisions.

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editorinchief@pezzottaitejournals.net
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Editor-In-Chief
Pezzottaite Journals,
24, Saraswati Lane, Bohri,
Near Modern Dewan Beverages,
Jammu Tawi – 180002,
Jammu and Kashmir, India.
(Mobile): +91-09419216270 – 71
HUMAN RESOURCE DEVELOPMENT INTERVENTIONS IN UNIVERSITIES: AN ANALYSIS OF H.R.D CLIMATE IN KARNATAK UNIVERSITY, DHARWAD

Savita S. Kulkarni

ABSTRACT

Human Resource Development (HRD) believes that the organizations have unlimited potential for growth and development and their potential can be developed and multiplied through appropriate and systematic efforts. The HRD Climate is mixture of values, expectations, policies and procedures that influence work, motivation, commitment and ultimately, individual and work unit performance. Positive climate encourages while negative climate inhibits discretionary effort. The HRD climate in totality refers to the quality of working environment. Given the opportunities and by providing the right type of climate in the organization, individuals can be helped to give full expression of their potentials, contributing to their achievement of the goals of the organization and hereby assuring the optimization of the human capital. HRD is a continuous process utilizing a battery of mechanisms or techniques called “HRD Interventions”.

The study focuses on detailed and in-depth analysis of the responses of the selected faculty of KUD regarding the eight sub-systems of HRD interventions viz- Career advancement, Counseling, Quality of worklife, Participation in organizational work, Human resource information and communication, Training and development and Performance appraisal. This will facilitate the assurance of the existence of the above sub-systems of HRD interventions at KUD, leading to a positive HRD climate in KUD.

KEYWORDS

Worklife, HRD Interventions, Counselling, Performance Appraisal, Development, Organization etc.

INTRODUCTION

Human Resource Development (HRD) believes that the organizations have unlimited potential for growth and development and their potential can be developed and multiplied through appropriate and systematic efforts. Given the opportunities and by providing the right type of climate in the organization, individuals can be helped to give full expression of their potentials, contributing to their achievement of the goals of the organization and hereby assuring the optimization of the human capital. HRD is a continuous process utilizing a battery of mechanisms or techniques called “HRD Interventions”.

The HRD Climate is mixture of values, expectations, policies and procedures that influence work, motivation, commitment and ultimately, individual and work unit performance. Positive climate encourages while negative climate inhibits discretionary effort. The HRD climate in totality refers to the quality of working environment. If people feel that they are valued and respected within the organization, they are more likely to contribute positively to the achievement of business outcomes. Therefore creating a healthy HRD organization climate requires attention to the factors, which influence employee perceptions, including the quality of leadership, the way in which participation is there in decision making process and whether the efforts of employees are recognized and rewarded. At this juncture efficient administration of the universities has assumed paramount importance in the wake of emerging challenges before the tertiary education.

SIGNIFICANCE OF HRD IN UNIVERSITY

Human Resource Development (HRD) is increasingly recognized as a very important activity in most organizations and University system is no exception. University admits human beings as raw materials and educates them so that they become capable of performing different jobs. The overwhelming presence of knowledge workers in the Universities solicits a well designed HRD system that is capable of motivating and maximizing their potential. Moreover, the higher educational institution is largely dependent on Research and Development (R&D) activity for its existence, the very term R&D demands the services of competent human resources with a basic aptitude to change and learn on continuous basis therefore, sound HRD climate that provides a learning environment and encourages pro-action and advocates experimentation.

Three factors that form the basis of the concepts of Human Resource Development in this context are:

- Its emphasis on emotional and psychological approach to the issues, that relates to the people.
- Its objective for continuous individual growth with a view for narrowing down the gap between individual and organizational goals through a process of integration, and
- Its commitment to the philosophy of development for the achievement of this integration.

Human Resource Development refers to those policies and programmes that support and sustain equitable opportunities for continuing acquisition and applications of skill, knowledge and competencies contributing to the achievement of the goals of the organization. HRD is thus a continuous process to ensure the development of employees’ potentials, dynamism, motivation, and

38Professor, BLDEA’s A. S. Patil College of Commerce, Karnataka, India, savita_p_toro@yahoo.co.in
effectiveness in a systematic and planned way, by providing the right type of climate in the organization and thereby ensuring optimization of human resources. Therefore Higher Education (HE) institutions have to be themselves sound as learning organizations, to be pro-active, to be responsive to globalization and the existence of HRD policies and practices designed to realize the latent potentials of employees at all levels become the litmus test of an university’s orientation. Keeping this considerations in mind, the effectiveness of the professional development of the faculty in HE – A case study, with special reference to HRD climate in Karnatak University Dharwad (KUD).

**BRIEFING ABOUT KUD AND HRD PRACTICES IN KUD**

KUD in the city of Dharwad, Karnataka, is a premier institute of higher learning in north Karnataka known for its high academic attainments, holding a “Five Star” rating awarded by the NAAC (National Assessment and Accreditation Committee). The academic system of University consists of Deans, Head of departments, Professors, Lecturers, Research scholars etc.

The authority of the University consists of the Syndicate, Academic Council, The Finance Committee, The Board of Studies, The Faculties, the Planning, Monitoring and Evaluation Board etc.

The officers of the University are The Chancellor, The Pro Chancellor, The Vice Chancellor, The Registrar, The Registrar evaluation, The Deans, The Librarian, The Finance officer, The Director of Planning Monitoring and Evaluation board, The Director of Student Welfare, The Director of College Development Council and The Director of Physical Education.

The study focuses on detailed and in-depth analysis of the responses of the selected faculty of KUD regarding the eight sub-systems of HRD interventions viz- Career advancement, Counseling, Quality of worklife, Participation in organizational work, Human resource information and communication, Training and development and Performance appraisal. This will facilitate the assurance of the existence of the above sub-systems of HRD interventions at KUD, leading to a positive HRD climate in KUD.

**OBJECTIVES OF STUDY**

The present study aims at describing management-oriented skills needed in designing and adopting HRD practices in KUD. With this view, in this study an attempt has been made to identify the human resource development sub-systems prevailing in the organization and HRD climate through perception that academic teachers have towards the HRD practices such as participation in decision making, performance appraisal, career advancement training and development counseling, quality of work-life and organizational development existing in the University setup. The current study is confined to an analysis of human resource development in Karnatak University Dharwad, its satellite campuses and constituent colleges. It covers the spectrum of various sub-systems of HRD and their effect on Faculty Development in the University.

- To ascertain the HRD policies and practices adopted in Karnatak University Dharwad.
- To evaluate the effectiveness of HRD practices in building a congenial atmosphere in the University.
- To study the attitudinal reactions that the teaching staff have towards the HRD sub-systems and practices such as training, performance appraisal, career advancement schemes, quality of work life, etc., which exists in the University set up of Karnatak University Dharwad.
- To assess the problems faced in implementing the HRD practices highlighting the importance of a HRD Department in a large University set up like Karnatak University Dharwad.
- To make the suggestions in the light of findings of the study.

**LIMITATIONS OF STUDY**

- The area of the study has been limited to Karnatak University Dharwad only, the study excludes the observations of participants of the affiliated colleges of Karnatak University Dharwad and other Universities and Institution.
- The study confines to the teaching staff of Karnatak University Dharwad, it excludes the observations of non-academic staff.
- A deliberate unwillingness on the part of he participants in general to respond frankly to the questions raised by the researcher was quiet visible. It is indeed ironical that though the participants express their views freely and frankly, during discussions it appears that they were reluctant to commit themselves to writing or questionnaire prepared by the researcher for this purpose.
- The study has been conducted by visiting and interviewing the faculty of all the departments. Some of the respondents had no care attitudes which led to difficulties in extracting some genuine and important information.

However an honest attempt has been made to report and analyze the perceptions of the faculties on various aspects of Human Resource Development without any bias.

**RESEARCH METHODOLOGY**

The present study is intended to investigate in to the HRD climate prevailing in the Karnatak University Dharwad and examining the Academic Staff College and its role as a center for professional development. The HRD climate refers to that environment, in which the various functions of HRD, including the subsystems and their practices being followed in an organization. The perceptions of the faculty members towards the existing interventions of HRD in the University, have been elicited. For this...
purpose the sub-systems have been classified into typical concepts viz, Career advancement of the faculty, Counseling, Quality of work life, Organization development, Participation, Human resource information and communication, Training and Development and Performance appraisal.

**Method of Data Collection**

This exploratory study is based on both primary data and secondary data. The primary data is collected from the respondents who happens to be the faculty members of various PG departments of K.U.D, Karnatak University PG centers of Karawar, Belgaum, Bijapur, Dandeli, Gadag, Haveri and K.U.D constituent colleges viz Karnataka Arts College, Dharawad, Karnataka Science College, Dharawad, Karnataka University College of Education, Dharawad, University College of Law, Dharawad, and Karnataka University College of Music, Dharawad.

For this purpose, a questionnaire was formulated and administered to elucidate the pertinent information from the respondents. The questionnaire consisted of 55 questions, which analyzes the perceptions of the respondent teaching staff, towards the HRD system prevailing in the University. The questionnaire was formulated by referring the model questionnaire by T.V.Rao. This questionnaire consists of multiple-choice questions with categorical responses.

In this questionnaire researcher has used five point scales, which is as follows:

- Almost always true,
- Mostly true,
- Some times true,
- Rarely true,
- Not at all true.

The researcher held personal talks with the administrative officials of the University. Some information was gathered through informal interviews with the resource.

Secondary data on the topic has been collected substantially by referring to books, magazines, journals research papers, University News, annual reports of K.U.D and annual reports of U.G.C. Also other articles available in the libraries of various Universities and Institutes have been referred too.

**Sampling**

The sample selection is made based on stratified random sampling. The teaching fraternity of the University is divided into three strata based upon the designation and nature of work in the University. (Proportionate random sampling method has been made use of) The total teaching staff at present is 348. A sample survey of 175 employees of Karnataka University Dharwad has been conducted with the following breakup for assessing the HRD climate. Care was taken to cover all the departments of the University.

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<th>S No.</th>
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<td>1</td>
<td>Professors</td>
<td>76</td>
</tr>
<tr>
<td>2</td>
<td>Readers</td>
<td>57</td>
</tr>
<tr>
<td>3</td>
<td>Lectures</td>
<td>42</td>
</tr>
<tr>
<td>4</td>
<td>Total</td>
<td>175</td>
</tr>
</tbody>
</table>

**Statistical Tools and Techniques**

The data collected from primary sources have been classified and tabulated subject to suitable conventional statistical tools such as percentage, mean percentage etc. The SPSS package has been made use of in analyzing the collected data. Statistical tools are selected in consistent with the objectives of the study.

**RESULTS OF DISCUSSIONS AND SURVEY**

HRD mainly aims at building human competence, creating a climate congenial for work and improving employee satisfaction with work life. This is achieved through the employee’s competency development with the help of training programmes and other HRD interventions. Effective implementation of HRD subsystems help in improving the morale and motivation levels of employees further enhancing their team spirit and boosting their job satisfaction. Positive HRD Climate brings out the best in the employees ensuring success of an Organization.

The study has revealed some significant findings relating the human resources development in universities and human resources development in KUD in particular. Based on the research study some useful suggestions have been made for further streamlining of the HRD practices in the University for Institutional Development and its successful existence.
1. Theoretical formulations and evolution of modern management perceptions have led to the acceptance of human resources development as a proactive, value adding, holistic synergistic and long term perspective for people development function in all forms of organization. Human resource development is a continuous process using a battery of mechanisms or techniques called “HRD interventions”. HRD activities are essentially institution building activities which transform a lethargic organization into a more vibrant dynamic and progressive institute of excellence in place of a culture of complacency or culture of arrogance.

2. Education is a critical input for investment in human capital being an important variable to convert a developing nation into a developed country. Education and HRD both aim at developing an individual according to his potential. A qualitative improvement in education is the backbone of any strategy of HRD and economic growth. Hence qualitative improvement can be achieved through increased facilities of teaching aids and improved excellence in academic standards.

3. Academic Staff Colleges are established specifically to improve quality of teaching and professional development of faculty in institutions of higher education and Universities. The quality of teaching is a crucial element for the overall quality of higher education. Academic Staff Colleges are expected to provide opportunities of staff development of teachers in higher education.

4. HRD interventions help in improvement in leadership abilities, effective communication, team spirit, heightened morale and enhanced motivation. These in turn will result in boosting productivity. The HRD interventions used for raising the productivity includes training, performance appraisal, career planning and counseling, organization development, employee relations and their quality of work life, organization communication, quality circles, rewards and human resource information. Well developed library with around 450,000 books and receives 434 periodicals.

5. The support system of Karnatak University consists of central work shop, scientific instrumentation center, a separate engineering department, horticulture department, botanical garden etc. Prasaranga of the University conducts extension lectures and endowment lectures and takes up publication work of the University. It publishes 6 journals in Arts and Social Science.

The courses conducted by the ASC are provided to teachers in the Karnatak University area, as well as from other universities in and around Karnataka State. The Area of the Service of the ASC is decided by the UGC.

**INFERENCES**

1. Maximum number of faculty covered by the study constituting 31.4% of the total were in the age group of 51 -55 years followed by 19.4% in the age group of 45-50 years, 16 % of the age group of 36-40 years, 13.1 % in the age group of 56-60 years, 33.3% in the age group of 41-45 years, 5.7% in the age group 31-35 years, 1.1% in the age group of less than 30 years.

2. Large majority of 78.9% of the faculty covered by the study were male respondents while 27.1% of them were females.

3. Maximum of 98.3% were married while 1.7% were unmarried.

4. Maximum number of 75 faculty covered by the study (42.8%) were professors followed by readers (32.6%) and lecturers (24.6%).

5. Maximum of 146 respondents’ faculty possessed PH.D degree, 11 faculties possess post graduate degree with NET/SET, 11 faculty possessed post doctoral degree and 7 faculty possessed M.Phil.

6. The service length of the maximum number of respondent faculty (25.7%) was above 25 years followed by those with service length of 6-10 years (21.1%), while 21.1% of the faculty had service length of 6-10 years, 19.5% with 16-20 years, 15.4% with 21-25 years, 10.9% with 11-15 years and 7.4% with less than 5 years of service.

7. Maximum of 82 respondents faculty (42.9%) did not hold any academic position in the University followed by 67 faculty who held the position as chairman/HOD, 11 as HOD and another 11 other positions, 2 faculty worked as dean and another 2 faculty worked as dean and HOD.

8. Large majority of 62.9% of the respondent faculty worked as members of board of studies, 14.9% as members of B.O.S. and Syndicate, 4.6 as BOS of Karnatak and other University, 2.9% as members of advisory boards, 2 members (1.1%) worked as members of syndicate and as executives, 9.7% as members of employee union and 1 faculty respondents worked as member of other bodies of the University while 6 faculty (3.3%) were not members of any body in the University.

9. Maximum of 116(66.3%) of respondents faculty were not working in professional capacity outside University as consultants or guest lecturers while 59 faculty(33.7%) were associated in such activities.
10. Large majority of 157 respondents have research publications to their credit with a minimum 1-5 research papers in case of 39 respondents faculty to maximum of 25 and more research papers in case of 15 faculty. Maximum of 52 respondents faculty have published 1-5 research papers in International journals and the minimum of 4 faculty have published 25 and more research papers in International journals. A small number 18 faculty has not published any research papers and 80 faculties have not published research papers in international journals.

11. A large number of 100 respondents faculty had not published any book. Majority of 34 faculties have published 1 book and a lone faculty has published 6 and more than 6 books.

12. Majority of 87 faculty respondents have attended 1-5 seminars and a minimum of 8 faculties have attended 16-20 seminars.

13. Maximum of 128 respondent faculties have attended 1-5 training and development programmes and minimum of 1 faculty attended 11-15 training and development programmes.

14. Maximum of 68 respondent faculty attended training programmes in the University campus, 57 faculties attended training programmes outside the campus, a minimum of 14 faculty attended training both within and outside the campus.

