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IPE JOURNAL OF MANAGEMENT

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IPE Journal of Management is a bi-annual, peer-reviewed journal which publishes empirical, theoretical and review articles dealing with the theory and practice of management. The aim of the journal is to provide a platform for researchers, academicians, practitioners and policy-makers from diverse domains of management to share innovative research achievements and practical experience, to stimulate scholarly debate both in India and abroad on contemporary issues and emerging trends of management science and decision-making.

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- Abstract should contain in brief – focus, methodology, findings and conclusion with 5 to 6 key words.
- The author(s) present position, other affiliations, complete mailing address(es) (both postal and e-mail), mobile numbers should be provided.
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- All quotations should be checked carefully for accuracy and should be unaltered except for ellipses and bracketed insertions.
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Impact of Board Effectiveness on Performance of Banks: A Structural Equation Model Analysis

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Madhu Vij[2]

ABSTRACT

The primary role of internal control mechanism in Corporate Governance (CG) is performed by board of directors in a firm. This Study seeks to understand the relationship between internal governance and performance of banks in India. The effectiveness of board is evaluated by considering variables such as board practices, independence of board, gender diversity in board, decision making at board.

The Study uses primary data in relation to perceptions of above noted variables which were collected through a questionnaire consisting of 25 questions on a 5-point likert scale. The perceptions were collected on above stated aspects of corporate governance. It was administered amongst the 97 board members of banks or their representatives wherever so assigned. The reliability was assessed for each Construct with the help for chronbach's alpha. To validate the research outline proposed, convergent and discriminant validity was assessed. A linear Structural Equation Model (SEM) was applied to the Confirmatory Factor Analysis (CFA) of the research model's structure.

This Study provides empirical support for the top official's perspective for differences in internal corporate governance practices followed among public and private sector banks in India. Differences in board composition, annual evaluation, and nomination policy of directors, ownership structure in public and private banks etc may give rise to the need of accepting changes that are necessary in governance architectures to make sure that complete potential of the board is realized in terms of performance. This Study offers insights to policy makers interested in enhancing the quality of governance of banks in India. The findings suggest that it is essential to populate

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bank board with experienced and competent women who could meaningfully contribute to board decisions. In addition, it provides a board of director perspective for Corporate Governance policies followed in Indian banking. The study suggests that there is an immediate need for public sector Indian Banks to provide training to their board members and also appoint an independent corporate governance officer to enable independent decision making.

Keywords: Corporate Governance, Board Characteristics, Banks, Performance, Structural Equation Model

Introduction

Corporate Governance has emerged as a multifaceted concept in the twentieth century. Around the globe, the recent financial meltdown has highlighted the importance of good corporate governance practices to be sustainable in the competitive scenario. The primary role of internal control mechanism in Corporate Governance is performed by board of directors in a firm. Researchers have found that one of the major causes of the collapse of many firms around the world is the improper functioning of the boards of directors and management. The board of directors represents the shareholders and it is their responsibility to make decisions that are in the best interests of the corporation and of its shareholders (Nam and Nam, 2004). However, in practice the board of director's work for the dominant shareholders and forget its primary role of protecting minority shareholder interests. In 1990's the high profile corporate scandals have initiated the inquiries and commissions in various countries related to codes and standards of corporate governance for the economy (Ingley and Walt, 2005). Many countries have proposed reforms to generate new codes and governance standards and tougher regulations for compliance requirements. The reforms on Corporate Governance have given measures to make board more effective and more responsible. JJ Irani committee report, 2005 stated "The board of Directors has to exercise oversight over business operations while directly measuring and rewarding management's performance. Simultaneously the board has to ensure compliance with the legal framework, integrity of financial accounting and reporting systems and credibility in the eyes of the stakeholders through proper and timely disclosures." However it is still not clear whether such reform efforts have made boards a strong forum to make decisions in the interest of minority shareholders and the corporation. The reform to achieve the desired objectives suggests the need for the firm to include measures that support board effectiveness and promote the development of other aspects of corporate governance (Sanda *et.al*., 2008). Moving from mere compliance and reporting of governance standards towards "Board effectiveness" approach, this study examines the top management perceptions towards different aspects of governance perspectives.

The present study endeavors to an extent to fill the gap in research that good corporate governance depends upon the effectiveness of board of directors. Previous studies have not provided certain evidence of the hypothesized relationships between board effectiveness and performance (Maharaj, 2009; Zona & Zattoni, 2007 and Finkelstein & Mooney, 2003).

The effectiveness of board is evaluated by considering variables such as board practices, independence of board, gender diversity in board decision making at board.

Relevance of CG in Banks

Banks are the backbone of the Indian economy. The disorders in the banking industry affect all areas in the economy because of the interdependencies. In Banks there is a conflict of interest among the shareholder and the depositors. Shareholders expect better share value by willing to take high risk projects, at the expense of enlarged risk for depositor. The significance of corporate governance in banks is therefore special from the corporate governance of any other company. Various studies have explored corporate governance impact on performance of companies. However, only a few studies have examined how Corporate Governance practices impact performance in Banks where board composition, board practices and its effective decision making is a part of internal governance architecture. Thus the central thesis of this study is to analyze whether internal governance affects the performance of banks.

The remainder of this Study is as follows: The next section presents a literature review and helps to build a theoretical model. Its subsequent section describes the methodology. The following section provides the empirical result and detailed analysis. The final section concludes the Study.

Review of Literature

The present paper intends to join the bandwagon of researchers in the corporate governance practices with empirical evidence from India. This Study contributes to the literature by providing detailed analysis of the significant relationship between board process factors, board decision quality and performance of Indian banking industry.

Cadbury Report in 1992 initiated the development of best practice for effective corporate governance. Many countries have followed Cadbury report for setting their regulations and standards for governance including separating the CEO from the board chairman position, strengthening the sub committees by ensuring the presence of independent directors, and ensuring fair nomination policy for board appointments. The blue ribbon report followed the Cadbury report and stated that board responsibility include selecting, monitoring, evaluating and compensating board members and senior managers. In India, the Companies Act, 2013 in chapter VII delineates the responsibility of board and board practices. The Act sets out the requirements of board of directors in relation to board practices and duties. The act stated that: The board of a company must be accountable to the company and to all its stakeholders, the board ensure a formal and transparent board nomination and election process, The board of a company must review and guide the corporate strategy and vision of the company, and the board ensure the composition and working procedures of committee must be well defined and disclosed by the board. Berenbeim, 1994 suggests that board must fulfill the responsibility of strategy formulation, accountability to stakeholders, executive administration and performance monitoring. The study illuminates the role of board processes, duties and responsibilities towards effective decision making and performance of banks in India.

In light of gender diversity, the role of women on board is getting increasing attention (Daily *et.al.*, 2000). Many recent studies (Nielson and Muse, 2010, Terjesen *et.al.*, 2009) have focused on the presence of number of women on board over the years. Huse & Solberg, 2006, a qualitative study, focused on the women director's experience and analyzed the perceptions of their board members. Fondas and Sassalos, 2000 argues that women have superior responsibilities as directors which can lead the board to become more effective. According to Adam, 2008 women can contribute by bringing different perspectives, experiences and opinions to the table. Bernen, 2008 concluded that women on board help in reducing the conflict on board and add creativity to board processes. It is well recognized that enabling women on board to contribute their skills, experience and perspectives helps corporates to improve operations of the firm by delivering better solutions to the challenges and sustainable value to stakeholders (ICSI, 2014). However none of these studies have focused on the contribution of women directors in effective decision making. Joe Keefe President and CEO, Pax World Funds said "When women are at the table, the discussion is richer, the decision making process is better, management is more innovative and collaborative, and the organization is stronger".There is a need to investigate if gender diversity contributes positively to the good corporate governance practices which further promote balanced decisions in an emerging economy.

The board independence has been recognized as an important corporate governance mechanism to prevent governance malpractices. In India, to strengthen Corporate Governance, the concept of Independent Director was initiated by securities Regulations promulgated by Securities Exchange Board of India which was imposed on listed companies. The clause 49 of listing agreement recommended that Independent director must be familiarized with the company, their roles, rights and responsibilities in the company, the business model of the company and the nature of the industry in which the company operates. The Companies Act stated that Independent director must undertake training programmes and also utilize their skills and knowledge to the good advantage of the company. Sanda, 2008 argued that the effectiveness of board of directors depends on the ability of the board members to ensure degree of independence from the CEO. Several previous studies (Rosenstein and Wyatt, 1990, Agrawal and Knoeber, 1996) have researched the relationship between board independence and firm performance merely by calculating the relative percentage of inside versus outside directors on board. Indeed this variance reflects only the compliance of norms but not any difference in effectiveness of board.