15. Maximum of 52 respondents faculty attended training for duration of 1 month and minimum of a faculty attended training programme of 1 year.

16. A minimum of 24 respondents faculty participated in strikes while a maximum of 151 faculty did not participated in strikes. Reasons for strikes in which the 24 respondents faculty participated included demanded for revision of pay scales, improving welfare facilities, protest against ill treatments by management, discontent about management policy and other reasons.

Career Development

17. The HRD climate in the Karnatak University is largely favorable for the Professional development of the faculty in the postgraduate departments. This happy trend is observed by the researcher through the personal interviews with the selected faculty respondents. The responses indicate that the top administrative officials of the University are found favourable in making the faculty enjoy their work. The responses of a majority of the faculty endorsed this view despite dissenting opinion of some faculty respondents.

18. A substantial majority of faculty respondents believed that top management of the University believed that human resources are an important resource.

19. A large majority of faculty respondents have also endorsed the view that development of juniors is an important part of the duty of the Head of the Department at the post graduate departments level. This perception further indicates a favorable HRD climate and helpful in the career planning and advancement of the faculty. Faculty development is facilitated by favorable existing personnel policies as indicated by substantial majority of faculty respondents.

20. Career advancement of junior faculty is encouraged through active interest of senior faculty in the former as observed by the majority of faculty respondents. Lack of competence on the part of some faculty is not ignored rather they are helped to acquire competence.

21. It is found through responses of the faculty that, University administrators believe that faculty behavior can be changed further people can be developed at any stage of their life this view has not been endorsed outright by substantial majority of respondent faculty.

22. Majority of faculty covered by the study believed that people in the University are useful to each other this is a favorable HRD climate in the University. Hence it is quite useful for career planning and advancement.

23. The departmental atmosphere should be encouraging to the faculty for their career planning and advancement. This needs informal behavior of the faculty and they should even discuss their personal problems with the HOD. This aspect of the HRD climate is supported by thin majority of faculty. As many as 57 faculties (32.6%) opined that such atmosphere is found some times and always. As many as 51 respondent faculties took a negative view of this aspect.

24. A favorable environment for the faculty to develop itself by acquiring new knowledge is necessary for the faculty. Such an environment provides psychological stimuli for career planning and advancement. Such an environment is found in the University academic life according to substantial majority of faculty respondents.

25. Top management of the University should make effort to identify and utilize the potential of the faculty. This goes a long way in development of the faculty as a human resource. Responses of the selected faculty could not confirm positively the existence of such an effort on the part of the top management of the University.
26. Recognition of scholarly achievement of the faculty through appreciation by the top management would promote healthy HRD climate in the University. Though majority of the respondent faculty has endorsed the view maximum number of 62 faculty (35.4%) have partially accepted it saying it is ‘sometimes true’.

Counseling

27. A proper counseling to the faculty in their professional development is a necessary component in the HRD climate in the University. It is found that faculty is encouraged to experiment with new methods of teaching and trying out creative ideas for molding students. This aspect of HRD is supported by large majority of faculty respondents.

28. The role of the Head of the Department in a University in the professional development of the faculty is very important. He has to treat his junior colleagues with understanding and help them to learn from their mistakes. This aspect of positive approach of the Head of the Department of the University is endorsed by a large majority of faculty respondents. Further the faculties are communicated about their short falls in a non-threatening way according to large majority of faculty respondents. c) Interaction with the top officials will promote two way communications between the employees and the management. Such interaction help in avoiding conflicts and promotes proper communication. The responses of majority of faculty indicate that direct interaction of faculty with top administrators like Vice-Chancellor and Registrar of the University is encouraged.

29. There is a vague and ambiguous response from the faculty respondents that behavior feedback given to faculty by top management is taken seriously and used for development. There is no outright positive response in affirming the above statement from the faculty covered by the study.

HR Information and Communication

30. Communication process is encouraged through making available the newsletters, house magazines, suggestion schemes etc. Such facilities are made available according to majority of faculty respondents.

31. Freedom to approach the Head of the Department and colleagues in the University to find out their strengths and weakness has been considered as ‘sometimes true’ by maximum number of 67 faculty respondents indicating that they are not sure of such freedom always. Positive and negative assertion is made by an almost equal number of faculty respondents.

Training and Development

32. There has been positive assertion by a substantial majority of faculty respondents that faculty development programmes are taken seriously by sponsored faculty and learn from the programme. This indicates good level of motivation on the part of the faculty for training and self development in their chosen fields.

33. There is a greater amount of agreement among the faculty respondents that opportunity given to the faculty to try out what they have learnt during the training programme. This naturally involves better methods and techniques of teaching, seminars, discussions etc such opportunities are conducive for the development of professional skills of the faculty.

34. Most of the faculty respondents’ i.e 67% has concurred with the view that selection of faculty for Faculty Development Programme (FDP) and training courses is on the basis of genuine training needs.

35. Job rotation enhances the effectiveness of the organization and promotes employee development. The HRD climate in the University has been favorably affected by the rotation of jobs this has been affirmed by majority of faculty respondents.

36. Responses of large majority of faculty indicate that the hidden talents of the faculty is made known to them through their participation in faculty development programmes, seminars, conferences, workshops etc.

37. Affirmation about the conducting of Faculty Development Programme (FDP) Workshop, Conference, and Seminar in a fitting manner and with adequate resources has been made by more than 60% of the faculty respondents. Thus the efforts of the University in equipping the faculty with necessary skills in their academic work quite apparent from the responses of the faculty.

Quality of Worklife

38. It is found through personal interaction with the respondents’ in the post graduate departments of the University that there is mutual trust among the colleagues in the department. Such congenial atmosphere is necessary and ideal for HRD. Further maximum numbers of faculty respondents have agreed with the view that there is freedom of expression of feeling of the faculty with senior colleagues and Head of the Department.
39. Freedom to take initiative in routine matter by the faculty is ensured in the department without waiting for the Head of the Department. This view is indicated by large majority of faculty respondents. Such freedom is helpful in promoting a sense of responsibility among the employees. This HRD climate is in the best interest of professional development of the faculty. Delegation of authority and handling of higher responsibility in the department is another aspect of HRD climate in the University which has been affirmed by large number of faculty respondents.

40. Employee welfare ensures greater involvement in the organizational work and enhances the morale of the employees. This is an important component of the human resources development programme of any organization including the educational institutes like universities.

41. Responses of majority of faculty respondents indicate that University ensures employee welfare and thus the employees save a lot of mental energy for work purposes. There is great deal of acceptance on the part of faculty respondents about the adequacy of welfare facilities. Large majority of faculty indicated their approval of the welfare facilities introduced by the University.

42. Majority of faculty respondents have rejected the view that they have not achieved their most important goal at their work. This view implies that the faculty respondents are happy about their work achievements. The HRD climate has been quite favorable in their professional development. Majority of faculty respondents again reject the view that they can do little to bring about better conditions at work. This approach again reflects on their positive frame of mind. It indicates that faculty can contribute towards bringing better conditions of work.

43. There is a great deal of satisfaction among the faculty about their research guidance of doctoral research students. Large majority of faculty have affirmed this aspect of job satisfaction.

44. Professional development needs proper understanding among the employees. Lack of such mental impression is not conducive for healthy HRD climate. The responses of the faculty covered by the study do not provide an outright positive picture of this aspect of the HRD climate in the University. However a thin majority of the faculty observed that people in the organization do not have any fixed mental impression about each other.

45. Salary is related to the financial aspects of needs, motivation and rewards. Salary is a form of employee compensation which influences the growth and profitability of an organization. Salary provides the employees a sense of recognition and determines their social status. The responses of maximum number of 114 faculties (65.1%) indicate that they are satisfied with the salary they receive.

46. Employee management relation in the University is conducive for the proper development of the faculty in their professional field. There is a greater degree of agreement among majority of faculty covered by the study that the relation between the employee and management is conducive for the faculty development.

Performance Appraisal

47. Appraisal system in the University has been perceived to be beneficial by a substantial number of faculty respondents. Good number faculty respondents did not subscribe to this view. Those supporting the beneficial effects of appraisal express the view that appraisal system provides opportunities for a discussion between the appraisers and appraise on the expectations, achievements, failures, constraints and improvements required.

48. Appraisal system provides an opportunity for self review and reflection of the appraise according to large majority of faculty respondents. However, more than 50% of the faculty respondents have rejected the view that appraisal system encourages open communication between appraisers and appraise through performance review process. Further more than 50% of faculty respondents have rejected the view that appraisal system has the scope for correcting the biases of the reporting authority through a review process.

49. The view that performance appraisal are taken seriously by top management is accepted partially by majority of faculty stating that such view is ‘sometimes true’. The same number (74) of faculty respondents also considered as ‘sometimes true’. The view that the data collected through performance appraisal is used for deputation, job enrichment, promotions etc. The responses of selected 175 faculties do not conclusively affirm the above views.

50. The responses of the faculty covered by the study do not firmly confirm the view that, the appraisal data inputs are used for recognition and encouragement of high performers and desirable behaviors. The inconclusive responses of the respondents indicate that efficacy of performance appraisal is suspected because it is not utilized to the maximum extent and it therefore needs proper attention in this regards.

51. Self appraisals are means to get employees self evaluate their performance. Employee self appraisal can provide the management significant insights into employee talents, temperaments and motivational factors. The whole performance management is more effective, as self appraisal gives employees a chance to measure their own skills and performance. Employees became more performance conscious. Responses of more than 60% of the faculty responses indicate that systematic assessment of faculty self appraisal is conducted in the University.
52. The system of performance appraisal in the University has been appreciated by large number of faculty respondents. They have endorsed the view that performance appraisal reports in the University are based on objective assignment and adequate information and not on favoritism.

**Organization Development**

53. Transparency in the University plans for future development is found in the University. Responses of the majority faculty covered by the study indicate that future plans of the University are made known to faculty to help develop them for future responsibility. This indicates a proper communication of information among the employees of the organization.

54. Organizational development involves a simultaneous development of human resources. Majority of the faculty respondents have accepted the view that each and every employee is given a chance to suggest his opinion on how to develop an organization.

**Participation**

55. Interaction between faculties of different departments is encouraged in the University according to majority of faculty respondents. Such an environment is quite conducive for professional development and it is an ideal HRD climate.

56. Team spirit and team work enhance the organization performance. Viewed in this context the existence of team spirit among the colleagues in the post graduate department of the Karnatak University has been affirmed by a large majority of faculty respondents. This very positive aspect of HRD climate is reflected in the fact that problems in the PG departments of the University are discussed and the faculties try to solve them rather than keep accusing each other. This aspect has been asserted by majority of faculty respondents.

57. According to more than 45% of the faculty respondents, participative mechanisms are not used in the University. Such mechanisms like team work/ problem solving teams are used according to 24% of the faculty only ‘sometimes’. While 12% and 18.3% of the faculty positively asserted the use of such mechanisms in the University. A good number of faculties accounting for 24.6% and 21.1% felt that such participative mechanisms were not used in the University.

58. Involvement of faculty in departmental decision making in the University has been affirmed by huge majority of faculty respondents. Such involvement provides opportunity to the faculty to shoulder responsibility and indicate their sense of belongingness.

59. Large majority of University faculty covered by the study have rejected the view that faculties are given opportunities to debate and determine University personnel policies. This aspect needs a proper consideration and autonomous bodies like the University should try to associate the employees in evolving suitable personnel policies to keep the employees happy and satisfied in their jobs.

**SUGGESTIONS**

HRD is increasingly recognized as a very important activity in most organizations, and University system is no exception. In order to meet the challenges and opportunities, there is a need to continuously develop the human resources by up-dating there knowledge and skills on regular basis and creating a HRD friendly climate within the organization.

In view of the above, the following suggestions are made to strengthen the HRD Climate at KUD. The suggestions are based on the feedback of the respondents in specific and general suggestions have been stated, based on the observations and discussions with the administrative officials of KUD. The human resources development climate (HRD Climate) In the University is found inadequate as revealed by the faculty respondents in some particular areas viz.

a) A substantial number of faculty respondents expressed the view that the top management of the University does not make effort to identify and utilize the potential of the faculty.

b) This inadequacy needs to be over come by a drastic change in the approach of the top management of the University. Efforts should be made to recognize the potentials of the faculty and utilize the same. This helps in raising the morale of the employees.

c) A good number of faculty respondents have referred to the weaknesses in the performance appraisal system in the University .They maintain that the appraisal system does not provide opportunities for discussion between the appraiser and appraisee on the expectations, achievement, failures, constraints and improvements required.

d) No written appraisal policy is available except for a Performa format, the appraisal system has been considered mostly to be a ritual than an useful instrument. There is a feeling amongst most of the respondent teachers that there was no evidence of utilizing the appraisal data either for identifying the developmental needs or to link it with any kind of
motivational factors other than for regular increments and for promotions. Therefore the university management should try to bring a modification in system of performance appraisal to overcome this lacuna.

e) Majority of faculty respondents felt that the appraisal system did not encourage open communication between appraiser and appraisee about the performance review.

f) The University authorities should try to create a suitable atmosphere and encourage proper communication between the appraiser and appraisee through performance review discussion.

g) The self appraisal form (refer appendix attachment no.2 has a lot of repetition of information to be supplied and even in complete content wise, the same contents form its part since the inception of the system making it very traditional and to a certain extent monotonous. The form can incorporate certain other contents to suit today’s globalization era, such as demonstration of knowledge of particular subject by interrelating it with teaching skills and teaching artifacts planned by the faculty.

h) The appraisal reporting authority in the University is prone to bias and there is no scope to correct it in the reporting system. Hence the University should incorporate provisions to rectify this weakness and make appraisal system immune from such biases.

i) There is no mechanism in the University for Participative Practices like teamwork/problem solving teams etc. University authorities should introduce such a participative mechanism as a part of HRD process.

j) Presently there is no scope for the faculties to involve the discussing and determining universities policies. Hence the University authorities should provide an opportunity to faculty to debate and determine University personnel policies. This would help in promoting a healthy HRD climate in the University.

k) There is no evidence of a formal counseling system in practice therefore there is a need for establishing a separate counseling cell for the staff of KUD.

l) There is a need for continuous development through training. This is prompted by the suggestion that, the faculty cannot in a rapidly changing world rely on the knowledge and skills acquired initially but, keep such knowledge and skills updated by training and retraining on continuous basis. All the above activities are related to the process of Human Resource Planning and Human Resource Development. Though at KUD there is a College Development Cell (CDC) for affiliated colleges and a Planning, Monitoring, and Evaluation Board at University for planing and monitoring the training programmes in practice, they just acts as a liaison between the organization and the other outside agencies and just pass on the information. There is no follow up done after this. These boards are more concerned with other activities such as arranging funds for extension and research programmes and planning academic courses, therefore the need of the hour is to establish a separate Human Resource Development Department in the University, to coordinate the training and development activities. This could be done by forming the steering committees with representatives from the affiliated colleges that is principals and head of the departments at University level as its members. This would ensure greatest success besides making the ongoing HRD movement in University more participative than before. This steering committee should also have a few HRD experts. Their guidance and expert advice will enrich the deliberation and help in better designing and improvement of HRD programmes.

CONCLUSIONS

HRD mainly aims at building human competence, creating a climate congenial for work and improving employee satisfaction with work life. This is achieved through the employee’s competency development with the help of training programmes and other HRD interventions. Effective implementation of HRD subsystems help in improving the morale and motivation levels of employees further enhancing their team spirit and boosting their job satisfaction. Positive HRD Climate brings out the best in the employees ensuring success of an Organization.

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A COMPARATIVE ANALYSIS OF IEEE 802.15.4 & 802.15.4 FOR WIRELESS AD-HOC NETWORK

Nidhi Khetwal

ABSTRACT

This paper introduces a performance model of a recently proposed backoff technique named Non-overlapping binary exponential backoff algorithm over IEEE 802.15.4, which is designed for LR-WPAN. To reduce the collision rate in highly populated wireless networks, non-overlapping binary exponential backoff tries to evenly distribute random backoff delay by distinguishing the new range of backoff delays. For the performance measurement of non-overlapping binary exponential backoff algorithm, obtained results are compared with the traditional model of IEEE 802.15.4. Our numerical analyses show that non-overlapping binary exponential backoff improves the throughput and transmission delay comparing to the traditional BEB.

KEYWORDS

Binary, Exponential Backoff, Window Size, Contention Windows, Algorithm, Wireless, AD-Hoc, Network etc.

INTRODUCTION

Algorithm and protocols are the essential tools for the packet networking featuring distribution. A widely used collision resolution protocol is the binary exponential backoff (BEB). Its different forms are included in Ethernet [1] and Wireless LAN [2] standards. BEB is a special case of exponential backoff (EB).

IEEE 802.15.4 standard has been suitably optimized for Low Rate Wireless Personal Area Network (LR-WPAN) environments characterized by a small number of battery-operated nodes located within a personal area for low-speed communications [3,4,5,6]. This standard provides two operational modes such as CAP(Contention Access Period) and CFP(Contention Free Period) to support both asynchronous and synchronous traffic. Recently diverse backoff algorithms [7,8] have been suggested to improve the performance of BEB of IEEE 802.15.4.

To achieve better performance while maintaining the same degree of transmission delays, many new backoff algorithms tries to categorize nodes into some groups which are assigned to separate backoff regions in addition to doubling these ranges. One of them [9] called non-overlapping binary exponential backoff (NO-BEB) exploits the number of successive frame delivery failures to split the backoff range into non-overlapped sub-intervals. In NO-BEB, nodes select a random number for their backoff counter from the latter half of the two fold range, namely \([2^{BEB-1}, 2^{BEB-1}]\) rather than \([0, 2^{BEB-1}]\) at i-th failure occurrence.

The NO-BEB accomplishes higher throughput and shorter delay by up to 39% and 16% at maximum, respectively, than the conventional BEB. Also necessity of IEEE 802.15.4 model for NO-BEB is due to fact that IEEE 802.15.4 is significantly differentiated from IEEE 802.11 in terms of three main features such as nonfreezing operation, two channel sensing, and two different channel busy probabilities. [10-11]

First, CAP in IEEE 802.15.4, continues to decrement the randomly chosen backoff delay without carrier sensing to save the listen power dissipation differently from DCF in IEEE 802.11. Second, when the backoff counter reaches zero, CAP performs carrier sensing called CCA(Clear Channel Assessment) twice before transmission. Once the channel is estimated to be busy at either of the two detection times, it doubles the range to select a new backoff delay unless the range exceeds the predetermined maximum.

During process CAP resets its back off counter to the minimum regardless of collision. Finally, the IEEE 802.15.4 model assumes two different busy channel probabilities since the numbers of nodes involved during each CCA time slot are varied. To explore the performance effects of Non Overlapping -BEB algorithm over IEEE 802.15.4, this paper presents a comparative study of throughput and delay related to both the algorithm.

THE STATIONARY CHANNEL STATE PROBABILITY

The distribution of the channel states can be derived for each slot. If \(p\) is known as the stationary/transition probability \(P_i\), \(P_s\) and \(P_c\) respectively that a slot is idle, success and having collision. These probabilities are given by the relations as follows:

\[
P_i = (1 - p)^n \quad \ldots (1)
\]
\[
P_s = np(1-p)^{(n-1)} \quad \ldots (2)
\]
\[
P_c = 1 - (1 - p)^n - np(1-p)^{(n-1)} \quad \ldots (3)
\]

19Assistant Professor, Department of Computer Science, Amrapali Institute, Uttarakhand, India, nidhikhetwal@gmail.com
For the computation purposes we have taken \( p = 2/(CW+1) \), where CW is the size of contention window. Symbol \( n \) is used for the number of stations.

**IEEE 802.15.4 PERFORMANCE MODEL**

Figure 1 shows a typical two-dimensional Markov chain that models the behavior of IEEE 802.15.4. In this figure the state of each circle consists of two variables \((i, k)\), representing the number of backoffs, and the remaining count of the backoff delay, respectively. Symbols \( \alpha \) and \( \beta \) stand for the probabilities of detecting busy channels during the first and second clear channel assessment (CCA), respectively. \( W_1 \) and \( W_0 \) represent the maximum number of time slots to wait at the \( i \)th backoff stage and the initial stage, respectively.

**NON OVERLAPPING BINAY EXPONENTIAL BACKOFF (NO-BEB) PERFORMANCE**

Figure 3 presents the discrete time Markov chain model of NO-BEB over IEEE 802.15.4. To distribute waiting times, uniformly, over successively doubled interval, NO-BEB algorithm uses only the latter half of the interval rather than the whole one to avoid overlapping with the previous interval. With this scheme, nodes with different number of unsuccessful channel captures are more likely to be allocated to the non-overlapped regions, leading to the different random backoff delays. Precisely, this algorithm allows nodes to randomly choose a number within the range of \([2^{BE\cdot i}, 2^{BE\cdot i}]\) instead of \([0, 2^{BE\cdot i}]\), where \( i \) represents the number of consecutive CCA failures.

In figure 3 under saturation condition nodes have data to send all the time. The difference between Figures 2 and 3 is transitions between two adjacent stages. In NO-BEB model, the backoff counter at the \( i \)th stage at the unsuccessful capture is set to the one within \([W_1, W_0])\) while the counter in BEB falls into \([-0, W_0]\).

The state transition probabilities from the state \( b_{i,j} \) to the state \( b_{i,k} \) where \( i \in (0,m) \) and \( k \in (-1, W_0 - 1) \) represents the state probability that the node has the backoff counter with \( k \) after \( i \) failures at a given time. Note also that \( W_1 - W_0 \) denotes the size of a given backoff range at the \( i \)th stage. The differences between NOBEB and BEB is given in [9] for more details. It is important to note that is the probability of detecting the busy channel at either the first or second CCA time.

Symbol \( \tau \) shows the probability that a given node attempts the first CCA. It is represented by the sum of the probabilities of the states at the first column in figure 2. Meanings of the other symbols are as follows; \( n \) is the number of competing nodes, \( L \) denotes a frame’s transmission delay.

\[
\tau = \frac{1}{1 - p} \left[ \frac{1 - p^{m+1}}{1 - p} \right]
\]

From the next step \( \alpha \) and \( \beta \) are obtained employing relations mentioned in [ ] as follows:

\[
\alpha = \left(1 - (1 - \tau)^{n-1}\right) + n \tau (1-\tau)^{n-1} (1-\alpha) (1-\beta)
\]

\[
\beta = \frac{1 - (1-\tau)^{n-1}}{2 - (1-\tau)^n}
\]

The saturation throughput of IEEE 802.15.4 is given as:

\[
S = (Coeff) P_{transmit} P_{success}
\]

Coeff is the ratio of payload length in slots to the average length of a slot time.

\( P_{transmit} \) represents the probability that at least one node transmits on a given slot time. This implies that \( P_{transmit} \) denotes the probability that one node does not attempt to send a frame and at the same time channel is idle at the two CCA. It is calculated using relation:

\[
P_{transmit} = (1 - (1-\tau)^{n})(1-\alpha)(1-\beta)
\]

\( P_{success} \) is the probability that only one node transmits on the channel and the other \( n-1 \) nodes do not transmit. It is calculated using following relation:

\[
P_{success} = \frac{n \tau (1-\tau)^{n-1}(1-\alpha)(1-\beta)}{P_{transmit}}
\]
Figure-1: Discrete Time Markov Chain Model for an IEEE 802.15.4 Network

Sources: Authors Compilation.

Figure-2: Discrete Time Markov Chain Model for NO-BEB Algorithm
Red Portion Shows NO-BEB

Sources: Authors Compilation.
Figure-3: Numerical Results of Stationary Probability that a Slot is Idle, Success or Collision vs Number of Nodes:
(A) All Three Types of Plots; (B) Probability $P_i$ as a Function of Nodes;
(C) Probability $P_s$ as a Function of Nodes, and (D) Probability $P_c$ as a Function of Nodes.

Sources: Authors Compilation.

Figure-4: Variation in $\alpha$, $\beta$ and Transition Probability $P$ as a Function of the Number of Nodes

Sources: Authors Compilation.
Figure-5: Results of Non Overlapping Binary Exponential Backoff Probability throughput, Probability of Success and Probability of Transmit as a Function of Nodes.

Sources: Authors Compilation.

SIMULATIONS AND RESULTS

Graphical plots of the results obtained using equations (1), (2) and (3) are shown in figure 3. Figure 3(a) shows stationary probability of idle, success and collision as a function of numbers of nodes. Figure 3(b) shows stationary probability that a slot is idle against number of nodes. For the lower values of windows size, i.e. WC=16 $P_i$ becomes asymptotic corresponding to the number of nodes 30. With the increase in window size $P_i$ attains asymptotic character at higher number of the nodes. Similarly stationary probability of success and collision versus number of nodes are shown, respectively, in figures 3(c) and 3(d). The maximum probability of success is independent of the window size but the maxima of $P_s$ shifted towards increasing number of nodes. For a fixed number of nodes the probability of collision decreases with the increase in window size.

Equations (4)-(9) are related to the non-overlapping binary exponential back off algorithm. Symbol $\tau$ shows the probability that a given node attempts the first CCA. It is computed using equation (4). Required variables in these equations are set initial value within the programme. After obtaining the value of $\tau$, the magnitude of $\alpha$ and $\beta$ are obtained employing equations (5) and (6).

Knowing the values of $\tau$, $\alpha$ and $\beta$ the probability that one node does not attempt to send a frame that is: $P_{\text{transmit}}$ is calculated using equation (8). Also the values of $P_{\text{success}}$, which is the probability that only one node transmits on the channel and the other n-1 nodes do not transmit is obtained using relation (9). In the last: the saturation throughput of IEEE 802.15.4 is obtained using relation (7).

Figure 4 displays variation in $\alpha$, $\beta$ and transition probability $p$ as a function of the number of nodes. From the plots it is evident that all three variables increase with the increase in number of nodes. The values of $\alpha$ and $\beta$ coincide with each other after number of nodes $n=20$.

Obtained probability of success, transmit and throughput versus number of nodes for four different values of window size are given in figure 5. The initial values of $m$, $L$, $\alpha$, $\beta$ and number of nodes were set to 10, 5, 0.8 and 0.5, respectively. From the figure 5 following conclusions are drawn:

(a) The peak of probability $P_s$ shifted towards increasing side of the number of nodes.
(b) The peak height of $P_s$ is almost independent of window size.
(c) The probability of success becomes widen in comparison to the plots shown in figure (3).
(d) The probability of transmit obtains asymptotic value for lower values of window size.
(e) The probability of transmit increases with the increase in number of nodes.
(f) The probability throughput increases with the increase in window size.
(g) The probability throughput decrease with the increase in number of node.

CONCLUSIONS

The numerical result of the graphs in figure 3, and final outcome is shown in figure 5. Results of backoff probability throughput, is been finally calculated which is been taken from references (8). Future Work to demolish the collision with the help of suggested equation and creates a perfect wireless networks.

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FOR PAPER SUBMISSION & CLARIFICATION OR SUGGESTION, EMAIL US @:
editorinchief@pezzottaitejournals.net
contactus@pezzottaitejournals.net

Editor-In-Chief
Pezzottaite Journals,
24, Saraswati Lane, Bohri, Near Modern Dewan Beverages,
Jammu Tawi – 180002,
Jammu and Kashmir, India.
(Mobile): +91-09419216270 – 71
ENTREPRENEURIAL SCENARIO IN DEVELOPING INDIA: AN OVERVIEW

S. Sivakumar

ABSTRACT

An entrepreneur is one who always searches for change respond to it and exploits it as an opportunity. Entrepreneurs innovate and it is a specific instrument of entrepreneur. Entrepreneurs have to learn to practices systematic innovation, which consists of purposeful and organized search for changes and analysis of the opportunities, which offer scope for economic or social innovation. Small enterprises are able to tap latent resources like entrepreneurial ability, wealth, etc.

Small enterprises encourage the growth of a class of small entrepreneur, which introduces a dynamic element in the economy. The growth of a very large number of small firms during the four decades of planning highlights the fact that given a favorable environment, the latent resources of entrepreneurship can be tapped by the growth of small enterprises only.

KEYWORDS

Entrepreneur, Innovation, Entrepreneurship, Economy, Enterprises etc.

ENTREPRENEUR

He is the one who undertakes an enterprise especially a contractor - acting as intermediary between capital and labour. In simple words, entrepreneur is one who combines capital and labour for the purpose of production.

ENTREPRENEURSHIP

Entrepreneurship is the function of seeking investment and production opportunity, organizing an enterprise to undertake a new production process, raising capital, arranging labour and raw materials, finding a site, introducing a new technique and commodities, discovering new sources for the enterprise. Undertaking of an enterprise is thus entrepreneurship.

REVIEW OF LITERATURE

Schumpeter has said that Entrepreneur is one who innovates, raises money, assembles inputs, chooses managers and sets the organization going with his ability to identify them and opportunities which others are not able to fulfill such economic opportunities. Suhempeter’s views on entrepreneur: According to Schumpeter, entrepreneur is basically an innovator, and innovator is one who introduces new combinations. Innovation may occur in the following forms:

a) The introduction of a new product – that is one which consumers are not yet familiar – or of a new quality of goods.

b) The introduction of a new method of production that was not yet teaches by experience in the branch of manufacture concerned.

c) The opening of a new market that was not previously entered or existed before.

d) The conquest of a new source of supply of raw materials or half manufactured goods, which is first to be created.

e) The carrying out of a new type of organization, by changing the already existing position or finding a new pattern in the organization.

Walker defined entrepreneur is one who is endowed with more than average capacities in the task of organizing and coordinating the various factors of production. He should be a pioneer, a caption of industry.

Drucker explained an entrepreneur as one who always searches for change respond to it and exploits it as an opportunity. Entrepreneurs innovate according to him; innovation is a specific instrument of entrepreneur. Entrepreneurs have to learn to practices systematic innovation, which consists of purposeful and organized search for changes and analysis of the opportunities, which offer scope for economic or social innovation.

RELATIONSHIP BETWEEN ENTREPRENEUR AND ENTERPRISE

An Entrepreneur is one who provides the fourth factor of production, namely ‘enterprise’. As the fourth, it assembles, coordinates and manages the other factors namely land, labour and capital. Enterprises may be defined as an undertaking or adventure involving uncertainty and risk and requiring innovation. An enterprise serves as the framework within which decisions concerning what to produce, now much to produce, when to produce is taken by the owner.

20 Associate Professor, Department of CSE, Shri Andalalgar College of Engineering, Tamil Nadu, India, shivakumarys@yahoo.co.in
Features of an Indian Enterprise

1. An Indian Enterprise consists of people who work together for the purpose of making / selling a product or service.
2. An Indian Enterprise utilizes raw materials, machinery, energy, space and other inputs to produce and / or sell.
3. Every Indian Enterprise makes a comparison between its costs and gains.
4. An Indian Enterprise is a continuing entity. It is not an ad hoc effort to produce a single product but rather a recurring effort to produce a stream of products.

Role of Entrepreneurs in Indian Economic Development

1. According to Schumpeter the entrepreneur is a person who introduces new commodities in the market. He also introduces new methods in organization. He finds out new sources of raw materials for the production and novel method of marketing.
2. By taking risk, the entrepreneur causes industrial development in the country.
3. He causes for balanced industrial development all over the country.
4. He effects equitable distribution of income and wealth.
5. The entrepreneur provides vast employment opportunities to the society and thereby the problem of unemployment and under-employment.
6. The entrepreneur produces a wide variety of consumer and industrial goods, which are very much useful to the society.
7. By increasing the production and employment, the entrepreneur cause the per-capital income of the citizen to raise.
8. Sufficient amount of export earnings are flowing to the country.
9. Entrepreneur creates competition and provides the required commodities at cheaper rates.
10. By increased production the national income of the country enhances.