Boards usually make decisions as a group and board decisions are therefore the product of consensus Brennan (2010). It is a group thinking process where the opinions of the people are modified to reflect what others want them to think. Various previous researches (Brennan, 2010, Bonabeaus and Weisbuch, 2003) have found that board decisions are also influenced by a few dominant individuals. Pearce and Zahra (1991) argue that for effective decision making a powerful board is necessary. They concluded that the board of a company must be committed to the company's mission, values and strategy. Effective decision making in board includes the proper and timely reporting and keeping well informed about the affairs of the business (Ingley and Walt, 2005). Thus corporate governance is generally measured by reference to board effectiveness. Previous studies have not provided many insights about the effective decision making in board and how this relates to the performance of firms.

Some of the related studies based on perceptions of top management and board effectiveness have been discussed below:

Ingley & Walt, (2005) evaluated perceptions of the New Zealand director's current contribution to different aspects of governance practice. The study discussed the relation between the influence of board tasks and functions on actions with reference to the New Zealand Companies Act 1993. The director's perceptions of the current contribution to fellow board members related to various governance practices were evaluated. The evaluation highlights the extent to which individual directors and the board as a whole could actually influence key outcomes and their governance contribution. The sample of study involved 3000 directors and concluded that suggestions for enhancing board processes and related changes should be considered in legislation.

Nam and Nam (2004) conducted questionnaire survey in four Asian countries particularly hard hit by the Asian crisis: Indonesia, Korea, Malaysia, and Thailand. An opinion survey with a sample of 596 directors of companies listed on their countries' stock exchanges was done. The study concluded that in all four countries, boards were relatively weak at selecting, monitoring, and replacing CEOs, reviewing the remuneration of key executives and directors and supporting outside directors by providing necessary information, so that they can contribute effectively to the boards' work.

Mande *et.al.,* (2013) explored that for effective board performance, principle-based board process is an important factor. The study conducted a survey perception of 154 respondents from Nigerian capital market participants. Using confirmatory factor analysis (CFA) in a structural equation modeling (SEM) approach, the study suggested that board process play a more important role in explaining board role performance. They concluded that understanding the diverse dimensions of board processes could lead to improved working of boards to make best use of their respective tasks towards board performance.

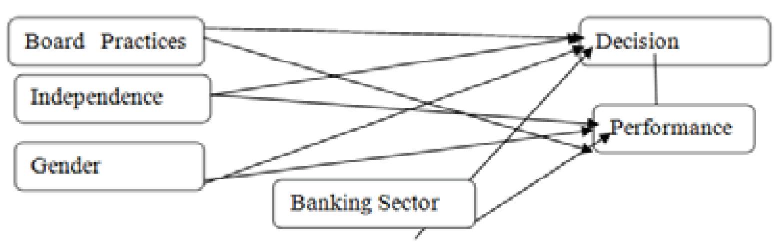
Zona & Zattoni (2007) also contributed to the literature on boards of directors by providing a more thorough analysis of the relationship between board processes and board task performance. The study used a sample of 301 largest manufacturing firms in Italy. Using factor analysis and multiple regression analysis they concluded that board processes have a positive and significant relationship with board task performance. They also found that the amounts of time and levels of commitment devoted by directors towards their responsibilities lead to noteworthy increases in the degree to which boards are able to make useful contributions in monitoring management behavior, levels of board role in strategy formulation, and their decision making.

Maharaj (2009) developed a corporate governance decision making model. According to him Information about board characteristics can provide management theorists with a wide range of 'informal' variables that can add to the decision-making process. Board characteristics assist the board in working as a team, improving the effectiveness of the board. He concluded that to efficiently achieve optimum decision-making, the board members must have a high and diligent level of participation at board meetings.

The appropriate governance variables for the Study have been identified with the help of prior research. Many previous studies have explored effectiveness in board practices (Nam and Nam, 2004, Balasubramanian *et.al.*, 2010, Ho, 2005, Gompers *et.al.*, 2003), Gender diversity (Nielsen, & Huse, 2010), Independence of board (Sanda, Garba & Mikailu, 2008) and boards Decision making (Maharaj R.2009). Brennan and Solomon (2008) support broader theoretical perspectives and methodological approaches ahead of the traditional employment of financial parameters to measure corporate governance and performance. Due to the conflicting and ambiguous results in empirical research on past efforts in the corporate governance literature, new research directions and theorizing in empirical researches on boards is required (Brennan & Solomon, 2008; Daily, Dalton & Cannella, 2003; Gabrielson & Huse, 2004). Hence, the study makes a paradigm-shift to perceptions of top management in place of the dominant rule-based perspective to understand conditions for effective corporate governance and performance.

In the backdrop of literature mentioned above, this present Study identifies and evaluates corporate governance-related variables such as the effectiveness of Board Practices (D1), the Independence of board of directors (D2), Gender diversity in board (D3), effectiveness of Decision Making at board (D4) and Performance of firm (D5). Figure-1 presents the theoretical model and appendix presents the board effectiveness variables included by various studies. These board variables help in formulating questionnaire for further analysis.

Figure-1: Theoretical Model



Hypothesis

Three hypothesis as presented below has been discussed in this study

H_1: Decision Quality

H_{1a}: Decision quality is positively related with independence of board.

H_{1b}: Decision quality is positively related with gender diversity of board.

H_{1c}: Decision quality is positively related with board practices of board.

H_2: Performance

H_{2a}: Performance is positively related with independence of board.

H_{2b}: Performance is positively related with gender diversity of board.

H_{2c}: Performance is positively related with board practices of board.

H_3: Banking Sector moderates positive effect on decision quality and performance.

Methodology

Sample Selection and Data Collection

The Study uses primary data in relation to perceptions of corporate governance practices and decision making. A questionnaire survey was conducted and it was administered amongst the board members or their representatives i.e. top management officials in Banks. The informational data was collected by way of personal meetings with the respondents in the banks and also through email. Overall 97 usable responses have been employed for further analysis.

The Study employs more reliable methodological approach (Structural Equation Modelling) to empirically test the statistical hypothesis. For confirmative casual relationship analysis; SEM is an appropriate analytical approach. SEM is a combination of conventional and recent development approaches. The data for both board practices and board role performance variables was obtained from responses on 5-point Likert Scale questionnaire. Great care was taken in designing the questionnaire.

For corporate governance research, a few previous studies have used SEM (Daily *et.al*., 1999; Sahnoun and Zarai, 2009; Tam and Tan, 2007; Zhang, 2010; Azim, 2012). SEM enables to estimate a separate series of multiple regression equation simultaneously by designing the structural model. The model can express relationship among dependent and independent variables simultaneously when in other relation the dependent variable becomes independent variable. The variables that cannot be observed directly are termed latent variable in SEM. In this research latent variables are the Board practices, Board independence, Gender diversity, Decision Making and Performance. These variables are unobserved and their value is determined from the related observed variables. The Observed variables are represented by data and are usually continuous. In this study the observed variables are measured on the five point liker scale. A latent variable is a hypothesized concept that can be approximated by observable or measurable variables (Azim, 2012). In SEM the latent variables are continuous regardless of the properties of the observed variables. It is very difficult to perfectly measure a latent concept without considering error. Thus SEM enables improvement in statistical estimation by dealing with such type of error.

Analysis and Results

Perception of Top Management on Corporate Governance Practices for Banking Industry in India

This section presents the detailed empirical analysis and discussions of results of a survey undertaken to study and understand the perceptions of top management who are responsible for corporate governance in banks. To conduct the survey a structured questionnaire with close ended questions was designed. Literature review helped in designing the questionnaire. Few questions were also based on discussions with the members during pre-testing of the questionnaire. The questionnaire was filled by taking personal interviews of some members and rest of the respondents were contacted through emails and phone calls.

Pre-test

To validate the questionnaire pre-testing is important as it includes all aspects related to governance practices and includes the perception of selected market participants. The statements of the questionnaire have been based on theoretical and empirical previous studies of the topic and also based on our work related to secondary data. Pre-testing the questionnaire helped in enhancing the quality of the questionnaire by removing ambiguity from the terminology used and also by making it more concise and convenient for the respondent to answer it. Based on pre-testing many suggestions related to design and improvement of questionnaire were suggested which were included in the final questionnaire.