Contribution of Indian Small Entrepreneurs towards Country’s Economic Development

Employment Potential

Small-scale entrepreneurial units are labour-intensive comparatively and thus ‘create more job opportunities; per unit of capital employed. This is particularly important for a labour-surplus economy like India suffering from acute problems of unemployment, under employment and seasonal unemployment.

Distribution of Income

The income generated in a large number of small enterprises is dispersed more widely in a community than income generated in a few large enterprises. Thus the income benefit of small enterprises encourages monopoly capital and concentration of economic power.

Utilization of Latent Resources

Small enterprises are able to tap latent resources like entrepreneurial ability, wealth, etc. Small enterprises encourage the growth of a class of small entrepreneur, which introduces a dynamic element in the economic.

The growth of a very large number of small firms during the four decades of planning highlights the fact that given a favorable environment, the latent resources of entrepreneurship can be tapped by the growth of small enterprises only.

Dispersal of Industries

Location of large enterprises is conditioned by inflexible environment factors. If the industrialization to progress in an atmosphere of decentralization, setting up of small-scale industrial units must be encourage as their location requirements are often flexible.

Decentralization also helps in tapping local resources, such as raw materials, idle savings, local, talents, etc., and also helps ‘industrialization of backward areas’.
Foreign Exchange Earnings

Small-scale and Medium scale industrial units facilitate substantial foreign exchange savings and earnings. A wide variety of consumer and simple producer goods can be produced economically on a small-scale basis and earn more foreign exchange.

Entrepreneurial Development

Entrepreneurial units serve as seed beds of entrepreneurship. They contribute to the economy not only by their production but by functioning as a necessary of entrepreneurial and managerial talent.

Economic Transformation

Entrepreneurial units play a strategic role in the progress of a country. These industries represent a stage in economic transition from, traditional to modern technology.

Government Policy towards Entrepreneurship Development

New Small Enterprise Policy 1991

The salient features of this new small enterprise policy are as under:

1. Increase in the investment limit in plant and machinery of tiny enterprises from Rs. 2 lakhs to Rs. 5 lakhs, irrespective of the location of the enterprises.

2. Inclusion of industry-related services and business enterprises irrespective of their location, as small-scale industries.

3. To introduce a limited a Partnership Act. This would limit the financial liability of the new entrepreneurs to the capital invested.

4. Introduction of a scheme of Integrated Infrastructural Development for small-scale industries.

5. Introduction of factoring services to help solve the problems of delayed payments to small sector.

6. Market promotion of small-scale industries products through co-operative / public sector institutions, other specialized professional / marketing agencies and the consortium approach.

7. To set up a Technology Development Cell in the Small Industries Development Organisation.

8. To accord priority to small and tiny sector in the allocation of indigenous raw materials.

9. Setting up of an export Development Centre in the Small Industries Development Organisation.

10. To widen the scope of the National Equity Fund, to enlarge the single window scheme and also to associated commercial banks with provision of composite loans.

New Policy Initiatives in 1999-2000 for the Small Scale Sector

1. Announcement of a new Credit Insurance Scheme in the Budget (1999-2000) providing adequate security to banks and improving flow of investment credit particularly export oriented and tiny units.

2. The working capital limit for SSI units is determined by the banks on the 20% of their annual turnover. The turnover limit for this purpose has been enhanced from Rs. 4 Core to Rs. 5 Core.

3. To increase the reach of banks to the tiny sector, lending by banks to non-banking financial companies or other financial intermediaries for purpose of on-lending to the tiny sector, has been included within the definition of priority sector for bank lending.

4. Exemption from excise duty, as given to SSI units, will be extended to goods bearing a brand name of another manufacturer in rural areas.

5. A national Programme for Rural Industrialization has been announced, with a mission to set up 100 rural clusters every year, to give a boost to rural industrialization.

6. To coordinate the latest development with regard to the World Trade Organisations, a cell has been set up in the office of District Centre to disseminate information to SSI Associations and SME units, regarding recent...
developments, prepare policies for SSIs in tune with the WTO agreements and organizing WTO sensitization seminars, workshops.

7. Cotton yarn has been included in the general excise exemption scheme for SSIs.

8. Small job workers, engaged in printing of glazed tiles, have been exempted from excise duty.

9. The investment limit for small and ancillary undertakings has been reduced from existing Rs. 3 crores to Rs. 1 crore.

CURRENT SCENARIO

At present, we see a new breed of entrepreneurs emerging. Due to technological development the business environment has changed. Some individuals saw an emerging IT industry. At glance at the development of entrepreneurs, in and present shows that Indian entrepreneurship has gradually attained world standard, producing quality products. Entrepreneurship has progressed from successful management of small scale operations to managing large size operations. A few Indian enterprises appear in first 500 world corporations and in IT industry, many of the enterprises are in top slot like, Infosys, Mahindra Satyam Wipro etc.

CONCLUSIONS

If we make a comparative study of the growth of agriculture, manufacturing and services sector, we see a high growth in the services sector. This sector will further grow in future. The IT has burst and perhaps the future belongs to bio-technology. Some of the exiting entrepreneurs have started their business in this sector. New entrepreneurs will emerge. In the past, only a few entrepreneurs have made it to the international scene, but in future this number may grow.

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A LEARNING ORGANIZATION: THE DRIVE TO MODIFY AND IMPROVE PERFORMANCE CONTINUOUSLY

Satyawan Baroda21 Chhavi Sharma22 Deepika Goel23

ABSTRACT

With the decline of some well-established firms, the diminishing competitive power of many companies in an increasingly globalized market and the need for organizational renewal and transformation, interest in organizational learning has grown. Senior managers in many organizations are convinced of the importance of improving learning in their organizations. Therefore, it is necessary not only to clarify the concept of organizational learning, but also to establish the relationship between it and business performance.

This paper aims to explore this relationship. The pressure of change in the external environments of organizations, whether manufacturing or service providers, whether public, private or voluntary, is such that they need to learn more consciously, more systematically, and more quickly than they did in the past. They must learn not only in order to survive but also to thrive in a world of ever increasing change and ever shortening predictability horizons, whether these are social, technological, political, local or global.

This paper emphasize on learning as Learning is the key to success—some would even say survival—in today's organizations. Knowledge should be continuously enriched through both internal and external learning. For this to happen, it is necessary to support and energize organization, people, knowledge, and technology for learning. The purposes of this paper are to develop a comprehensive understanding of how ‘learning organizations’ can be created and developed.

KEYWORDS

Learning, Organization, Performance, Knowledge, Environment etc.

INTRODUCTION

Organization in the twenty first century must be able to learn & respond quickly. These organizations will be led by managers who can effectively challenge conventional wisdom, manage the organization’s knowledge base and make needed changes. These organizations will be needed to be learning organization—that is, one that has developed the capacity to continuously learn, adapt and change. Part of a manager’s responsibility is to create learning capabilities through-out the organization—from lowest level to highest level and in all areas. Learning organization has developed the capacity to continuously learn, adapt and change.20

The world around us and the environment in which different organizations are working is becoming progressively complicated day after day. In order to survive, organizations need to adapt themselves to the new changes and developments. A learning organization is considered as a major privilege in this competitive world because organizations need to learn in order to strive hard to overcome the chaotic and changing conditions. Learning organizations promote innovation and employee creativity (Calantone, Cavusgil, & Zhao, 2002; Ramus European Journal of Social Sciences – Volume 21, Number 4 (2011) 548 & Steger, 2000), which in turn helps to improve organizational performance. It can also facilitate knowledge sharing and transfer within the organization, which is very important in the process of organizational performance. Learning in organizations can occur at four levels: individual, team or group, organizational and global levels: The learning organization is an important and valuable means of facilitating learning and knowledge management, and has been viewed as an important plan for making improvements in organizational performance in order for the organization to remain competitive. It puts an emphasis on the need to take action and make changes based on learning that has already occurred in order to improve performance. Learning organizations promote innovation and employee creativity, which in turn helps to improve organizational performance. It can also facilitate knowledge transfer and sharing within organization, which is very important in the process of organizational performance.

Learning organization is a concept that is becoming an increasingly widespread philosophy in our contemporary society. It has a strong humanistic orientation, being a place where people continually expand their capacity to produce results they truly desire, where new and expansive patterns of thinking are nurtured and where people are continually learning how to learn together.

Here, the employees continually acquire and share new, acknowledge and are willing to apply that knowledge in making decisions or performing their work. Some organizational theorists even go so far as to say that an organization’s ability to do this—that is, to learn and to apply that learning may be the only sustainable source of competitive advantage.1

21Reader, Department of I.M.S.A.R, M. D. University, Haryana, India, satyawanmdu@gmail.com
22Assistant Professor, Department of Business Management, Shri Ram College of Engineering & Management, Haryana, India, chhavi0930@yahoo.co.in
23Lecturer, Department of Business Management, Shri Ram College of Engineering & Management, Haryana, India, goel.mbadeepika@gmail.com
These organizations do not involve a specific organizational design per se, but instead describe an organizational mind-set or philosophy that has significant design implications. It’s an organization that has developed the capacity to continuously adapt, change and improve performance because all members’ takes an active role in identifying and resolving work related issues.21

An organization which facilitates the learning of all its members, continuously transforms itself. Organization learning is a process in which members of an organization detect errors or anomalies and correct it by restructuring organizational theory of action, embedding the results of their inquiry in organizational maps and images. Learning organization learns from past experiences, it learns from customers, it learns from various parts of the company, and it learns from other companies.3 Learning Organization is one in which people at all levels, individually and collectively, are continually increasing their capacity to produce results they really care about. -- Richard Karash.

Here Successful innovation and change are not events with clear-cut beginning and endings. Rather, they are never-ending processes that have become part of the daily routine. Innovation and change are not infrequent and special-they are simply a way of organizational life. As one manager observed, this way of life helps a learning organization avoid organizational stupidity and improve organizational performance. When an organizational environment is unstable, learning may require a lot of exploration and experimentation. Failures may frequent, but so are unexpected achievements. When an organization’s environment is more stable, learning is more likely to occur through a systematic process of testing alternative approaches.26

Learning is valuable, continuous, and most effective when shared and that every experience is an opportunity to learn”. A changing environment means that all employees must embrace the philosophy of learning. The goal of learning is for employees to master the knowledge, skills, and behaviors emphasized in human resource development programs and to apply them to their day-to-day activities. Organizations need to learn to survive and prosper in changing and uncertain environments. They need managers who make right decisions through skill and sound judgment. Successful decision-making requires an organization to improve its capability of learning new behaviors over a period of time.

In situation, however, these organizations change at a rate at least as far as or even faster than the rate of change in their environments. Moreover, the learning process is managed systematically and professionally-it does not occur randomly. The organization portrayed as a learning system is not new as it:

- Provide continuous learning opportunities.
- Use learning to reach their goals.
- Link individual performance with organizational performance.
- Foster inquiry and dialogue, making it safe for people to share openly and take risks.

Learning organization is defined as the capacity of the organization to learn and the outcomes of learning. It makes “intentional use of learning processes at individual, group and system levels to transform the organization in a way that is increasingly satisfying to its stakeholder”.

In fact, at the turn of the last century Frederick W. Taylor’s learning’s on the scientific management were said to be the transferable to workers to make the organization performance more efficient. However the beginning of today’s use of the term learning organization is usually attributed to the seminal work of the Chris Argyris and his colleagues, who made the distinction between first order or single loop and second order or dentro or double loop learning.4

In recent years, many banks, insurance forms an old-line manufacturing companies made many adaptive changes such as implementing:

- Total quality management.24
- Benchmarking.15
- Six-sigma.14
- Programs and customer service initiatives.22

However, despite the popular and general success of these efforts to adapt to changing customer expectations for quality and service organization have still struggled with their basic assumptions, cultural values and structure. They have not gone beyond mere adaptive learning.12

Generative learning involves creativity and innovation going beyond just adapting to change to being a head of and anticipating change.23

The generative process leads to a total reforming of an organization experiences and learning from that process e.g., the largest car dealer, Auto Nation, totally reframed and showed generative learning from the nightmare customers typically experience in trying to buy a used auto. This firm anticipated customer needs by proactively addressing key issues such as a no haggling sales process, providing a warranty on used cars and being able to buy anyone from hundred of car lots.
Learning organization in which people put aside their old ways of thinking, learn to be open with each other, understand how their organization really works, form a plan or vision that everyone can agree on, and then work together to achieve that vision. Proponents of the learning organization envision it as a remedy for three fundamental problems inherent in traditional organization: fragmentation, competition, and re-activeness.

Exhibit: Features of Learning Organization to Improve Performance

- There exists a shared vision that everyone agrees on.
- People discard their old ways of thinking and the standard routines they use for solving problems or doing their jobs.
- Member thinks of all organizational processes, activities, function and interaction with the environment as part of a system of interrelationships.
- People openly communicate with each other.
- People sublimate their personal self interest and fragmented departmental interest to work together to achieve the organizational shared vision.


CHARACTERISTICS OF A LEARNING ORGANIZATIONAL PERFORMANCE

The following are the characteristics of learning organizations:

- A Learning culture: This refers to an organizational climate that nurtures learning. There is a strong correlation with those characteristics associated with innovation. A learning culture implies future and external orientation. These organizations develop understanding of their environment and senior teams take time out to think about the future for widespread use of external sources and advisors.

- Free exchange and flow of information: Systems which are in place to ensure that expertise is available where it is needed through individual network and crossing organizational boundaries to develop their knowledge and expertise.

- Commitment to learning and personal development: This implies support from top management and people at all levels are encouraged to learn.

- Valuing people: This implies that ideas, creative and “imaginative capabilities” are stimulated, by making use of and developing diversities which are recognized as strength.

- Climate of openness and trust: Individuals are encouraged to develop ideas, to speak out and to challenge actions.

- Learning from experience: This implies that learning from mistakes is often more powerful than learning from success. Failure is tolerated, provided lessons are learnt.

Learning organizations are characterized by total employee involvement in a process of collaboratively conducted, collectively accountable change directed towards shared values or principles.
The important characteristics of a learning organization revolve around organizational design, information sharing, leadership and culture. In a learning organization, it’s critical for members to share information and collaborate on work activities throughout the entire organization—across different functional specialties and even at different organizational levels—through minimizing or eliminating the existing structural and physical boundaries. In this type of boundaryless environment, employees are free to work together and collaborate in doing the organization work the best way they can, and to learn from each other. Because of this need to collaborate teams also tend to be important features of a learning organization structural design. Employees work in teams on whatever activities need to be done, and these employee teams are empowered to make decisions about doing their work or resolving issues to improve their performance. Empowered employees and teams show little need for ‘Bosses’ who direct and control. Learning can’t take place without information. For a learning organization to “learn”, information must be shared among members: that is, organizational employees must engage in knowledge management by sharing information openly, in a timely manner and as accurately as possible.

Leadership plays an important role as an organization moves toward becoming learning organization. What should leaders do in a learning organization? One of their most important functions is facilitating the creation of a shared vision for the organization future and then keeping organizational members working towards that vision. Finally, the organization culture is an important aspect of being a learning organization. Learning organization culture is one in which everyone agrees on a shared vision and everyone recognizes the inherent interrelationship among the organization’s processes, activities, functions, and external environment.

Why the Learning Organization Now?

Against a backdrop of increasing global competition and a lowering of the potential to maintain competitive advantage through technology or economics, there is a growing awareness that the only source of competitive advantage lies in the ability of organizations to learn faster and smarter than their competitors. The concept of the ‘learning organization’ is one such response to these changes. In theory, an organization that learns will be more able to adapt to rapid and continuous change. This would have consequent beneficial effects on the competitive performance of that organization. Like many popular theories, there is currently much rhetoric surrounding the learning organization, but relatively little information concerning what a learning organization looks like in practice or the contribution such an approach makes to organizations. This report is focused on the generation of a number of case studies of the learning organization in action, with the intention to discover what value is being created in these organizations and whether any common factors may be distilled from this review.

**FUNDAMENTAL DISCIPLINES OF A LEARNING ORGANIZATION**

A learning organization is underpinned by some fundamental disciplines, each of which contributes to the improvement of life within an organization and the capacity of an organization to learn.

**Team Learning:** dialogue leads to creative thought and recognition of patterns that undermine learning. Virtually, all important decisions occur in groups. Teams, not individuals, are the fundamental learning units. Unless a team can learn, the organization cannot learn. Team learning focuses on the learning ability of the group. Adult learns best from each other, by reflecting on how...
they are addressing problems, questioning assumptions, and receiving feedback from their teams and from their performance. With team learning, the learning ability of the group becomes greater than the learning ability of any individual in the group.

Building Shared Vision: Leadership that develops commitment through shared “pictures of the future”. To create a shared vision, large numbers of people within the organization must draft it, empowering them to create a single image of the future. All members of the organization must understand, share and contribute to the vision for it to become a reality. With a shared vision, people will do things because they want to, not because they have too.

Awareness of Mental Models: Assumptions and generalizations that affect ways of seeing and interacting with “the world”. Each individual has an internal image of the world, with deeply ingrained assumptions. Individuals will act according to the true mental model that they subconsciously hold, not according to the theories which they claim to believe. If team members can constructively challenge each others’ ideas and assumptions, they can begin to perceive their mental models, and to change these to create a shared mental model for the team.

“There are no taboos in oobeya. Everyone in that room is an expert. They all play a part in building the car. With everyone being equally important, we don’t confined ourselves to just one way of thinking our way out of problem”.

Takeshi Yoshida
Chief Engineer, Toyota

An organization that has subscribed to the ‘learning organization’ concept that Senge and Quinn promote is Tandem Computers. Tandem uses a technique called ‘Double loop’ learning. Double loop learning is learning that corrects errors by looping back to examine the underlying values and policies of the organization in the decision making process; it question whether the operating norms of the organization are appropriate. Most U.S. organizations use ‘Single loop’ learning in which errors are corrected by changing routine behavior. For instance management analyses a work problem and directs workers to respond to the management solution. Double loop learning might identify that the workers are more directly involved in the actual work and have a better solution than management. This type of learning can lead to much greater team work and a more effective organizational performance.

An example of an organization that is reinventing itself is the San Diego Zoo

Which is moving to become a prototype learning organization? The world renowned zoo has dedicated itself to becoming an organization that educates visitors about animals and their habits and about conservation. To accomplish this mission, zoo managers have designed new formats which display an animal’s environment in the most natural manner possible. This change has led zoo personal to discover new ways of coordinating their complex work. To bring together a diverse variety of functions and skills, extensive use is made of cross functional teams. The team set their own budgets and schedules and participate in the hiring process. The result is that that employees and managers have found that they are more productive than ever. The goal of becoming an educational organization has led the zoo to develop a new approach towards visitors, who keep coming back because they learn something new in every visit.

This is an organization that has developed the capacity to continuously improve performance as its all members take an active role in identifying and resolving work-related issues. In a learning organization, employees are practicing knowledge management by continually acquiring and sharing new knowledge, and they are willing to apply that knowledge in making decisions or performing their work. In a learning organization, responsibility for making decisions, directing operations and achieving organizational goal is shared among all employees. These leadership tasks aren’t the responsibility of the top-level managers alone. Everyone is encouraged to find ways to improve the organization performance and its products.

At Nantucket Nectars, a participatory leadership style encourages employees to learn by allowing them to make their own mistakes. The founders of this company adopted this approach because they believed that it would yield better quality beverage. When people discover better ways of doing their jobs, they see that their efforts do make a difference. That discovery in turn strengthens their involvement in making a better product and improving customer satisfaction.

For learning organization, successful innovation is a never ending process that becomes part of the daily routine. At southwest Airlines, employees are always looking for better ways to meet customers’ needs for low-cost, reliable air travel. When clerks suggested doing away with tickets, cofounder Herb Kelleher, who was the CEO at that time, encouraged them to experiment with this innovative idea on selected routes. Long before other airlines adopted the idea of electronic ticketing, southwest Airlines’ passengers made reservation over the phone and received only a PIN number – no ticket was issued at the gate. PIN number was exchanged for boarding pass. Passengers who needed a receipt got one promptly through mail.

**BENEFITS OF LEARNING ORGANIZATION IN TODAY’S LEARNING WORLD**

A review of the literature on the subject indicates the potential of the learning organization to deliver significant benefits:

- 3M’s learning culture has put it in the top five of the Fortune 500’s most admired companies.
• In BT, the changed approach to planning, reviewing and learning has allowed savings in terms of time, sales and other costs which amount to several million pounds from an investment of about £200,000.

• Lars Kolind, president of the Danish hearing aid company Oticon Holdings increased the value of his company ten fold in four years by developing a self driven organization.

• Ricardo Semler has transformed SEMCO - it is one of Latin America’s fastest growing companies, acknowledged to be the best in Brazil to work for, and with a waiting list of thousands of applicants hoping to join it.

Learning organizations nurture a sense of community and trust. Everyone works together, respecting each other and being able to communicate openly and honestly. People willingly share the information and knowledge they have, so other can benefit from it.

A sense of community also gives employees the feeling that they are important and are being treated fairly. Employees cooperate because they want to, not because they have to.

Learning organization add value for customers by identifying needs – in some instances, even before customer have done so – and then developing ways to satisfy those needs. The processes of learning and change simply take time. At knight – Ridder, for example, declining newspapers circulation was anticipated long before it became a reality. As early as the 1970s, the company began experimenting with other forms of news delivery, including T.V broadcasts, but eventually abandoned then as failure. During the 1980s, the company experimented with online business services and again had little success at first. Eventually, the learning paid off. With several years of experience behind it, the company bought Dialog information services, which was the world’s largest online full – text information service. With this service acquisition, Knight – Ridder was transformed from a traditional newspaper company into a leader in a provision of online business information.

Only a learning organization can easily and swiftly react in right way to an unexpected problem; only a learning organization can treat the errors as opportunities to gain more knowledge; only members of a learning organization can share problems openly and trust each other fully, respect each other’s ideas and suggestions and honor each other’s culture and personal beliefs. In addition to experimenting on their own, many learning organization’s use strategic alliances with suppliers, customers and even competition as a method of learning. In Japan, Amgen, a biotech company, formed an alliance with Kirin Brewery. From Kirin, Amgen learned about fermentation processes, which are crucial for producing synthetic blood clotting protein. From Amgen, Kirin learned about amino acid – protein combinations that can act as catalysts to speed up the brewing process. The learning organization is defined by and dependent upon structures and processes that:

• Create continuous learning opportunities.
• Promote inquiry and dialogue.
• Encourage collaboration and team learning.
• Establish systems to capture and share learning, to empower people toward a collective vision and to connect the organization to its environment.

Pharmaceutical companies are good e.g. of learning organization because without continuous learning they would have no new products to offer the public. Furthermore, the process of developing new products and bringing them to market takes about eight years, on average. Throughout this time, pharmaceutical companies typically measure their learning progress in a variety of ways.

For example, they keep track of the expertise of their scientists and engineers, the number of scientific papers published by their scientists, patent applications, and FDA drug approval, among many other things. By monitoring measures such as these, pharmaceutical firms can better predict in advance to introduce in future years. When Xerox wanted to improve its service for customers, it hired an anthropologist to study how service representative went about their job. The anthropologist concluded that informal storytelling and conversations around the water cooler were important activities for sharing problems and solutions.

DEVELOPMENT OF A LEARNING ORGANIZATION

Various approaches are taken in developing learning organization such as:

a. Leaders who model calculated risk taking and experimentation.
b. Decentralized decision and employee employment.
c. Skill inventories for sharing learning and using it.
d. Rewards and structures for employee initiatives.
e. Consideration for Longman-term consequences and impact on the work of others.
f. Frequent use of cross-functional on a daily basis and Opportunities to learn experience on a daily basis.

Successful Strategies of Learning Organization To Improve Performance

Becoming a Learning Organization requires a cultural change for most organizations. To be successful, agencies should work with all staff members to:
Create and communicate a shared vision for the organization.

Make information in the organization accessible to all.

Help employees manage change by anticipating change and creating the types of change desired by the organization.

Empower employees to act.

Acknowledge and support the need to take risks.

Learn to manage the organization's knowledge by:
- Keeping information current.
- Maintaining historical knowledge.

Managers of organizations should be open to and ready for new strategies and should also understand that risks and innovation are inevitable. They should also lead the entire organization in a corresponding manner so that subordinates change their long-term views, different ideas and beliefs. In other words, it is managers’ task to make an organization become a learning organization.

CONCLUSIONS

In today’s uncertain economic times, it is essential that our capacity to improve and innovate exceeds the rate of change imposed on our organizations. It is essential, therefore, that managers understand the learning process and know how to facilitate its application throughout their areas of responsibility. Learning Company is an organization that facilitates the learning of all its members and continuously transforms itself.

In other words, an organization becomes a learning organization when all members of the company at all management level cooperatively learn to develop, expand, and improve their abilities and overall performance by the means of openness and continuous learning from preceding experience. In today’s tremendously competitive business world, where rapid innovations and swiftly developing technologies are regular occurrences and where nearly all spheres and infrastructures undergo continuous change, organizations also have to alter their inner structures in order to stay on the market and offer competitive goods or services.

Lifelong commitment to high quality work can result when teams work together to capitalize on the synergy of the continuous group learning for optimal performance. Organizations are beginning to transform themselves under the guidance of the idea of a learning organization. They are beginning to explore their adaptive capacity from the perspective of individual, team, and organizational learning.

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FOR ANY CLARIFICATION OR SUGGESTION, WRITE US:

Editor-In-Chief
Pezzottaite Journals,
24, Saraswati Lane, Bohri,
Near Modern Dewan Beverages, Jammu Tawi – 180002,
Jammu and Kashmir, India.
(Mobile): +91-09419216270 – 71
editorinchief@pezzottaitejournals.net
contactus@pezzottaitejournals.net
ROLE OF “RUDSETI” IN EMPOWERING WOMEN THROUGH ENTREPRENEURSHIP: A STUDY OF BIJAPUR DISTRICT

Mamata Bannur24 Renuka Teli25

ABSTRACT

The study is conducted mainly to know the role of RUDSETI Bijapur in Women Empowerment through entrepreneurship training. The study is conducted during May 2012 in Bijapur district of Karnataka state. Women entrepreneurs who had taken EDP training during the year 2007-2011, from the Rural Development and Self Employment Training Institute (RUDSETI), Bijapur are purposively selected.

The main objective of the study is to know briefly about women entrepreneurs and the role of the RUDSETI in women empowerment, to study the various Entrepreneurship Development Programmes (EDP), Profile of the trained women entrepreneurs, Success rate of EDP trainings and time lag in establishment of an enterprise by women entrepreneurs, Impact of EDP training on income generation, Impact of EDP training on employment generation, Factors contributing and inhibiting the establishment and development of an enterprise. The data was collected with the help of structured interview schedule.

The dependent variables taken for the study are, income generation and employment generation. Independent variables studied are age, education, family size, annual income, family occupation, family size, mass media participation, loan matrix, and skills orientation, source of information, achievement motivation and risk bearing ability.

KEYWORDS

Women, Empowerment, Entrepreneurship, Training, EDP, Enterprise etc.

INTRODUCTION

"Instead of writing some one else’s account through wage employment, after three to five years of collegiate education, it is more meaningful to write one’s own account by embarking upon some self-employment”.

WomenEmpowerment

Time immemorial, women are described as the better half of men. But in reality, the women in developing countries do not tally with this description. It is well known fact that women have played and continue to play a key role in conservation of basic life support systems such as land, water, flora and fauna. Women have to play a dual role, as a housewife and as income earners. Women have the burden of preparing food for the family, besides fulfilling their fundamental role of nurturing and caring for the children and tending to elderly members of the household. Even then they suffer from being economically and socially invisible. There is continued inequality and vulnerability of women in all fields like socio-economic, political, education, health care, nutrition etc.

Women constitute nearly one half of the world’s population having enormous potential but being underutilized or unutilized for the economic development of the nation. Indian situation is not an exception for this. The 2001 census of India estimated 0.53 million females against a total population of 1.02 million. In India, women have remained as a neglected section of work force. They are not considered on par with men. Women are lagging behind men mainly because of the relative absence of economic opportunities and minimal participation in decision making process. Women’s access to land ownership is extremely limited. Educational backwardness is another major reason why women are lagging behind men. The latest census reports (Census of India, 2001) revealed that female literacy rate in India was 54 per cent, as compared to the male literacy rate of 76 per cent. However, the life expectancy of female was 65 years in contrast to 64 years of male. The work participation rate of women was 54 per cent as compared to that of 21 percent in respect of men. However, the time spent on non-market activity by women was only 65 percent. The participation of women in professional and technical work force is as low as 21 percent. Therefore, the organizations concerned with the development of women considered empowerment of women as a solution to these problems.

Empowerment is a process of awareness and capacity building, leading to a greater participation and greater decision making power. The process of empowerment strengthens their innate ability through acquiring knowledge, power and experience (Murugan and Dharmalingam, 2000). To raise the status of women, they must be empoared socially, economically and politically. Empowerment can serve as a powerful instrument for women to achieve upward social and economic mobility and to achieve power and status in the society.

The tenth five year plan (2002-07) has made a major commitment towards empowering women as the agent of socio-economic change and development. Based on the recommendations of the committee on National Policy for Empowerment of women, the tenth plan has suggested a three-fold strategy for uplifting the status of women through social, economic and political empowerment.

24Assistant Professor, B.L.D.E.A’s A.S.P. College of Commerce, Karnataka, India, mamata@bldemba.org
25Student, B.L.D.E.A’s A.S.P. College of Commerce, Karnataka, India, renuka@bldemba.org
Social empowerment is to create an enabling environment through various development policies and programmes for development of women, besides providing them easy and equal access to all the basic minimum services such as education, nutrition so as to enable them to realize their full potentials. Economic empowerment is to ensure adequate provision for training, employment and income generating activities, with both forward and backward linkages. Gender justice is to eliminate all forms of gender discrimination and thus allow women to enjoy their rights and fundamental freedom in all spheres of life. The provision of 33 per cent reservation in the 73rd amendment of the constitution endowed rural women with platform to enter into the perview of decision making and planning. This provides for the development of leadership quality among women which results in political empowerment.

The specialists in economic development have considered entrepreneurship development as a possible approach to empowerment of women. A women as an entrepreneur is economically more powerful than as a mere worker, because ownership not only confers control over assets but also gives her the freedom to take decision. This will also uplift her social status in the society. At present women perform exceedingly well in different spheres of activities like academics, politics, administration and social work.

It is now widely accepted that if national development and women’s development have to be purposeful and relevant, women have to be full fledged participants in economic activities. Participation of women in economic activities is now emerging as an universal phenomenon. Alternatively stated, women are increasingly joining the world labour market and also assuming the role of entrepreneurs all over the world. In India too, significant changes in women’s rate of participation in the economy are taking place with the pace of liberalization and privatization sweeping across the country. The role of women as entrepreneurs and economic workers are already visible, the enterprising females are relatively a new breed of women in India.

Entrepreneurship

The word entrepreneurship appeared first in French. In the early 16th century men engaged in leading Military expeditions are referred as entrepreneur. Around 17th century, term was used for architects and contractors of public works. Later it was coated by Mark Casson (1991) as ‘an entrepreneur is a person, who specializes in taking judgmental decisions about the coordination of scarce resources’. Entrepreneur is an innovative agent, who introduces something new into the economy – a new method of production or a new product, a new source of material or new markets. An entrepreneur’s function is to revolutionize the pattern of production by exploiting an invention or introducing an untried technological possibility for producing a new commodity (Schumpeter, 1971).