Preliminary Data Analysis

The study started with a preliminary analysis for data and check for missing values, outliers and normality. Firstly each response was checked to make sure the responses are free from any missing values. Out of 102 responses received 97 were complete and the rest 5 responses were rejected. The rejection rate for the questionnaire was comparatively small. We then checked the data for any outliers since they can affect the analysis and may lead to spurious results. Outliers are detected by investigating the distribution of observations and selecting cases which fall at the outer ranges of the distribution (Hair *et.al*., 1998). The result confirmed that there is no such case to be considered. It is also essential to test the normality of the primary data otherwise the results could be invalid (Hair *et.al.,* 1998). The normality is checked by comparing the skewness and Kurtosis of the interval scaled items. All items are normally distributed as all of them fell between the range of +3 and -3.

Profile of Respondents

Table-1 presents the profile of the respondents representing their position in the bank, professional background, qualification, sector and gender. Six percent of the respondents represent chairman or managing director of the bank, twenty two percent represent executive and non-executive directors of the bank and the rest were GM and Senior Managers. In case of Professional background, the frequency distribution analysis indicates that a majority (87%) of the respondents were from financial background and rest from the different background. Thus most of the banks comply with the guideline of at least one board member having an expertise in finance and accounts. Further, approx 95% of the respondents in our sample had a master and a professional degree. Majority of the respondents (77%) were male.

Table-1: Respondent Background

Position	Number	Percentage
Chairman	6	6.12
ED	7	7.14
NED	14	14.29
GM	41	41.84
Senior managers	30	30.61
Total	**98**	**100.0**

Position	Number	Percentage
Professional Background		
Financial Background	86	87.8
Academic	4	4.1
Accountant	5	5.1
Lawyer	1	1.0
Other	2	2.0
Total	**98**	**100.0**
Qualification		
Bachelor's Degree	3	3.1
Professional Degree	19	19.4
Master's Degree	74	75.5
Doctorate	2	2.0
Total	**98**	**100.0**
Gender		
Female	23	23.5
Male	75	76.5
Total	**98**	**100.0**
Sector		
Public	58	58
Private	40	40
Total	**98**	**100.0**

Source: Questionnaire survey

Analysis of Survey Results

This section of the study provides an analysis of the perceptions of the top management on various aspects related to corporate governance in India. A questionnaire has been used to collect the perceptions of the top management on a 5 point likert scale. The study has surveyed five aspects of corporate governance i.e. Board Practices, independence of board of directors, gender diversity in board, Decision Making at board and bank's Performance. The average score of each component along with the agreed and disagreed percentage has been analyzed and reported.

In order to understand the effectiveness of board in banking industry in India, the respondents were asked to give their perceptions or the extent of agreement with given practices of board of directors to indicate whether board effectiveness can be improved by adhering to given practices. The respondent's perception related to these practices is summarized in Table-2. The finding of the study reveals that the majority of the respondents (51%) strongly agree that the remuneration of board of directors must be disclosed and this leads to improvement in the efficiency in the corporate governance practices. 94% of the respondents agrees that the key elements of the company's financial statement must be reviewed by the board of directors. It is clear that reviewing financial statement of the company is very crucial for a sound corporate governance practice. Similarly 94% of the respondents illustrate the agreement in proper disclosure and active communication with shareholders and stakeholders as an important practice for board effectiveness. Around 89% of respondents also agree that sub committees must have clearly defined roles which they consider as an important component influencing board effectiveness. Almost all the respondents agree that long term strategies and vision of the company have a compulsory involvement of the board and there should be written nomination policy for board appointments. 90% of the respondents have a strong positive attitude that increases the involvement of board of directors in long term strategies which will improve board effectiveness. Only 1% expresses a contradictory view about it. Furthermore, providing training to the board of directors during their term of office is also accepted by the respondents as an important strategy of board effectiveness with overall average score of 4.39.

Table-2: Frequency for Effective Board Practices

Effective board Practices	Avg	N+	N	O	Y	Y+
Disclosure of remuneration of Board of directors	4.35	0	2	8	43	47
Review of Financial Statement	4.32	0	4	7	48	41
Disclosure and communication with shareholder	4.34	0	2	7	48	43
Clearly defined roles of sub committees	4.34	0	0	9	47	44
Written nomination policy	4.35	0	3	7	47	43
Involvement in long term strategies	4.37	0	1	9	42	48
Training	4.39	0	4	8	40	48

Y+ – Strongly agree, Y – Agree, O – Neither agree nor disagree (or no opinion), N – Disagree, N+ – Strongly disagree

Source: Questionnaire survey

In order to understand the efficiency of Independent Directors and their importance the respondents were asked to indicate their views, whether these practices can enhance the efficiency of the Independent Directors. The respondents' views related to these practices are presented in Table-3. All the practices received a positive agreement, with an overall average score of around 4 for the given practices. The majority of the respondents (average 4.20) have an opinion that better attendance of the independent directors in the board meeting will enhance their performance in board decisions. Similarly, 80% of the respondents stated that better preparation and active participation of independent directors in the board meetings also enhances the overall corporate governance. 70% of the respondents believe that it is an important factor that independent directors must be informed about the laws and regulations which may affect their decision making. Most of the respondents (85%) have an opinion that utilizing the expertise of the independent director will be to the advantage of the company and can enhance value to the corporate governance strategies. According to several respondents (76%) the independent directors need to assist the board in achieving the consensus on important issues which will lead to more involvement of them among the board.

In order to study the strategies for improving the effectiveness of board decision making, the respondents have been asked to indicate their perceptions related to the given strategies, whether these practices promote effectiveness in board decision making. The summarized view of the respondents is presented in Table-4. Most of the respondents agree to the strategies like better disclosure of board activity, commitment by every member of the board to the company's mission, values and strategy and timely provision of relevant information to the directors with an overall average score above 4.

Table-3: Frequency for Practices of Independent Directors

Enhanced performance of Independent directors	Avg	N	O	Y	Y+
Better attendance	4.20	0	14	51	35
Informed laws and regulations	4.04	0	20	54	26
Active participation in board meetings	4.05	1	19	52	28
Utilizing the expertise	4.09	1	14	59	26
Better assistance	3.99	1	23	51	25

Y+ – Strongly agree, Y – Agree, O – Neither agree nor disagree (or no opinion), N – Disagree, N+ – Strongly disagree

Source : Questionnaire survey

However practices like separating the CEO from the board chairman position has the maximum disagreement of around 20%, as most of the top management believes that this complicates the governance at the top level. The respondents also show an average score of only 3.76 for the formal annual evaluation of the CEO and directors; they believed it would not improve the board's decision making. The respondents were also not in favor of linking independent director's compensation with the firm's performance.

Table-4: Frequency for Effective Decision Making

Effectiveness in board decision making	Avg	N+	N	O	Y	Y+
Commitment towards company's mission values and strategy	4.26	0	3	16	30	51
Better disclosure of board activity	4.07	0	6	17	39	38
Formal annual evaluation of the CEO and directors	3.76	0	10	28	36	26
Providing education programs and adopting codes of conduct for directors	3.80	0	12	22	38	28
Separating the CEO from the board chairman position	3.52	2	17	32	25	24
Timely provision of relevant information to the directors	4.02		6	22	34	38
Giving (independent) directors better compensation and making it more linked to firm's performance	3.76	1	11	24	38	27

Y+ – Strongly agree, Y – Agree, O – Neither agree nor disagree (or no opinion), N – Disagree, N+ – Strongly disagree

Source: Questionnaire survey

In order to understand if gender diversity is an important factor to improve the corporate governance the respondents were asked to indicate their views related to various issues of gender diversity, whether such issues affect the corporate governance in firms. The respondent's views related to gender diversity have been summarized in Table-5. Majority of the respondents (80%) disagree that women are underrepresented on board because of gender diversity barriers and women's suggestions are not considered seriously. The average score of the component on this aspect is less than 2.5 representing a level of disagreement towards gender related issues.

Table-5: Frequency for Board Diversity

Gender Diversity	Avg	N+	N	O	Y	Y+
Women are under-represented	2.26	18	62	4	6	10
Women's suggestions are not considered seriously	2.11	30	46	10	10	4
More women on board would help better target a wider array of customers' and investors' interest	2.30	27	40	16	11	6
Creativity to board processes and decisions	2.26	30	41	9	12	8
There are enough women in India with the required financial, accounting, management or technology expertise to serve on boards	2.28	27	40	16	13	4
Improve the banks operation and performance	2.20	34	37	11	9	9

Most of the respondents believe that neither women help target a wider array of customers nor they add more creativity to board processes and decisions. 67% of the respondents had a view that the major reason for less of women on board is the non-availability of enough women with required financial, accounting, management expertise to serve on board. The respondents also had a view that gender diversity does not contribute or improve the bank operation or its performance.