Entrepreneurship is neither a science nor an art. It is a practice. It has a knowledge base. Knowledge in entrepreneurship is a means to an end. Indeed, what constitutes knowledge in practice is largely defined by the ends, that is, by the practice (Drucker, 1986). Entrepreneurship is a process undertaken by an entrepreneur to augment his business interest. Basically, it is an exercise involving innovation and creativity that will go towards establishing the enterprise. It is the propensity of mind to take calculated risks with confidence to achieve a pre-determined business or industrial objectives (Edvinraj, 2005).

Thus, entrepreneurship is a purposeful activity indulged in initiating and maintaining economic activities for the production and distribution of wealth. It has been recognized as an essential ingredient of economic development and an integral part of socio-economic transformation.

Role of Entrepreneurship

After independence, conscious efforts are made towards economic and social transformation. India followed socialistic pattern of development policy within the framework of five-year plan. Accordingly government concentrated on the development of infrastructure for industrial and agricultural development. Thus, it was during late sixties that the small-sector began to be recognized as an instrument for tapping entrepreneurial talent. In the initial stages government envisaged a promotional package to facilitate setting up of units. This package consisted of financial assistance and incentives, infrastructural facilities technical and managerial guidance through a network of a number of support organizations of central, state and local levels. But the insufficient progress of this sector however made the planners to realize that facilities and incentives are necessary but not sufficient in themselves to ensure adequate entrepreneurial response. In fact, entrepreneurial growth required focus on the human resource development more than anything else did. Since then entrepreneurship development programmes became an integral part of our economic development programmes.

A large number of governmental and non-governmental institutions are engaged in conducting training activities directed towards developing entrepreneurship. The main objectives of these EDP’s could be broadly put as follows:

- Increasing the number of entrepreneurs who start new business units.
- Diversifying the social base of entrepreneurs from non-conventional sources.
- Improving the quality of entrepreneurship to reduce the incidence of industrial sickness.
- Reducing the incidence of unemployment by creating opportunities for Self employment.

The above objectives are attempted to be achieved through a well-designed EDP which has three important stages like:

- Pre-training.
- Training, and
- Post-training.
The aspirants for entrepreneurial training are selected on the basis of certain psychological variables like:

- The need for achievement.
- Ability to take calculated risk.
- Self confidence.
- Problem solving nature.
- Awareness of available alternatives.
- Leadership qualities.

Factors Governing Entrepreneurship

The economic and non-economic factors, which govern entrepreneurship, are:

- Social mobility for example, the caste structure in India restricted social mobility of people and people born in a specific caste confined themselves to particular economic functions.
- Psychological factors like need achievement.
- Competence, attitude alone does not make an entrepreneur and ability to complete effectively is necessary and cultural factors.

Government of India established National Institute for Entrepreneurship and Small Business Development in 1983. Like wise many such governmental and non-governmental training institutes are established to organize and conduct training programs for entrepreneurs to impart necessary skills and knowledge about financial, technical and managerial aspect of business and also giving infrastructural support for establishing new business enterprise. In this regard many agencies and institutions are working towards organizing Entrepreneurship Development Programmes (EDP). Some of the important institutions working in this regard are District Industries Centre (DIC), Rural Development and Self Employment Training Institute (RUDSETI), Council for Advancement of People’s Action and Rural Technology (CAPART), Association of Women Entrepreneurs of Karnataka (AWAKE) etc. Frequent evaluation is necessary to assess the impact of any training programme on the trainees and give workable suggestions to the sponsors and organizers of those training programmes and to modify the programmes in the right direction.

REVIEW OF LITERATURE

An examination of the past studies serves as a pointer for future investigation. It is an account what has been accomplished by previous scholars/researchers and what needs to be done. The trends created by predecessors pave the way for researchers to proceed further. The literature survey on different dimensions of topic under study is presented as following:

- Entrepreneurship development through training.
- Socio-economic characteristics of the trained women entrepreneurs.
- Success rate of EDP trainings and time lag in establishing an enterprise.
- Impact of EDP trainings on income and employment generation.
- Factors contributing and inhibiting establishment and development of an enterprise.

Entrepreneurship Development through Training:

- Chaudhari (1999) given opinion that entrepreneurship development programmes (EDPs) is the novel approach for entrepreneurship development in women and the process of EDP ranges from identification of appropriate candidates to impart necessary skills and knowledge about financial, technical and managerial aspect of business and also for developing motivation and giving infrastructural support for establishing new business enterprise.

- Udayakumar and Sreedhara (2002) in an analysis of entrepreneurship development programmes stated that EDPs are an integral part of economic development programmes and they are directed towards developing entrepreneurship with the objectives of increasing the number of entrepreneurs who start new business units.

- Anwar (2004) evaluated entrepreneurship development programmes and revealed that, entrepreneurs who applied for loans under the PMRY (Prime Minister Rojagar Yojana) are not serious about the training in entrepreneurship development. Only because the training is compulsory for fulfilling the criteria those candidates spend some days with the training institutes. They thought that was useless and beyond their understanding. And the study also revealed that the institutions conducting entrepreneurship development programmes do not had much concern for proper identification and selection of entrepreneurs for training.

Socio-Economic Characteristics Of The Trained Women Entrepreneurs

Age

- Ganesh (1975) conducted a study on impact of training on knowledge and adoption of recommended practices of soil and water management for hybrid jowar cultivation by the farmers of Malaprabha command area project and reported that majority of trained farmer’s belonged to young age group.
• Chandargi (1980) conducted an experimental study on trained farmwomen in selected districts of Karnataka and reported that majority of the (73.00%) trained rural women belonged to young age category.
• Manjunath (1980) reported that 56.00 per cent of the trained farmers of Belgaum district of Karnataka state belonged to young age group followed by 44.00 per cent belonged to old age group.

Education

• Gangadharapapa (1980) conducted a study on knowledge and adoption behaviour of trained and untrained farmers of Malaprabha command area of Karnataka state and reported that most of the trained framers are highly educated.
• Lalitha (1985) reported that 57.00 per cent of the trained farm women had high educational level.
• Sharma (1988) conducted a study on trained farmers in selected villages of Madhya Pradesh and reported that trained farmers with respect to their education are in the order of primary education (38%) high school (27%), illiterates (20%) and graduates (14%).
• Kondaiah (1990) conducted a study on entrepreneurship development in rural areas and found that 80 per cent of female are totally illiterate, 13 per cent of them had education up to primary, 5 per cent up to middle school level, 1 per cent of the respondents had education up to secondary level and one per cent are graduates.
• Mahale (1991) found that 68 per cent of the trained rural women had primary school education, 21 and 11 per cent are had middle and higher secondary level education respectively.
• Jayasree and Sugirthavathy (1991) revealed that 7 per cent of the entrepreneurs are functionally literates, 64 per cent of them had education up to secondary level, 6 per cent of them completed their higher secondary level education 21 per cent are graduates and only 3 per cent had professional qualification.
• Agabbushanam and Nanjaiyan (1998) reported that 38.08 per cent of the respondents had middle school education and 20.75 per cent had high school education, whereas, 28.30 per cent of trained farm women are illiterate.
• Dhameja (2000) in a study conducted in Haryana reported that majority of the women entrepreneurs are graduates.
• Squire and Ntshaliki (2001) reported that 42 per cent of respondents had secondary school level education, 40 per cent had primary educational level and only 4 per cent of the respondents never attended school.
• Gangaih (2006) in a case study on impact of self help groups on income and employment generation revealed that 35.6 per cent of the women members are illiterate and 64.4 per cent of them are literates.

Family Size

• Dilbagkaur (2000) in a study on rural women entrepreneurs in Tamil Nadu found that 62.61 per cent of women entrepreneurs had family size of 1-5 members and 37.38 per cent had family size of more than 5 members.
• Jhamtani (2003) in a study on entrepreneurial orientation of educated unemployed rural youth revealed that 41.77 per cent of the respondents had family size of 5-6 members followed by 28.4 per cent had family size of 7-8 members and 20.44 per cent had family size of upto 4 members. Only 8.00 per cent and 1.33 per cent of the trained educated unemployed rural youth had family size of 9-10 and above 10 members respectively.
• Gangaih (2006) revealed that the average size of the women members family was 5-6 members consisting of 2-3 children and 3 adult persons on an average.

Annual Income

• Chandargi (1980) reported that out of 109 trained women, 55.96 per cent of them belonged to low income category.
• Lalitha (1985) reported that 65 per cent of trained women belonged to low income group.
• Jayasree and Sugirthavathy (1991) reported that 26 per cent of the women entrepreneurs had monthly family income upto Rs. 3000. Twenty nine per cent of them had Rs. 3001-7000 per month, whereas 39 per cent of the respondent’s monthly family income was Rs. 7001-10,000/- and only 6 per cent of them had Rs. 10,000-15,000/- as their monthly.

Family Income

• Dilbagkaur. (2000) in a study on rural women entrepreneurs in Tamil Nadu found that 40 per cent of the women entrepreneurs come from the families whose annual income was upto Rs. 12,000, 29 per cent of each are from the families whose annual income was Rs. 12,000 to Rs.20,000/- and Rs. 20,000/- to Rs.50,000/-. Only 2 per cent of them had family annual income of Rs. 50,000/- to Rs.1,00,000/-

Occupation of Family

• A study conducted by Kulkarni, (1992) revealed that cultivation was the main occupation in majority (45%) of the families, followed by labour (25%), service (15%) and business (7%) in Aurangabad district of Maharashtra.
• Nirmala (2000) conducted a study on impact of training on selected home science technologies and revealed that 68.71 per cent, 31.25 per cent and 38.09 per cent of trainee’s of tailoring, agarbatti making and candle making technology had service as their main family occupation.
• Nandagopal and Chinnaiyan (2004) conducted a study on entrepreneur’s perception about success factor and revealed that majority (66%) of the entrepreneurs had business background followed by 18 per cent of their families depended on employment in private or government sector. Remaining 16.00 per cent of them are from agriculture background.
Loan Matrix

- Honakeri (2002) conducted a case study on financing of small scale atomobile and hardware retail entrepreneurship and revealed that for the starting up of their enterprises commercial banks (30.86%) are the major source of finance followed by moneylenders (26.45%), personal and family savings (17.64%) and cooperative banks (13.23%). The study also showed that moneylenders (37.70%) are the major source of finance at the emergency stage for an entrepreneur followed by commercial banks (27.87%), friends and relatives (20.49%) and savings scheme (4.92%). For the expansion of the enterprise commercial banks (33.79%) are the main source of finance followed by moneylenders (28.96%), friends and relatives (19.31%) and disposal of personal property (7.59%).
- Gangaiah (2006) reported that about 33 per cent of the respondents received loan amount of less than Rs. 5000/-, 37 per cent of them received loan amount of Rs. 5001 to Rs.10,000/-, about 26 per cent of the members received loan amount of Rs. 10,001-20,000/- and only 8 per cent of the members got loan amount of Rs. 20,000-Rs. 40,000/- from the banks. Skill orientation.
- Devalatha (2004) in a profile study of women self help groups in Gadag district of Northern Karnataka revealed that 58.33 per cent of the respondents are able to prepare rough plan, but not able to specify the detailed steps. While, 58.33 per cent of them expressed the possibility of involving in group functioning and 50 per cent of the women accepted that it is wrong to think men as superior and women as inferior. Majority (45.83%) of the women respondents are able to take decision by considering all dimensions of the decision area.

Achievement Motivation

- McClelland (1961) stated that achievement motivation is the degree to do well not so much for the sake of social recognition or prestige but to attain an inner feeling of personal accomplishment.
- Shailaja (1990) reported that large farm women had high level of achievement motivation and they differed significantly with other groups like small, marginal and medium farm women.
- Venkatesha (1995) in a study on impact of training under WYTEP on farm youth in Bangalore rural district noticed that 56.67 per cent of trained rural youth had medium achievement motivation, 33.33 per cent had high achievement motivation and only 10 per cent of the respondents had low achievement motivation.
- Shivalingaiah (1996) in a study on participation of rural youth in farm activities identified that, majority (86%) of the girls had low to medium achievement motivation and in case of boys majority of the rural youth had medium to high level of achievement motivation.
- Monica and Talukdar (1997) conducted study on variables influencing entrepreneurship of women entrepreneurs in Assam, revealed that 33 per cent of the women entrepreneurs had low achievement motivation, 28.30 per cent of them had medium achievement motivation and 38.70 per cent of the women entrepreneurs had high achievement motivation.

Risk Bearing Ability

- Sheela (1991) conducted a study on improved dairy practices in Bidar district who revealed that 35 per cent of the women showed medium risk taking ability whereas 28 and 16 per cent of them had low and high risk taking ability respectively.
- Monica and Talukdar (1997) revealed that 16.66 per cent of the women entrepreneurs had low risk taking ability, 45 per cent had medium risk taking ability and 38.34 per cent of the women entrepreneurs had high risk taking ability.
- Savitha (1999) conducted a study on impact of training on knowledge, attitude and symbolic adoption and value added products of ragi by farm women and revealed that there was change in the risk orientation before and after the training programme. Majority of farm women are under high risk taking category both before training (40%) and after training (51.66%).

Success Rate of EDP Trainings and Time Lag in Establishing an Enterprise

Success rate of EDP trainings:

- An evaluation study by North Eastern Council (1990) showed that overall success rate of EDPs organized during the 7th five year plan (1985-90) was 20.88 per cent. During April 1990 to March 1996 North Eastern Council, Industrial Development Bank of India and small industrial development bank of India together sponsored 212 EDPs in the North east in which 5375 participants participated. Only 25.2 per cent of the participants trained could set up their enterprises as quoted by Mali (2001) in his study on entrepreneurship development in North east.
- Beena and Sushma (2003) conducted a study on motivational perspective of women entrepreneurs managing petty business and revealed that 73 per cent of the entrepreneurs are very successful followed by 24 per cent are successful and 3 per cent are moderately successful.

Time Lag in Establishing an Enterprise

- Mundra and Kusumkotari (1992) in a study on impact of TRYSEM amongst women beneficiaries in Udaipur and Dungarpur district of Rajasthan revealed that women who started various trades took different time to establish an enterprise which varied from 6 months to 2 years. Only 15 per cent women started within six months after the training, whereas 85 per cent women took more than 6 months to 2 years to start their own trade.
Impact of EDP Trainings on Income and Employment Generation

Income Generation

- Naidu (1985) conducted a case study on impact of rural development programme on economic status of women and found a change in per capita income among the women beneficiaries of IRDP in Bilaspur district of Madhya Pradesh. The change was estimated to be Rs. 265/- in industry sector, Rs. 300/- in business sector, Rs. 313/- in the service sector and Rs. 413/- in agricultural sector.
- Jyothimani and Revathi (1992) in a study on development of women and children in rural areas (DWCRA) of Periyar district found that out of total 120 beneficiaries studied, 46 earned Rs. 2400/- and below. From the same trade some of them received almost Rs. 3000/- to Rs. 3500/- while the rest of the beneficiaries got above Rs. 3600/- to a maximum of Rs. 6600/-.
- Mundra and Kusum (1992) conducted a study on impact of TRYSEM amongst women beneficiaries in Udaipur and Dungarpur district of Rajasthan and revealed that women beneficiaries could earn Rs. 50 to Rs. 325 per month from the trade in which they are trained, 50 per cent are found earning below Rs. 100 per month and another 50 per cent are found earning Rs. 100 to Rs. 200 per month. The study also revealed that maximum income was attributed by sericulture trade followed by knitting, embroidery and stitching.
- Sharma and Parashar (1998) in their study on TRYSEM in Agra district of Uttar Pradesh indicated that, out of 94 beneficiaries who established their production units, about 46 per cent recorded annual net income of more than Rs. 5000 per annum. While remaining are in the positions to earn Rs. 3000 to Rs. 5000 per annum.
- Pushpalatha and Revathi (1999) conducted a study to assess the impact of DWCRA stated that on an average an additional income of Rs. 5000, Rs. 600 to Rs. 150 and Rs. 100 to Rs. 120 was accrued to the beneficiaries of basket making, pottery and leaf plate making trades respectively.
- Kumaran (2002) in an empirical study on role of self-help groups in promoting micro enterprises through micro credit revealed that the cost of production per month of the selected micro-enterprises under study varied from Rs. 100 to Rs. 10,000/- while the average cost of production per unit came to Rs. 2522. The monthly turnover from the micro enterprises varied from Rs. 500 to Rs. 8000 and the average turnover was Rs. 28.20 per unit.
- Vankata Naidu (2004) conducted a study on employment and income generation in Anantapur district of Andhra Pradesh and revealed that in nursing and lab technician fields the average net income was Rs. 16,088/- per annum, whereas from silk reeling unit it was Rs. 15,580/- per annum and in the field of motor winding and chalk piece making units the average net income was Rs. 8892 and Rs. 10,219/- per annum respectively. It was noticed that, out of 142 beneficiaries who established their production units, about 57.14 per cent recorded their annual net income as more than Rs. 15,000/-, while remaining are in the position to earn Rs. 10,000/- to Rs. 15,000/- per annum.
- Gangaiah (2006) conducted a case study on impact of self help groups on income and employment generation and noticed that income generation varied from activity to activity, it was Rs. 5000 per annum in the case of idly shop and Rs. 6541 per annum in case of agriculture. An average income of Rs. 18,000/- per household was generated by flower vending, followed by Rs. 16,200/- in dairying and Rs. 14,400/- in case of tailoring. The women members in cloth business could receive an average income of Rs. 10,500/- per annum.