Advanced Data Analysis

After the frequency distribution analysis, the data was examined through a series of validated tools and procedures. The questionnaire was divided into four latent variables (i.e., Board Independence, Board practices, Gender Diversity and Decision Quality), each containing several observable/explicit variables. The research was conducted using these observable variables, with several questionnaire items categorized under each of them. The list of variables for measuring the perceptions of top management is shown in Appendix-1. Then for each construct the reliability was assessed to determine if all the variables will be retained for further analysis. To validate the research outline proposed, a linear SEM was applied to the Confirmatory Factor Analysis (CFA) of the research model's structure. The results of the analysis are described in the following sub-sections.

The reliability of each construct was assessed by calculating the chronbach's alpha that measures the internal consistency of the variables. The coefficient alpha is acceptable if it is above 0.7 (Nunnally, 1978). The coefficient alpha was computed independently for all the constructs identified. In the present study, all alpha coefficients ranged from 0.69 (close to the cut-off value of 0.70) to 0.83, indicating good consistency among the items within each dimension.

Exploratory Factor Analysis

In order to proceed further for Factor analysis, the first step is to check the appropriateness of factor analysis. This can be done by examining sampling adequacy through Kaiser-

Meyer-Olkin (KMO) measure. For a measure to be acceptable, KMO value should be greater than 0.6 (Kaiser and Rice,1974). Table-6 depicts the output of Factor Analysis.

Table-6: KMO and Bartlett's Test

Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy.		**0.751**
Bartlett's Test of Sphericity	**Chi Square**	**1110.5**
	Df	**300**
	Sig.	**0**

Table-6 shows that KMO value is 0.751 which is acceptable, the result of Bartlett's test also show that the values are significant and thus adequate.

The variables in each construct were separately subjected to Principal Component Approach with Varimax Rotation and Kaiser Normalization using SPSS 10.0. The items having factor loadings less than 0.5 were eliminated (Hair *et.al*., 2005). Finally, four factors comprising twenty-five items, all having Eigen Values of unity and above were extracted and Table-7 shows the results.

Table-7: Factors Extraction

S. No	Name of Dimensions	Factor Loading	Coefficient alpha^2(%)	KMO
D1	**Board Independence**			
1	Better Attendance	0.769		
2	Expertise	0.761		
3	Better Assistance	0.74		
4	Active Participation	0.669	0.788	0.801
5	Laws	0.519		
D2	**Board Practices**			
1	Disclosure	0.732		
2	Long Term Strategy	0.714		
3	Trained	0.701	0.777	0.806
4	Defined Roles	0.697		
5	Written Nomination policy	0.588		
6	BOD Review	0.584		
7	Remuneration Disclosure	0.577		
D3	**Gender Diversity**			
1	Customers	0.864		
2	Performance	0.856	0.91	0.891
3	Creativity	0.854		
4	Gender Barriers	0.826		
5	Women Expertise	0.777		
6	Suggestions	0.736		

S. No	Name of Dimensions	Factor Loading	Coefficient alpha^2(%)	KMO
D4	**Decision Quality**			
1	Compensation	0.753		
2	Information	0.75	0.842	0.779
3	Education	0.731		
4	CEO Evaluation	0.709		
5	Disclosure	0.672		
6	Commitment	0.598		
7	CEO Distinction	0.583		

Table-8: Rotated Component Matrix

	Component			
	1	2	3	4
Customers	0.864			
Performance	0.856			
Creativity	0.854			
Gender barriers	0.826			
women expertise	0.777			
Suggestions	0.736			
Compensation		0.753		
Information		0.75		
Education		0.731		
CEO Evaluation		0.709		
Disclosure 1		0.672		
Commitment		0.598		
CEO Distinction		0.583		
Disclosure			0.732	
Long term strategy			0.714	
Trained			0.701	
Defined Roles			0.697	
Written Nomination policy			0.588	
BOD review			0.584	
Remuneration Disclosure			0.577	
Attendance better				0.769
Expertise				0.761
Better Assistance				0.74
Active participation				0.669
Laws				0.519

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization

Confirmative Factor Analysis

Validity Analysis

The various validity tests available for validity analysis are Face validity, Content Validity, Construct Validity and Criteria Related Validity. The validity analysis is assessed for the constructs with Convergent and Discriminant Validity which is explained as follows.

Construct Validity

The construct validity is the most important test to assess the validity of the variables. It helps to check the operationalization, correctly measures its targeted variables (O.Leary-Kelly and Vokurka, 1998). Unidimensionality, reliability, and validity are empirically assessed by construct validity. To check the unidimensionality, CFA was run for all the constructs individually. A Comparative Fit Index (CFI) of 0.90 or above for the model implies that there is a strong evidence of unidimensionality (Byrne, 1994). The results confirm that all the four variables are having CFI values above 0.90 as shown in Table-10. This confirms the unidimensionality for the scale.

Table-9: Convergent Validity and Discriminant Validity

	ALPHA	AVE	MSV	ASV
ID	0.77251	0.463307	0.223729	0.081667
Women	0.910893	0.631366	0.105625	0.047154
Decision	0.847792	0.445191	0.223729	0.104888
Board	0.7943	0.358535	0.078961	0.038759

Convergent Validity

Convergent validity of the constructs is assessed by the Average Variance Extracted (AVE), which represents the average variance shared between a construct and its indicators (Fornell and Larcker 1981). For convergent validity, AVE should be greater than 0.50, the Cronbach alpha should be greater than 0.7 and Cronbach's Alpha should also be greater than AVE. This ensures that measurement error does not dominate the variance captured by the construct (Vandenbosch, 1996).The results of the measurement model are summarized in Table-9 which shows that alpha for all the four variables are more than 0.7 and it is also greater than the corresponding AVE. Thus convergent validity appeared acceptable for all the constructs.

Discriminant Validity

It is the degree to which the measures of different latent variables are unique (Momaya & Gupta, 2008).Discriminant validity is assessed by AVE and Maximum Shared Variance (MSV). For discriminant validity, AVE should be greater than MSV and AVE should also be greater than Average Shared Variance (ASV). Discriminant validity is ensured if a measure does not correlate very highly with other measures from which it is supposed to differ (O.Leary-Kelly and Vokurka, 1998).The results are summarized in Table-9 which depicts that for each construct AVE is greater than MSV and AVE is greater than ASV.

Table-10: Model Fit

Factors	CMIN/DF	Comparative Fit Index(CFI)	Goodness of Fit(GFI)	RMSEA
Board Independence	0.555	1	0.989	0
Board Practices	0.98	1	0.977	0
Gender Diversity	1.725	0.982	0.952	0.086
Decision Quality	2.876	0.91	0.919	0.139

Measures of Fit

Model evaluation is one of the necessary issues in Structural Equation Modeling. As per the recommendations given by Klien (2005), for assessing the fitness of the measurement as well as structural model to the observed data, the following indices were used:

Chi square min/degree of freedom helps to access overall model fit by evaluating the magnitude of discrepancy between sample and fitted covariance matrix (Hu & Bentler, 1999). A value less than 3 is acceptable as a good fit. Comparative Fit Index CFI compares the chi square value of the proposed model with the chi square value of the baselined model. The value of the CFI should be greater than 0.95 (Hu & Bentler, 1999).Goodness of Fit Indices (GFI) is a measure of fit which compares the hypothesized model and the observed covariance matrix. The generally acceptable model fit value for GFI is greater than 0.9 (Arbuckle, 2005).It assesses how well the model with chosen parameter estimate would fit the population covariance matrix (Byrne, 1998).The value of Root Mean Square Error of Approximation (RMSEA) should not exceed 0.06 (Hu & Bentler,1999).

Table-10 summarizes the results of all the fit measures. The result shows that all the indicators achieved the criteria for model fit.

Path analysis to test hypotheses causal relationship

After testing validity and reliability of construct, the causal model is discussed with path analysis to construct and test the effects of variables in the model that were theorized through conceptual model. Path analysis helps to evaluate the complex causal relationship proposed through literature. In path analysis a path diagram is constructed on AMOS graphical program. Model fitting analysis is then computed to find out the path coefficients. The path coefficients arising from the relation between measured variables and latent variables were evaluated through the estimation of the measurement model. Table-11 summarizes the results of the path analysis with all variables.

Table-11 shows the results for hypothesis testing: it shows the proposed hypotheses along with their standardized estimates, standard errors, critical ratios, the p-value and the acceptance/rejection of the proposed hypotheses. The standardized first order loading is the standardized regression weights of each variable to one of the component factor. In every factor one variable is fixed and valued as 1 as an identification constraint. The choice of identification constraints does not affect the standardized regression weights (R) and the correlations as they are independent of the units in which all variables are measured (Arbuckle, 2005).

Table-11: Path Analysis Table

Variables	Standard Estimate	SMC	S.E.	C.R.	P
Performance	1	0.757	-	-	-
Women Expertise	0.917	0.71	0.172	5.321	***
Creativity	0.931	0.773	0.159	5.844	***
Customers	1.049	0.804	0.172	6.089	***
Suggestions	0.813	0.677	0.161	5.052	***
Gender barriers	0.856	0.798	0.142	6.043	***
Compensation	0.974	0.667	0.195	4.996	***
Information	1	0.766	-	-	-
CEO distinction	0.934	0.55	0.228	4.098	***
Education	1.216	0.831	0.192	6.341	***
CEO Evaluation	0.903	0.627	0.193	4.671	***
Disclosure	0.89	0.688	0.172	5.162	***
Commitment	0.911	0.705	0.172	5.306	***
Trained	1	0.779	-	-	-
Long Term Strategy	1.174	0.76	0.206	5.704	***
Nomination Policy	0.916	0.662	0.187	4.91	***
Defined Roles	0.785	0.616	0.173	4.541	***
Disclosure	0.76	0.602	0.171	4.43	***
BOD Review	0.704	0.571	0.168	4.181	***
Remuneration Disclosure	0.858	0.631	0.184	4.66	***
Better Assistance	1	0.717	-	-	-
Expertise	1.332	0.811	0.251	5.304	***
Active Participation	1.038	0.722	0.214	4.859	***
Attendance Better	1.067	0.744	0.214	4.983	***

- This implies statistics not available for that variable as the regression weights of one of the variable of each construct is fixed to 1. *** implies regression weights are significant at 0.1% significance level.

Standardized estimates are the standardized regression weight estimate. The standardized regression weights for the variables are greater than the threshold limit of 0.5. (Hair *et.al.*, 06).The critical ratio is also shown in Table-11. Critical ratio is the z estimate calculated by dividing the regression weight estimate by the estimate of its standard error, it conveys how much standard error in the regression weight estimate above zero and p value is the estimation of whether the probability of getting the given critical ratio in absolute value is less than 0.01.

The Squared Multiple Correlation (SMC) reflects the strength of link between the relationships. SMC is the proportion of its variance that is accounted for by its predictors. Interpretation of the SMC is akin to the R^2 statistic in multiple regression analysis; hence it is a constructive statistic that is also independent of all units of measurement (Arbuckle, 2005). The correlation between the factors are all positive and Squared Multiple Correlations (SMC) ranged from 0.55 to 0.81, all of them being well above the threshold limit of .25 (Hair *et.al.*,06). The p values reflected that all regressions are statistically significant at 0.1% significant level. The observations from the model output reveal that conveys that all the measured variables are important for assessing the relationship between corporate governance board practices and its decision quality.

Thus all the variables proposed in the model are relevant as evident by significant relations of these observed variables and can be used by the researchers for the assessment of link between board practices and its decision making quality.

Hypotheses Testing

The overall adequacy of the model is tested by using Maximum Likelihood Estimation (MLE) and the relationship between corporate governance board practices, its decision quality and performance is investigated with the help of path analysis (SEM). Figure-2 depicts the path coefficients of the structural model based on dimension perspectives, indicating the magnitude and direction of relationships and they are used for accepting / rejecting hypothesis. Table-12 summaries the beta coefficient, the p value and the SMC of each construct. The measure of model fit for SEM is also shown below the table. The result shows that the measure achieves the level of model fit.

Figure-2: Maximum Likelihood Estimation Model

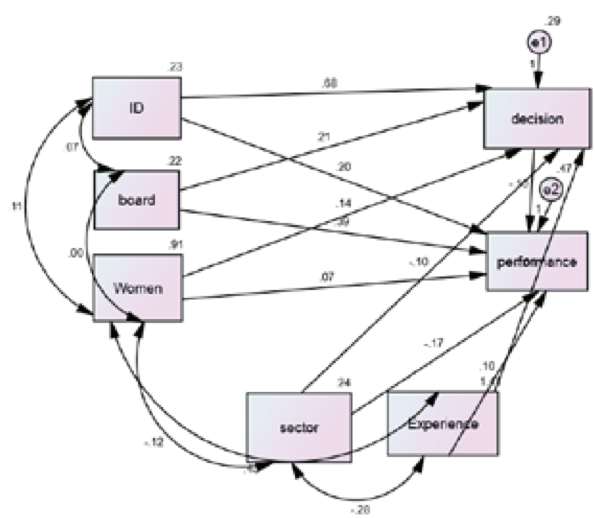


Table-12: Maximum Likelihood Estimation Results

Variables	BETA	Significance	SMC
Decision			
ID	0.681	0.00	
Board	0.206	0.077	0.319
Women	0.138	0.016	
Performance			
ID	0.204	0.232	
Board	0.39	0.01	0.114
Women	0.073	0.336	

Model fit: CMIN 1.052, CFI .998, NFI .967, GFI .988 and RMSEA .023

H_{1a}: Decision quality is significantly and positively related with independence of board as shown by the significant path from decision quality to board independence with the standardized regression coefficient being equal to 0.681, thus H_{1a} is accepted.

H_{1b}: Decision quality is also significantly and positively related with gender diversity or presence of woman on board as shown by the significant path from decision quality to board independence with the standardized regression coefficient being equal to 0.206, thus H_{1a} is accepted.

H_{1c}: Decision quality is significantly and positively related with board practices followed by banks as shown by the significant path from decision quality to board independence with the standardized regression coefficient being equal to 0.138, thus H_{1a} is accepted.

H_{2a}: Performance of Banks is not significantly related with gender diversity or presence of woman on board as shown by the insignificant path from decision quality to board independence with the standardized regression coefficient being equal to 0.073, thus H_{1a} is not accepted.

H_{2b}: Performance of Banks is not significantly related with independence of board as shown by the significant path from decision quality to board independence with the standardized regression coefficient being equal to 0.204, thus H_{1a} is not accepted.

H_{2c}: Performance of Banks is significantly and positively related with board practices followed by banks as shown by the significant path from decision quality to board independence with the standardized regression coefficient being equal to 0.39, thus H_{1a} is accepted.

Relative importance of relationship between public sector and private sector banks

Given in Table-13 are the standardized estimates for the corporate governance practices for the public and private sector Banks. A comparison between the sectors is given as follows:

Table-13: Comparison of Public and Private Sector Banks

No	Variables	Public			Private			
		Estimate	Standardized estimates	P	Estimate	Standardized estimates	P	z-score
W1	Gender barriers	0.856	0.797	0	0.921	0.794	0	0.309
W2	Suggestions	0.813	0.677	0	0.651	0.665	0	-0.756
W3	Customers	1.049	0.804	0	0.98	0.897	0	-0.313
W4	Creativity	0.931	0.773	0	1.109	0.895	0	0.805
W5	Women expertise	0.917	0.71	0	0.785	0.753	0	-0.59
w6	Performance	1	0.757	1	1	0.838	1	
DM1	Commitment	0.911	0.7	0	0.747	0.624	0.001	-0.57
DM2	Disclosure	0.89	0.688	0	0.672	0.448	0.009	-0.706

No	Variables	Public			Private			
		Estimate	Standardized estimates	P	Estimate	Standardized estimates	P	z-score
DM3	CEO Evaluation	0.903	0.628	0	1.023	0.748	0	0.355
DM4	Education	1.216	0.834	0	0.905	0.525	0	-0.929
DM5	CEO distinction	0.934	0.553	0	1.145	0.614	0	0.565
DM6	Information	1	0.763		-	0.648	-	-
DM7	Compensation	0.974	0.666	0	1.058	0.681	0	0.237
B1	Remuneration Disclosure	0.858	0.625	0	0.176	-0.063	0.348	-2.599***
B2	BOD review	0.704	0.564	0	0.37	0.238	0.055	-1.301
B3	DISCLOSURE	0.76	0.601	0	0.397	0.862	0.031	-1.439
B4	Defined Roles	0.785	0.618	0	0.134	0.23	0.465	-2.581***
B5	Written Nomination policy	0.916	0.659	0	0.591	0.368	0.014	-1.071
B6	Long term strategy	1.174	0.767	0	0.415	0.033	0.066	-2.486**
B7	Trained	1	0.78		-	0.388	-	-
I1	Attendance better	1.067	0.744	0	1.469	1.055	0.002	0.76
I3	Active participation	1.038	0.722	0	0.507	0.277	0.072	-1.504
I4	Expertise	1.332	0.811	0	0.518	0.361	0.027	-2.368**
I5	Better Assistance	1	0.717			0.527		

The public sector banks perceived DM3 i.e., formal annual evaluation of directors is as the most significant (highest standardized coefficient) and DM4 i.e., educational programme as the least significant (lowest standardized coefficient) dimension of corporate governance. This implies that in public banks for effectiveness of the board's decision making annual evaluation of Directors is highly important as evaluation improves the commitment towards work. Moreover in case of Public banks education programs for directors is least significant for board's decision making as they consider directors key position to be well qualified and knowledgeable in advance.