Employment Generation

- Malik (1986) in their study on achievements, accelerators and barriers in TRYSEM found that majority of the youths are trained in handloom and carpentry trades. The trained youth in handloom industry are self employed by establishing their own handloom units or engaged in their traditional occupations. Out of the 80 trained in carpentry, 43 are self employed.
- Meerareddy (1990) studied EDP programme in Kurknool district of Andhra Pradesh and reported that EDP programme had influence on providing gainful non-farm employment to the rural poor as a part. Nearly 27 per cent of poultry trainees, 23.50 per cent of carpentry and 11 per cent of pottery and tailoring had taken up self employment.
- Soudarapandian (1991) conducted a survey in Kamarajar district of Tamil Nadu and revealed that 74.66 per cent of the EDP beneficiaries got wage employment and 11.51 per cent got self employment with financial assistance of banks. The remaining 13.83 per cent of the beneficiaries are still unemployed. Nearly 62.39 per cent of self employed category got employment through village small scale industries (VSI) sector after receiving benefits from the EDP programme.
- Shivalingegowda (1996) indicated that there was a significant increase in case of employment generation after participating in EDP programme. Nearly 59 mandays of work per year was generated over 50.75 mandays per year before EDP programme.
- Venkata Naidu (2004) conducted a study on employment and income generation from EDP in annatapur district of Andhra Pradesh and revealed that trades and services such as nursing, medical lab technician, readymade garments, TV / radio repair, printing / binding units provided employment to the extent of more than 7 hours per day. Incase of females, nursing, medical lab technician, ready made garments, silk reeling units provided more than 6 hours per day as gainful employment.
- Gangaiah (2006) found that non-farm activities generated higher number of man days of employment in the sample village. Idly shop, cloth business and tailoring generated 240 mandays of employment, whereas agriculture could generate 218 mandays of employment on an average per household followed by 180 mandays of employment by flower vending and 100 mandays by dairying.
Factors Contributing in Inhibiting Establishment and Development of an Enterprise

Factors Contributing for Establishment of a Business

- Winn (1994) in a study on assessing the entrepreneurial environment conditions for female entrepreneurship revealed that, acceptance of women as entrepreneurs, availability of education, training and economic climate are the three main factors which contributed to the success of female entrepreneurs.
- Ovidiu (1994) conducted a study on major features of the successful promanian entrepreneurs and revealed that personal savings, family money and bank loan are the main source of finance for the entrepreneurs to start their venture. And the study also revealed that entrepreneurial experience and implementing new idea’s are the main factors which contributed for the success of an entrepreneur.

Factors Inhibiting Establishment and Development of an Enterprise

- Nalini and Asha (1991) conducted a study on economic contribution of homemakers through household production in Nagpur city and revealed that 51.25 per cent home makers are not getting desirable price for their household production, whereas 2.50 per cent of home makers expressed great physical and mental exertion. Non-cooperation of family members was the major problem for 12.00 per cent of the respondents and 18.00 per cent of them expressed difficulty in getting raw material.
- Mundra and Kusum (1992) revealed that the main reasons for non-acceptance of trade are lack of confidence in skill followed by lack of money and non-availability of marketing facilities, lack of raw material and lack of machines and tools.
- Randhawa. (2001) conducted a study on production and marketing of dairy and bee-keeping enterprises undertaken by farm women of Punjab and revealed that lack of cooperative societies was the constraint expressed by 85.45 per cent of dairy entrepreneurs and 54.93 per cent by bee-keepers, 90 per cent of the dairy entrepreneurs expressed the problem of high cost of feed, while 29.57 per cent of bee-keepers felt that there was non-availability of crop for bees to collect honey. About 16.00 per cent of dairy entrepreneurs and 21.13 per cent of bee-keepers had the problem in the method used for sale.
- Narmatha (2002) revealed that the major constraints faced by livestock farm women are financial constraints followed by marketing, labour, general, personal and technical constraints. Among financial constraints, investment was the major constraint followed by working capital and financial support from institutions.
- Sarah and Atchuta (2003) conducted a study on problems faced by farm women in managing enterprises in Guntur district of Andhra Pradesh and revealed that 92.50 per cent of the respondents faced financial problems, 78.33 per cent of them expressed inaccessibility of place as a constraint followed by improper marketing facility, lack of guidance and nonavailability of raw materials. Only 22.50 per cent of respondents expressed lack of competition and lack of experience as their constraints and 13.33 per cent of respondents expressed lack of family cooperation as a constraint.

CONCEPTUAL FRAMEWORK

OBJECTIVES OF STUDY

- To know the Socio-economic characteristics of the trained women entrepreneurs.
- To know the Success rate of EDP trainings and time lag in establishing an enterprise.
- To know the Impact of EDP trainings on income and employment generation.
- To know the factors contributing and inhibiting establishment and development of an enterprise.
**RESEARCH METHODOLOGY**

The study was conducted during the year 2011-2012 in Bijapur district of Karnataka state. The main focus of this investigation was to analyse the entrepreneurship development in women through EDP trainings. The methodology used in this study is presented under the following headings:

**Research Design**

The research design adopted for this study was of ex-post facto in nature since the phenomenon had already occurred. According to Kerlinger (1973) ex-post-facto research, is a systematic empirical enquiry in which the researcher does not have direct control over independent variables because their manifestation has already occurred or they are inherently not manipulated. The main focus of investigation was to know the impact of EDP trainings on income and employment generation by trained women entrepreneurs. Hence, the research design was of ex-post-facto type.

**Sampling Procedure**

A multistage purposive sampling procedure was adopted for the investigation. The details are given below.

**Selection of Respondents**

Women of Bijapur district who had taken EDP training from RUDSETI Bijapur during the period 2007-2011 are listed. In those four years the total number of women trained is 376. Later, a list of woman trainees who had established an enterprise was enumerated with the help of RUDSETI, Bijapur. In all, 276 women trainees had established enterprises. Though it was planned to collect information from all 276 women it was possible to collect reliable information from 100 women only. Thus 100 women trainees of EDP formed the sample for the study.

**Instruments for Data Collection**

Keeping in view the objectives and the variables under study an interview schedule was prepared and that schedule was pretested to locate any ambiguity in the question. After pretesting certain modification are made in the schedule and final schedule was used for data collection. The schedule consisted of four parts. Part one was to study the socio-economic characteristics of the beneficiaries; part two was to assess the success rate of women EDP trainees, to document the time lag in establishing an enterprise and to analyse the income and employment generation. Part three was framed to ascertain the factors which facilitate and inhibit establishment and development of an enterprise. Part four was framed to get the related information from the training institute. The required information was obtained by using the pretested schedule by personal interview method.

**DATA ANALYSIS AND INTERPRETATION**

The results of the study are presented in this chapter under the following broad headings:

- Profile of the trained women entrepreneurs.
- Success rate of EDP trainings and time lag in establishing an enterprise.
- Impact of EDP trainings on income generation.
- Impact of EDP trainings on employment generation.
- Association between independent and dependent variables.
- Factors contributing and inhibiting the establishment and development of an enterprise.

**Profile of Trained Women Entrepreneurs**

Based on the objectives, trained women entrepreneurs are selected for the present investigation. It was considered essential to get an overall picture of their personnel, socioeconomic and psychological attributes, so that it would give a broad framework for the entire analysis. Accordingly, sub section deals with the personal, socio-economical and psychological variables of trained women entrepreneurs.

**Age**

The data projected in Table1 indicated that 69 per cent of trained women entrepreneurs belonged to young age group as compared to a very less percentage (11%) under old age group. The remaining 20% belonged to middle age group.

**Education**

Information in Table 1 indicated that 16% of the trained women entrepreneurs are educated upto college level and 14% upto high school level. While, 22% of them educated upto primary school level and 31% of the respondents studied upto higher secondary level. Remaining 13% of them are functionally literates. Only few had undergone Job Oriented Course (4%).
Family Size

It is clear from Table 1 that 86% of the trained women entrepreneurs are from small family (5 and below members) and the remaining 14% belonged to large family (above 5 members).

Annual Family Income

The data in Table 1 indicated that 45% of the trained women entrepreneurs are in high income group followed by 25% and 30% who are in medium and low income groups respectively.

Family Occupation

It is clear from the Table 1 that majority (42%) of the trained women entrepreneur’s family are dependent on agricultural background, whereas, 33% of the women entrepreneurs families engaged in both agriculture and non-agriculture activities. Remaining 25% of the respondent’s families are dependent on non-agriculture sector.

Table-1: Personal and Socio-Economic Characteristics of Trained Women Entrepreneurs

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Education</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Young (&lt;35)</td>
<td>69</td>
<td>69%</td>
<td>Functionally literate</td>
<td>13</td>
<td>13%</td>
</tr>
<tr>
<td>Middle (35-50)</td>
<td>20</td>
<td>20%</td>
<td>Primary</td>
<td>22</td>
<td>22%</td>
</tr>
<tr>
<td>Old (&gt;50)</td>
<td>11</td>
<td>11%</td>
<td>Secondary</td>
<td>31</td>
<td>31%</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100%</td>
<td>Higher secondary</td>
<td>14</td>
<td>14%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Family size</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Family occupation</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small (&lt;5 members)</td>
<td>86</td>
<td>86%</td>
<td>College</td>
<td>16</td>
<td>16%</td>
</tr>
<tr>
<td>Large (&gt;5 members)</td>
<td>14</td>
<td>14%</td>
<td>JOC</td>
<td>4</td>
<td>4%</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100%</td>
<td>Total</td>
<td>100</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Annual income</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Family occupation</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low (&lt;Rs. 11,000)</td>
<td>30</td>
<td>30%</td>
<td>Agriculture</td>
<td>42</td>
<td>42%</td>
</tr>
<tr>
<td>Medium (Rs. 11,000 to 25,000)</td>
<td>25</td>
<td>25%</td>
<td>Non-agriculture</td>
<td>25</td>
<td>25%</td>
</tr>
<tr>
<td>High (&gt;25,000)</td>
<td>45</td>
<td>45%</td>
<td>Both</td>
<td>33</td>
<td>33%</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100%</td>
<td>Total</td>
<td>100</td>
<td>100%</td>
</tr>
</tbody>
</table>

Sources: Primary Data.

Inferences from Table 1

The data indicates that 69% of trained women entrepreneurs belonged to young age group as compared to a very less percentage (11%) under old age group. The remaining 20% belonged to middle age group. Information indicates that 16% of the trained women entrepreneurs are educated up to college level and 14% up to high school level. While, 22% of them educated up to primary school level and 31% of the respondents studied up to higher secondary level. Remaining 13% of them are functionally literates. Only few had undergone Job Oriented Course (4%). 86% per cent of the trained women entrepreneurs are from small family (5 and below members) and the remaining 14% per cent belonged to large family (above 5 members); 45% per cent of the trained women entrepreneurs are in high income group followed by 25 per cent and 30 per cent who are in medium and low income groups respectively. It is clear from the Table 1 that majority (42%) of the trained women entrepreneur’s family are dependent on agricultural background, whereas, 33% per cent of the women entrepreneurs families engaged in both agriculture and non-agriculture activities. Remaining 25% per cent of the respondent’s families are dependent on non-agriculture sector.

Success Rate of EDP Trainings and Time Lag in Establishing an Enterprise

Success Rate of EDP Trainings

Table 2 indicates the success rate of EDP trainings given by RUDSETI during the years 2007-2011. Among the 376 women who had taken the EDP training from the institute, two thirds (73.40%) of the women trainees started the enterprises at different points of the time and one third (26.59%) of the women trainees had not taken any enterprise.

Table-2: Success Rate of EDP Trainings Given by RUDSETI (2007-2011)

<table>
<thead>
<tr>
<th>Categories</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of women trained</td>
<td>376</td>
<td>-</td>
</tr>
<tr>
<td>Total number of women who taken up enterprise</td>
<td>276</td>
<td>73.40</td>
</tr>
<tr>
<td>Total number of women who have not taken any enterprise</td>
<td>100</td>
<td>26.59</td>
</tr>
</tbody>
</table>

Sources: Primary Data.
Time Lag in Establishing an Enterprise

Table 3 below has brought to the focus that majority (58%) of the trained women entrepreneurs started their enterprise within 6 months after taking the training from the institute. Whereas 29% of the respondents took 7 to 12 months to start their units and only 13% of the EDP trainees took more than 12 months to start their enterprise.

Table 3

<table>
<thead>
<tr>
<th>Categories</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low (upto 6 months)</td>
<td>58</td>
<td>58%</td>
</tr>
<tr>
<td>Medium (7 to 12 months)</td>
<td>29</td>
<td>29%</td>
</tr>
<tr>
<td>High (more than 12 months)</td>
<td>13</td>
<td>13%</td>
</tr>
</tbody>
</table>

Sources: Primary Data.

Impact of EDP Training on Income Generation

The information in 1st Table projected the income generation of trained women entrepreneurs through their enterprise. The results indicated that 40 per cent of the EDP trainees belonged to medium income generation category which ranged from Rs. 3833/- to Rs. 11,648/-; Whereas, 31 per cent of the respondents had high income generation (i.e. more than Rs. 11,648/-) and only 29 per cent of the EDP trainees had low (less than Rs. 3833/-) income generation. 2nd table indicates enterprise wise income generation by the EDP trainees. The results indicated that an average income of Rs. 18,500/- was generated from beauty parlour unit followed by Rs. 16,177/- and Rs. 10,612/- are generated from Kirani shop sector and through saree business respectively. Nearly Rs. 8481/-, Rs. 8106/- and Rs. 6698/- was generated from home products unit, tailoring unit and garments sector respectively. The income generated from leaf plate making unit was Rs. 5011/- and it was Rs. 3776/- from dairy sector. Table 4 depicts the trend of income generation by trained women entrepreneurs. Considerable percentage of the trained women entrepreneurs (31%) showed stability in their income generation. Whereas, 40 per cent of them showed continuously increasing trend in their income generation and decreasing trend of income generation was noticed in 29 per cent of the women entrepreneurs.

Table 4: Distribution of Trained Women Entrepreneurs Based on Income Generation through the Enterprise

<table>
<thead>
<tr>
<th>Categories</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low (&lt;Rs. 3833.08 per annum)</td>
<td>29</td>
<td>29%</td>
</tr>
<tr>
<td>Medium (Rs. 3833.08 to Rs. 11,648.97 per annum)</td>
<td>40</td>
<td>40%</td>
</tr>
<tr>
<td>High (&gt;Rs. 11,648.97 per annum)</td>
<td>31</td>
<td>31%</td>
</tr>
</tbody>
</table>

Sources: Primary Data.