The private sector banks have a different perception for corporate governance practices as they view the I1 i.e., better attendance at the board meeting of independent directors to be the most significant (highest standardized coefficient) and B1 i.e., proper disclosure by the board to be least significant practice by the board of directors (lowest standardized coefficient).

Conclusion

The Study focused on an association among board characteristics, board decision making and performance of the banks in India. The aim is to provide a one step forward move in corporate governance research by providing cutting-edge research models and theories. As stated by Kumar Mangalam Birla (2000) "The pivotal role in any system of corporate governance is performed by the Board of Directors". Thus in the Study, the perceptions of the top management are the sources of information for developing the model and testing the hypothesis. The perceptions of the top management on internal governance in relation to effective decision making and improving bank performance were evaluated using SEM. Path analysis was used to test the hypothesis. The results revealed that the internal governance (corporate governance practices, independence of board and gender diversity on board) contributes to the positive Decision Making of the board. The findings of the study are explained as follows:

Firstly, it is found that there is a significant positive relationship between decision making and internal governance (corporate governance practices, independence of board and gender diversity on board). Thus board characteristics play an important role for improving the efficiency of board. The effectiveness of decision making in banks in India is highly influenced by board governance i.e. Board independence, board practices and gender diversity in board. The findings of the study are consistent with (Sanda, Garba & Mikailu, 2008), who noted that Independent directors are effective decision makers or monitors because they do not have monetary benefit in the company or having any ties with management. The findings support the view that the existence of women on bank's board seems to enhance board effectiveness in decision making through reducing the level of conflict and ensuring expertise in board development behavior. By confirming these relationships, this study adds value to the body of literature on internal board governance and its influence on effectiveness of decision making.

Secondly, the research also states that the good governance practices followed by the board of directors have a significant and positive relationship with the performance of banks in India. The result thus support the conclusion reached by Mande *et.al.,* (2013) and Manawaduge (2012). The research findings support the view that bank performance is not related to board demography i.e., gender diversity and independence of board (Zona & Zattoni, 2007).

This study provides empirical support for the top official's perspective for differences in internal corporate governance practices followed amongst public and private sector banks in India. Thus both the empirical findings and literature review highlights the divergence in corporate governance practices followed by public and private banks in India. Differences in board composition, annual evaluation, and nomination policy of directors, ownership structure in public and private banks give rise to the importance of accepting changes that are necessary in governance architectures to make sure that complete potential of the board is realized.

This Study offers insights to policy makers interested in enhancing the quality of governance of banks in India. The findings suggest that it is essential to populate bank board with experienced and competent women who could meaningfully contribute to board decisions. In addition, it provides a board of director perspective for Corporate Governance policies followed in Indian banking. The study suggests that there is an immediate need for public sector Indian Banks to provide training to their board members and also appoint an independent corporate governance officer to enable independent decision making. Therefore it is essential that the board of banks is fully geared to govern them.

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Appendix

The mechanism to measure the respondent's perception about their level of agreement with respect to 25 items for corporate governance, each on a Five-Point Likert Scale (1= strongly disagree and 5= strongly agree). A single item was included for performance perception, measured on a Five-Point Likert scale, anchored at 1=very bad and 5=excellent. The details of the items are given below:

Board Effectiveness Variables Included by Different Studies

Key Dimensions	Statements	Source
Board Practices	The remuneration of board members and senior managers must be reviewed	Nam and Nam (2004), Balasubramanian *et.al*., (2010), Brennan, Niamh (2010)
	Board ensures proper disclosure and actively communicate with shareholders and stakeholders	Nam and Nam(2004), Brennan, Niamh (2010), Cravens and Wallace (2001)
	The board and relevant sub committees must have clearly defined roles.	Afsharipour (2015)
	The organization must have a written nomination policy for board appointments	Afsharipour (2015), sec 178(i) Companies Act (2013)
	Board is involved in formulating long-term strategies and vision of the company	Nam and Nam(2004), Brennan, Niamh (2010), Pearce and Zahra (1991)
	Board of directors review key elements of the company's financial statements	Nam and Nam(2004), Brennan, Niamh (2010)
	The board members are trained during their term of office	Balasubramanian *et.al*., (2010), Afsharipour (2015)

Key Dimensions	Statements	Source
Board Independence	Better attendance at the board meetings	Nam and Nam (2004), Ingley and Walt (2005)
	Be informed on their roles, rights responsibility in the company, laws and regulations influencing their decisions as directors	Clause 49(ii)(B)(7) of listing agreement
	Better preparation for, and more active participation in, board discussions	Nam and Nam(2004), Ingley and Walt (2005)
	Utilize the expertise they possess to the good advantage of the company	Brennan, Niamh (2010), companies Act (2013)
	Better assistance to the board in achieving consensus on important issues	Brennan, Niamh (2010), Ingley and Walt (2005)
Gender Diversity	Women are under-represented on boards because of gender-related barriers	Huse & Solberg, 2006
	Women's suggestions are not considered seriously	Huse & Solberg, 2006, Fondas and Sassalos, 2000
	More women on board would help better target a wider array of customers' and investors' interest	Fondas and Sassalos, 2000
	Gender diversity gives more creativity to board processes and decisions	Nielsen and Huse (2010),
	There are enough women with the required financial, accounting, management or technology expertise to serve on boards	Huse & Solberg, 2006, Fondas and Sassalos, 2000
	The presence of female board of directors' (in terms of board diversity) helps improve the firm operation and performance.	Nielsen and Huse (2010),
Decision Making	A commitment by every member of the board to the company's mission, values and strategy	Brennan, Niamh (2010) Ingley and Walt(2005)
	Better disclosure of board activity	Ingley and Walt (2005), Zona and Zottoni (2007)
	Formal annual evaluation of the CEO and directors	Nam and Nam(2004), Ingley and Walt(2005)
	Providing education programs and adopting codes of conduct for directors	Nam and Nam(2004),
	Separating the CEO from the board chairman position	Nam and Nam(2004), Baliga *et.al.*,(1996), Rechner and Dalton (1991), Ho (2005), Brennan, Niamh (2010)
	Timely provision of relevant information to the directors	Nam and Nam(2004), Zona and Zottoni (2007)
	Giving (independent) directors better compensation and making it more linked to firm's performance	Hall and Liebman (1997), Main *et.al.*,(1996), Aggarwal and Samwick (1999) and Ho (2005)

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Organizational Citizenship Behavior of Employees - A Comparative Study Among Executive and Non-Executive Employees of Public Sector Organizations in the State of Kerala

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ABSTRACT

In recent years, the importance and necessity of organizational citizenship behavior (OCB) has been emphasized by many researchers and scholars working in the area of management studies. OCB has been considered as a major factor influencing the functioning and growth of an organization. In the social and economical scenario of the state of Kerala, public sector organizations play a very significant role. The aim of the present study is to understand and explore OCB exhibited by executive and non-executive employees of public sector organizations in the state of Kerala. From the study it is seen that there is not much difference in the level of OCB exhibited by executive and non-executive employees.

Keywords: Organizational Citizenship Behavior, Executive and Non-Executive Employees

Introduction

An organization can be considered as a collectivity with a relatively identifiable boundary, a normative order namely rules, ranks of authority i.e., hierarchy, communications system, and membership coordinating systems i.e., procedures (Hall, R. 1978). This collectivity namely organization exists, on a relatively continuous basis in an environment, and engages in activities that are usually related to a set of goals. The outcome of these activities, affects the members of the organization, the organization itself, the environment, and finally the society. The essence of organizations revolves around the development of shared meanings, beliefs, values and assumptions that guide and are reinforced by organizational

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behavior. Thus an organization can be described as a complex adaptive system made up of a collection of individuals of different social and cultural back grounds. These people behave in totally different ways in accordance with their personalities, and beliefs and their interactions are interconnected in such a way that they produce the organizational culture.