Table 5: Enterprise Wise Income Generation by Women Entrepreneurs

<table>
<thead>
<tr>
<th>Enterprise</th>
<th>Average Income Generation / Annum (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beauty Parlour</td>
<td>18,500/-</td>
</tr>
<tr>
<td>Tailoring</td>
<td>8106/-</td>
</tr>
<tr>
<td>Kirani Shop</td>
<td>16,177/-</td>
</tr>
<tr>
<td>Dairy</td>
<td>3776/-</td>
</tr>
<tr>
<td>Saree Business</td>
<td>10,612/-</td>
</tr>
<tr>
<td>Garments</td>
<td>6698/-</td>
</tr>
<tr>
<td>Home Products</td>
<td>8481/-</td>
</tr>
<tr>
<td>Leaf Plate Making</td>
<td>5011/-</td>
</tr>
</tbody>
</table>

Sources: Primary Data.

Table 6: Trend of Income Generation by Trained Women Entrepreneurs through Enterprise

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing Trend</td>
<td>40</td>
<td>40%</td>
</tr>
<tr>
<td>Stable</td>
<td>31</td>
<td>31%</td>
</tr>
<tr>
<td>Decreasing Trend</td>
<td>29</td>
<td>29%</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100%</td>
</tr>
</tbody>
</table>

Sources: Primary Data.
Impact of EDP Training on Employment Generation

The information in Table 7 below revealed that majority (51.53%) of the trained women entrepreneurs generated medium range (139.14-227.02 mandays) of employment through their enterprises, whereas, 25.38 per cent and 23.09 per cent of them generated low range (less than 139.14 mandays) and high range (more than 227.02 mandays) of employment respectively.

Table 7

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low (&lt;139.14)</td>
<td>30</td>
<td>30%</td>
</tr>
<tr>
<td>Medium (139.14-227.02)</td>
<td>45</td>
<td>45%</td>
</tr>
<tr>
<td>High (&gt;227.02)</td>
<td>25</td>
<td>25%</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100%</td>
</tr>
</tbody>
</table>

Sources: Primary Data.

Factors Contributing and Inhibiting the Establishment and Development of an Enterprise

Factors Contributing for Establishment and Development of an Enterprise

It can be observed from below table 8 & Fig. that self confidence (78%) was the major factor which contributed for success of an entrepreneur followed by cooperation from husband/family at the time of start (63%) and availability of specified skill to work on specific project (89%). Availability of loan from the bank, favourable attitude of customers and adequate training are the favourable factors for 60 %, 40 per cent and 60 % of the trained women entrepreneurs. Only 40 per cent of them expressed good experience as favourable factor.

Table 8

<table>
<thead>
<tr>
<th>Factors</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self Confidence</td>
<td>78</td>
<td>78%</td>
</tr>
<tr>
<td>Cooperation from Husband/Family at the Time of Start</td>
<td>63</td>
<td>63%</td>
</tr>
<tr>
<td>Availability of Specified Skill to Work on Specific Project</td>
<td>89</td>
<td>89%</td>
</tr>
<tr>
<td>Availability of Loan From the Bank</td>
<td>60</td>
<td>60%</td>
</tr>
<tr>
<td>Favourable Attitude of Customers</td>
<td>40</td>
<td>40%</td>
</tr>
<tr>
<td>Adequate Training</td>
<td>60</td>
<td>60%</td>
</tr>
</tbody>
</table>

Sources: Primary Data.

FINDINGS

Profile of the Trained Women Entrepreneurs

- Majority of the respondents (69%) belonged to young age group.
- A considerable percentage (16%) of the trained women entrepreneurs educated upto college level and 14% educated up to high school level. Only 13% of the respondents are functionally literates.
- Majority of the respondents (86%) belonged to small family.
- Nearly 45% of the respondents belonged to high income group. Only 30% of them belonged to low income group.
- Majority of the trained women entrepreneur’s (42%) families are dependent on agriculture.
- Majority of the EDP trainees had taken up beauty parlor, tailoring, kirani shop and dairy enterprise. Relatively less percentage of the EDP trainees took business of home products, saree business, garments and leaf plate making units.

Success Rate of EDP Trainings and Time Lag in Establishment of an Enterprise by Women Entrepreneurs

- Majority (73.40%) of the EDP trainees started the enterprises after taking the training from the institute.
- Nearly 58% of the trained women entrepreneurs started their enterprise 6 months after taking the EDP training.

Impact of EDP Training on Income Generation

- Nearly 40% of the trained women entrepreneurs belonged to medium income generation category.
An average income of Rs. 18, 500/- was generated from beauty parlor unit followed by Rs. 16,177/- and Rs. 10,618/- was generated from Kirani shop sector and through Saree business respectively.

A considerable percentage (31%) of the trained women entrepreneurs showed stability in their income generation. Decrease in income generation was observed in the case of 29% of the trained women entrepreneurs over a period of 4 years. About 50 % of the trained women entrepreneurs showed 40%to 50 % increase in income generation over a period of 4 years.

Impact of EDP Training on Employment Generation

- Majority (45%) of the trained women entrepreneurs had generated medium range of employment through their enterprise.

Factors Contributing and Inhibiting the Establishment and Development of an Enterprise

- The major factors which contributed for establishment and development of an enterprise are availability of specified skill to work on specific project (89%), self confidence (78%), cooperation from husband/family at the time of start (63%), availability of loan (60%), favorable attitude of customers (40%) and adequate training (60%).

SUGGESTIONS

- Two thirds of the (73.40%) EDP trainees started the enterprise after taking the training from the institute and a considerable percentage more than 25% of the trainees did not established any enterprise. The RUDSETI, Bijapur should make all the efforts to critically analyse the reasons for not taking up of any enterprise and get the appropriate feed back from them. Efforts should be made to motivate them and create better infrastructure.

- Nearly 58% of the respondents started their enterprise within 6 months after the training. It in appreciable to find the above result, but in the same way one-third of the EDP trainees took 7 to 12 months to start the enterprise. It is evident from the study that loans are not available intime which lead to delay in establishment of the enterprise. Necessary care should be exercised for timely sanctioning of the loan to the interested trainees.

- More than half of the trained women entrepreneurs belonged to medium level of income generation category. It is heartening to find majority of the respondents in the medium income generation category. It is also noticed that there is stability in income generation. But for the success of an enterprise it is necessary to expand the size of the units and achieve higher income generation. This calls for further encouragement of women trainees who have established their enterprise by the agencies who are involved in entrepreneurship development and women empowerment. The follow up programme should be taken up in such a way that, they should offer solution to the problems which intervene in their activities, to sustain their knowledge regarding the learnt activities, latest technologies, skills and opportunities for further establishment of their enterprise. And also to create awareness about the government policies and programmes, availability of raw material, marketing facilities and financial sources.

- A special cell needs to be setup to deal exclusively with the women entrepreneurs and provide the technical guidance in running their enterprise successfully.

CONCLUSIONS

Present study is limited to small area and less number of respondents. Future research need to be taken on state / nation wide basis considering different types of enterprises, increased number of women entrepreneurs, types/ variety of entrepreneurship development programmes of different training institutes.

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FACTORS DETERMINING EXCELLENCE IN BUSINESS: A STUDY OF SELECTED LISTED COMPANIES IN INDIA

R. K. Gupta26 Harsh Dwivedi27

ABSTRACT

Improvement of Business performance has become imperative for firms to increase their competitiveness and achieving better business results. Acceleration of technological development, business risks, rising customer expectations and intense global competition has resulted in a challenging environment necessitating a dynamic change process. This process is indeed difficult to manage and Business Excellence and Innovation have become critical instruments for managers to secure survival and growth. This excellence has to be achieved in all critical business processes.

KEYWORDS

Business, Processes, Performance Indicators, Business Excellence Practices etc.

INTRODUCTION

Since liberalization, Indian companies have taken various measures to improve their business practices in various areas and to focus on customer satisfaction. It has become important to reach world-class status for the companies in India. This is measured by a set of commonly accepted global benchmarks i.e. World-class performance parameters.

Defining Business Excellence, discovering its determinants, analyzing the status and characteristics of Business Excellence in the Indian Services & Manufacturing industry, and measuring effects of these practices on firm’s performance constitute the major objectives of this thesis. Process based excellence is basis for conducting this study.

After an extensive literature review, mainly two fundamental research questions were singled out as stated below:

- What are the determinants or factors of Business Excellence in Indian companies?
- Are some benefits from Business Excellence applications accrued to firms, especially in terms of improved competitiveness and business performance indicators?

After an extensive literature review we have hypothesized that there are shared common practices and policies that can be followed by organizations to achieve better financial and non financial performance results. Use of such practices improves business performance of the companies. No such study was conducted before in India and on Indian companies.

Based on review of responses of companies and literature, we identified technology and innovation tendency, human Resources management, process management and continuous improvement (CI), manufacturing structure and operations, planning, operations strategy, customer focus, supplier relations and Leadership as Business Excellence determinants.

By an elaborate scrutiny of NSE 500 companies’ database which covers 95% of market capitalization, we selected 75 top performing companies listed in India to cover all important 35 sectors of economy from services and manufacturing sectors. The final list we got is a who is who list of Indian corporate sector and includes several companies having won quality awards, certifications and independent excellence models and some of these companies have appeared in Forbes list.

In these companies we have painstakingly searched for best practices being used globally.

We have successfully identified 168 business processes in the 9 groups of Management functions, and 33 World class status benchmarks metric to assess excellence status of financially best performing listed companies of India. A metric of 29 Performance Indicators (In 8 groups of criteria) have also been designed which can be used for self evaluation by any company.

The questionnaire was prepared by considering Business Excellence determinants and the Questionnaires employed in some previous studies. The Questionnaire collected intensive details about policies and procedures and operational data about top performing companies of India listed on stock exchanges.

We have also studied in elaborate statistical detail the effect of excellence practices and quality awards on business performance indicators. A strong relationship has been found between business excellence practices and business performance indicators for which median split correlation tests were conducted. A new measure, Consistency score, has been introduced for first time in literature to indicate a stable growth rate potential of a company. Comparison has also been made between Manufacturing & Services industry practices. We have also used a new criterion Mean/SD ratio of responses received from companies so as to rank them.

26Research Scholar, School of Business & Management, Jaipur National University, Rajasthan, India, rkgupta@rkgupta.in
27 Director & Research Guide, R. A. Poddar Institute of Management, Rajasthan University, Rajasthan, India, dwivedi_harsh1@rediffmail.com.
In the steps following the gathering of data, analyses about relationship between Business Excellence determinants (BE variables), World-Class status scores (WCC) and Firms’ Business performance indicators (PI variables) and financial indicators are performed. Co-linearity tests, Randomness tests, Factor analysis, correlation analysis, T tests, and Structural Equation modeling (Path analysis) were selected as the appropriate methods for the research. Software packages MS Excel, Minitab v14.0, SAS v 9.0 and SPSS v17 and the add-on module AMOS were used.

We have successfully identified important factors of excellence and validated our research model and concluded that business excellence practices and world class status scores of company on important criteria have impact on Business Performance output and improved competitiveness of companies.

The model developed, and the practices identified for business excellence and performance indicators provide a kind of simplified and easy to monitor ‘balanced score card’ for companies to assess and regularly monitor the progress towards Business Excellence achievement and attaining world-class status. It cuts down lengthy and complicated processes laid down in various National Excellence models. This is major contribution of this study. We have also identified various growth strategies and operational practices followed by top companies and reviewed the Leadership, communication, and organizational Structure considered vital for success.

Figure-1

Sources: Authors Compilation.

**BE**: Business Excellence Practices;
**PI**: Performance Indicators;
**WCC**: World class Status Measures,
**Customer PI**: is customer satisfaction related performance indicators and one of the 8 categories.

A number of popular strategies for growth and business practices adopted by these top companies in India have been identified and analyzed.

However, no statistical evidence could be found that adoption of independent business excellence models like EFQM or CII-EXIM, results in better financial performance in markets as expressed, by CAGR of Revenue and Profit and a consistent rise in growth rate as expressed by the new variable designed by us ‘Consistency score’ over last 5 year period.

It is found out that those companies that have adopted significant Quality models and received Quality awards / Certifications and have also focused on a well planned significant R&D expenditure (1% of Revenue and above) have shown more consistent and stable growth rate in revenue and profit over last 5 year period indicating their global competitive strength.

**Chapter 1**: We have summarized background and rationale of undertaking this research project and mentioned two hypotheses:

**Hypotheses Tested in course of these investigations:**

There exist common / shared practices that can be associated with business excellence.

The implementation of business excellence practices has positive impact on business performance of organizations.

**Chapter 2**: We have critically reviewed the existing literature and various excellence models developed by various national bodies globally and also in a leading Industrial Group of ‘Tata’. We have identified various important practices that need to be followed by organizations.

**Chapter 3**: We have given in detail research methodology followed regarding development of research model, development of detailed questionnaire with more than 400 questions including Likert scale questions, open ended questions and choices from list of latest technologies and processes used in global companies. We also elaborate on how pilot testing was done and how final sample companies list was concluded.
Chapter 4: Detailed statistical analysis of data gathered is shown. Various software packages have been used for accurate and easy testing of data, which included Excel sheet, SPSS, SAS, and AMOS module of SPSS package for advanced testing of data by Path analysis (SEM). The data have been analyzed on several criteria and patterns observed. By carrying out path analysis we have been able to establish 6 models of relationship at high level of significance value(p<.05) between Performance Indicators and various groups of Business practices, for example, HRM Practices, leadership strategies etc showing how various practices affect results directly and indirectly. We have indentified which business practices and strategies are used by these top companies for growth and competitiveness.

Chapter 5: We have given detailed background of top 20 companies in the sample and their various practices and policies, and at end of this chapter a summary has been given. The sample companies selected by us in 2011 have done well in 2012 as 5 of them have appeared in Fortune top invention companies and a number of them have won best CEO of the year and company of the year awards.

Chapter 6: We have finalized the business excellence model, which is an easy to understood, and easy to monitor 'balanced score' card for organizations to follow irrespective of the type of industry. We have also proposed a customer focus business excellence model, which, companies can follow for excellence through customer driven policies and processes.

Chapter 7: We have discussed various data gathered and analysis done and discussed the same in light of current literature. We have also tested two theories of S. Hart (1992) and Miles & Snow (1978) regarding Leadership styles and organization strategies. We have also discussed the core competency concept practiced in Indian companies by C K Prahlad. None of these have been validated in Indian companies and different patterns have emerged. The Indian companies are relying on diversification more than acquiring core competency. The effect of excellence model adoption and spending in R&D has been correlated with Consistency of firm’s financial results over a period of years, which has been found positive.

The study casts new light on business excellence model and various practices followed in Indian best performing companies. It is, to the best knowledge of the author, first of its kind study leading to development of a statistically validated comprehensive easy to use business excellence model tested in the portfolio of best Indian listed companies.

In fact this is a new model that considerably simplifies evaluation and periodic monitoring by various organizations. The organizations have to add only a few industry specific benchmark criteria, for example, seat-km utilization in case of aviation sector. We have also developed a new criterion ‘Consistency score’ that can be used as a variable of high importance in such studies. For each performance parameter in the model the user has to set a global benchmark value and then rank the self progress against each periodically.

It was found that Services sector companies scored higher in all excellence practices groups than manufacturing sector but there was no statistically significant difference. 12 companies out of 20 top companies in sample practice Six-Sigma system. The top 20 companies are characterized by a strong top leader, high level of communication inside organization and strong core values that employees identify with.

Contrary to several global studies (Like by Hendricks and Singhal, 2002), we have found that acquiring excellence models and awards does not influence directly and visibly stock market performance vis-à-vis the benchmark indices or general market performance of listed companies. The result for last 7 years period comparisons for various CH-EXIM award/prize winning companies in India in stock market is mixed and unclear. Also the business excellence practices cannot be associated with financial outcomes i.e. CAGR of Revenue and Profits and also to the Consistency score related to continuous positive growth rate. All the data used for companies are for 5 year periods from F/Y 2007 to 2011. In some cases even latest data for F/Y 2012 have been used.

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