Literature Review

Organizations are social entities composed of people and their relationships. The government-owned corporations are termed as Public Sector Undertakings. In a PSU, majority (51 percent or more) of the paid up share capital is held by central government or by any state government or partly by the central governments and partly by one or more state governments. The Indian Public Sector Undertakings are legal business entities. Over the years, public sector has not only grown in numbers but also in the range of activities like manufacturing, engineering, steel, textiles, chemicals etc. Thus public sector organizations play an important role in the economic and social development of the country. Public sector organizations contribute to the gross domestic product and the foreign exchange earning. Also they are a major source of employment generation. Many public sector organizations employ both technical and administrative people.

In today's world of competition where survival of the organizations itself is a big challenge, workforce that is committed and goes beyond the demands of the duty is a key asset of the organizations. Organizations will find it difficult to thrive or prosper without their members acting as good citizens by engaging in all types of positive organization-relevant behavior. A work force with good citizenship behavior is essential for the survival and future of any organization. Thus organizational citizenship behavior (OCB) is supposed to have a very important impact on the effectiveness and efficiency of work teams and organizations, thereby contributing to the overall productivity and output of the organization. Due to the importance and necessity of good citizenship for organizations, understanding the nature, causes, implications and sources of OCB has long been a high priority for organizational scholars (Bateman & Organ, 1983) and still continues to attract a lot of studies and research. A very efficient and committed work force is a major factor that determines the survival and future of any organization.

Organizational Citizenship Behavior has been defined as "Individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization" (Organ, 1997). OCB refers to individual behavior that is performed voluntarily and not directly or explicitly recognized by the formal reward system that, nevertheless, generally contributes to organizational effectiveness (Organ, 1988; cf. Katz, 1964). OCB is described as an extra role behavior that is beneficial to the organization even though it is not explicitly, directly, and formally rewarded by the organization. OCB is close to a type of job performance known as contextual performance which supports the organizational, social and psychological environment needed for the operating of core technologies.

This concept had its roots in the work of Katz and Kahn (1966), who opined that an important behavior required of employees for the effective functioning of an organization is their undertaking innovative and spontaneous activities beyond the prescribed role requirement.

The concept of OCB originally evolved from Dennis Organ's musings to explain the apparent non-relationship between job satisfaction and job performance (Organ, 1988). Organizational citizenship behavior was then proposed by him as an alternative form of performance. OCB is differentiated from traditional performance on the basis of its relative freedom from situational and ability constraints. Generally, it is seen that the upper limit of capability of performing a task by an individual is largely controlled by a person's subject knowledge, working skills, and general ability, and the lower boundary is limited by the fear of losing one's job. This indicates that the employee's performance level of the job does not have a great scope to vary based on the job satisfaction and motivation. On the other hand, helping a coworker does not necessarily have any dependency on knowledge level, expertise, working skills or intelligence. Also because doing so is not typically tied to a person's job description that person may decide not to perform the behavior at all. OCB consists of informal contributions that participants have the control to choose to make or withhold, without regard to sanctions or formal incentives. Many of these contributions, aggregated over time and persons, were thought to enhance organizational effectiveness (Organ & Konovsky, 1989).

Organizational citizenship behavior (OCB) has received considerable attention in management research in the recent times. According to Bateman and Organ (1983), OCB is defined as those additional work-related behaviors which go above and beyond the routine duties arranged by their job descriptions or measured in formal evaluations. OCB is purported to contribute to a healthier and more positive work environment (Organ, 1988; Organ & Ryan, 1995). Higher level of OCB results in more productivity and profitability (Nadiri & Tanova, 2010).

Organ proposed that, citizenship has more freedom to vary than task performance, and should be comparatively more likely to vary with a person's cognitive or affective appraisal of the workplace and acceptance at the workplace. OCB is essential because organizations cannot anticipate through formally stated in-role job descriptions the entire array of behaviors needed for achieving goals. Initially, Smith, Organ & Near (1983) identified two OCB dimensions: altruism, representing those forms of OCB that provide help to a specific person such as a coworker, and generalized compliance or conscientiousness, a more impersonal form of conscientious citizenship, which includes faithful adherence to rules about work procedures and conduct. Later, Organ (1988) introduced three additional OCB dimensions: courtesy, or gestures taken to help prevent problems of work associates; sportsmanship, or willingness to forbear minor and temporary personal inconveniences and impositions without fuss, appeal or protest; and civic virtue, or responsible and constructive involvement in the issues of governance of the organization. Thus the generally accepted dimensions of OCB are altruism, conscientiousness, courtesy, sportsmanship and civic virtue. Although any one instance of OCB may not appear to be of significance, in the aggregate this discretionary behavior has a major beneficial impact on organizational operations and effectiveness.

OCB is the outcome of interaction between individuals and contextual variables. Thus when employees perceive organizational justice and high quality leader-member exchange relationship, they will exhibit OCB actively on the basis of positive reciprocity norm. When people perceive that they are treated fairly, the norm of reciprocity states that they should reciprocate. So people perform OCBs in order to “give back” to the organization, or organizational leader. Typically these explanations imply a trade-off such that the employee is sacrificing something in the short-term with the expectation that in the long-run they will be fairly compensated for their efforts.

Scholars have come to a general opinion that OCB is very much influenced by employee behavior and is the outcome of interaction between individuals and contextual variables. They have also come to a conclusion that when employees experience organizational justice and high quality leader-member exchange relationship, they will exhibit OCB actively on the basis of positive reciprocity (Lavelle *et.al*., 2007). However, OCB is not employees’ perception of their jobs or employers. On the contrary, it is a type of proactive behavior by which employees choose to engage because they regard it as tool to meet certain needs or satisfy specific motives. Spector and Fox (2010) also indicated that several OCBs are not employees’ voluntary action but caused by job environment. OCB is an exhibition of pro-social disposition propensity.

Another dimension that many researchers have identified as a form of citizenship behavior, is known as individual initiative. This form of OCB is extra-role only in the sense that it involves engaging in task-related behaviors at a level that is so far beyond minimally required or generally expected levels that it takes on a voluntary flavor. Such behaviors include voluntary acts of creativity and innovation designed to improve one’s task or the organization’s performance, persisting with extra enthusiasm and effort to accomplish one’s job, volunteering to take on extra responsibilities, and encouraging others in the organization to do the same. All of these behaviors share the idea that the employee is going “above and beyond” the call of duty (Graham, 1989; Moorman & Blakely, 1995)

Aim of the Study and Hypothesis

This study intends to assess the level of OCB exhibited by executive and non- executive employees of public sector organizations in the state of Kerala. Also it tries to understand the variation of OCB among male and female employees and to see if OCB is dependent on age, length of service and marital status of the employee. The research study is descriptive in nature and takes a quantitative approach which is concerned with Objective assessment of attitude, opinion and behavior.

Hypothesis

H_{01} : The OCB of Executive and Non-Executive employees of public sector organizations is not having any significant difference.

H_{02} : The educational level is not having any influence on the OCB of Executive and Non-executive employees of public sector organizations

H_{03} : The length of service is not having any influence on the OCB of Executive and Non-executive employees of public sector organizations

H_{04} : The Marital Status is not having any influence on the OCB of Executive and Non-executive employees of public sector organizations

H_{05} : Gender is not having any influence on the OCB of Executive and Non-executive employees of public sector organizations

H_{06} : Age is not having any influence on the OCB of Executive and Non-executive employees of public sector organizations

Sample

Survey method was followed for collecting data using a structured questionnaire. Data was collected using random sampling method. A total of 80 questionnaires were distributed among the sample. Out of that, 70 questionnaires were returned by the respondents and 64 were considered for the study with a response rate of 80 percent.

Measures

There are different measurement tools available in the measurement of Organizational citizenship behavior with established validity and reliability score. The tools developed by Moorman, Blakely and Niehoff (1995), Podsakoff, MacKenzie, Moorman and Fetter (1990), Smith, Organ, and Near (1983) and Williams and Anderson (1991) are a few. The scale developed by Moorman and Blakely (1995) based on Grahams dimensions (1989) of organizational citizenship behavior with an acceptable confirmatory fit index (CFI) of 0.91 and acceptable reliabilities is used for collecting data in this study. The scale is an 18-item Likert-type scale using a 1-5 rating scale that measures the degree to which the employees engage in organizational citizenship behavior. The questionnaire consists of questions to measure all the five dimensions of OCB that are Interpersonal helping, Individual initiative, courtesy, Personal industry and Loyal boosterism (Moorman *et.al.,* 1995). Also questions were added to relate the concept with demographic variables like age, gender, experience, education and marital status.

Results and Discussion

Result

Of the total 64 respondents 32 were executive employees and 32 were non-executive employees. Of the 32 non-executive employees only nine were not graduates (14.1 percent of total sample). Of the total respondents, 36 were female (56.3 percent) and 28 (43.7 percent) were male. 51 (79.7 percent) were married and 13 (20.3 percent) were unmarried. 18 respondents (28.1 percent) were between 20 and 30 years of age, 12 respondents (18.8 percent) between 31 and 40 years of age, 12 respondents (28.1 percent) between 31 and 40 years of age, 14 respondents (21.9 percent) between 41 and 50 years of age and 20 respondents (31.2 percent) were between 51 and 60 years of age. The average age was 41.6 years, the minimum being 25 and the maximum 59. 13 respondents (20 percent) were having experience of one to five years, 13 respondents (20 percent) of six to 10 years, seven people (10.9 percent) of 11 to 15 years, five people (7.8 percent) of 16 to 20 years, five people (7.8 percent) of 21 to 25 years, 19 people (29.7 percent) of 26 to 30 years and two people (3.1 percent) were having experience of 31 to 40 years. The mean service period was 16.5 years with a minimum of one year and maximum of 35 years.

Table-1: Demographic Variables

Variables		Frequency	Percent	Valid Percent	Cumulative Percent
Position	Executive	32	50	50	50
	Non-Executive	32	50	50	100.0
Age	20-30	18	28.1	28.1	28.1
	31-40	12	18.8	18.8	46.9
	41-50	14	21.9	21.9	68.8
	51-60	20	31.2	31.2	100.0
Years of Experience	1-5	13	20.3	20.3	20.3
	6-10	13	20.3	20.3	40.6
	11-15	7	10.9	10.9	51.6
	16-20	5	7.8	7.8	59.4
	21-25	5	7.8	7.8	67.2
	26-30	19	29.7	29.7	96.9
	31-35	2	3.1	3.1	100.0
Marital Status	Married	51	79.7	79.7	79.7
	Unmarried	13	20.3	20.3	100.0
Gender	Female	36	56.3	56.3	56.3
	Male	28	43.7	43.7	100.0
Educational Qualification	Executive	32	50	50	29.0
	Graduate	23	35.9	35.9	85.9
	Undergraduate	9	14.1	14.1	100.0

From the study, it is seen that both executive and non-executive employees exhibit similar level of OCB (Table-2). Even though non-executive employees are having a slightly higher level of OCB (mean, 4.224) compared to executive employees (mean, 4.0781), it is not statistically significant (p >0.05). Hence the null hypothesis (**H_{01}**) the OCB of Executive and Non-Executive employees of public sector organizations is not having any significant difference is accepted.

Table-2: Total OCB

	Executive	N	Mean	Std. Deviation	t value	Sig. (2-tailed)
Total OCB	Executive	32	4.0781	.37277	-1.570	.122
	Non-executive	32	4.2240	.37053	-1.570	.122

By observing the mean value of OCB it is evident that there is a significant change in the level of OCB with respect to the qualification of the employee. The analysis also shows that there is significant difference in OCB shown by executive and non-executive employees (p< 0.05 with F value of 8.439). Hence the null hypothesis (**H_{02}**), educational level is not having any influence on the OCB of Executive and Non-executive employees of public sector organizations, is rejected. Even though, not considerably different in statistical mean we can see that the OCB exhibited is having a negative relation with educational qualification, with non-executive employees who are under graduates showing the highest level of OCB.

Table-3: Educational Qualification and OCB

	N	Mean	Std. Deviation	F	Sig.
Executive	32	4.078	.3727	8.439	.001
Admin: graduate & above	23	4.084	.3251		
Admin, non-graduate	9	4.580	.2062		
Total	64	4.151	.3759		

On analysing the relationship between length of service and OCB (Table-4), it is clear that there is no significant correlation between length of service and OCB (r = .136, p>0.05). Hence the null hypothesis (**H_{03}**), the length of service is not having any influence on the OCB of Executive and Non-executive employees of public sector organizations, is accepted. When the executive and non-executive employees are taken separately also there is no significant relationship with a correlation value of .091 and .199 respectively.

Table-4: Length of Service and OCB

		Mean	Std. Devn	N	Pearson Correlation	Sig. (2-tailed)
Total	Service	16.50	10.8890	64	.136	.285
	OCB	4.151	.37595			
Executive	Service	17.000	10.2138	32	.091	.621
	OCB	4.1510	.37595			
Non-Executive	Service	16.000	11.6674	32	.199	.276
	OCB	4.1510	.37595			

It is evident from Table-5 that there is no significant relationship between the level of OCB exhibited by married and unmarried people (t value of 2.074, p>0.05). Hence the null hypothesis (**H_{04}**), the Marital Status is not having any influence on the OCB of Executive and Non-executive employees of public sector organizations is accepted.

But on further analysis, we can see that married people show higher level of OCB among the non-executive group (p<.05 with t value of 2.149) where as no such significance relation is noted between married and unmarried people of executive group (t value of 1.385, p>.05).

Table-5: Marital Status and OCB

	Marital status	N	Mean	Std. Deviation	t value	Sig. (2-tailed)
OCB Total	Married	51	4.1830	.40632	2.074	.044
	Unmarried	13	4.0256	.18090		
OCB: Executive	Married	28	4.0972	.39185	1.385	.199
	Unmarried	4	3.9444	.16355		
OCB: Non-executive	Married	23	4.2874	.40744	2.149	.040
	Unmarried	9	4.0617	.18519		

By going through the results of the analysis it was observed that there is no relationship between gender and OCB (Table-6). The significance level is .136 with t value of 1.509. Hence the null hypothesis (**H_{05}**) that Gender is not having any influence on the OCB of Executive and Non-executive employees of public sector organizations is accepted.

On further analysis, it is evident that even though there is no significant difference, female employees exhibit slightly higher level of OCB in both executive and non-executive groups. But the difference in OCB between male and female is very low in non-executive employees (t value of 0.398) compared to executive employees (t value of 1.476).

Table-6: Gender and OCB

	Gender	N	Mean	Std. Deviation	t value	Sig. (2-tailed)
OCB Total	Female	36	4.2130	.33636	1.509	.136
	Male	28	4.0714	.41405		
OCB: Executive	Female	16	4.1736	.20675	1.476	.150
	Male	16	3.9826	.47433		
OCB: Non-executive	Female	20	4.2444	.41511	.398	.693
	Male	12	4.1898	.29536		

The mean age of the total population studied is 41.3. Contrary to the argument that OCB is positively influenced by age, the results of the study show that there is no significant correlation with OCB and age (r value of 0.175)(Table-7). Hence the null hypothesis ($\mathbf{H_{06}}$), age is not having any influence on the OCB of Executive and Non-executive employees of public sector organizations, is accepted.

For both executive and non-executive employees, the correlation of age with OCB is not significant (r value of .134 for executive employees and r value of .221 for non-executive employees). However non-executive employees exhibit a higher positive correlation of OCB to age when compared with executive employees.

Table-7: Age & OCB

		Mean	Std. Deviation	N	Pearson Correlation	Sig. (2-tailed)
Total	Age	41.3281	10.9298	64	.175	.167
	OCB	4.1510	.37595	64		
Executive	Age	41.4375	10.2451	32	.134	.463
	OCB	4.1510	.37595	32		
Non-Executive	Age	41.2188	11.7383	32	.221	.224
	OCB	4.1510	.37595	32		

Discussion and Conclusion

High level of OCB is found among both executive and non-executive employees in pubic sector organizations in the state of Kerala. There is no considerable difference seen in OCB between executive and non-executive employees. The finding that age is not having influence on OCB is supporting earlier studies conducted elsewhere in this regard. Another finding worth further research is that employees with lesser qualification exhibit higher OCB. This also indicates that for improving the OCB level of employees', educational qualification or other demographic factors like age, gender, marital status and length of service do not become a hindrance. Since OCB is independent of these factors, OCB of the employees of an organization can be improved by changing the organizational factors. Also it is interesting to note that even though not highly significant, non-executive employees exhibit higher level of OCB with respect to certain variables. In the public sector organizations studied the OCB level on general is very high which can be due to other factors like organizational culture, work environment etc. Hence it has to be further explored to see whether this is the general characteristic of other public sector organizations also. Also other than demographical factors the main factors influencing OCB can be further researched. The reason for less qualified people exhibiting higher level of OCB is an area which needs more attention.

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Macroeconomic Factors and Indian Stock Market: A Critical Reexamination of APT Model

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ABSTRACT

There is plenty of literature on how macro-economic variables can affect the stock returns in both developed and emerging stock markets. The aim of this study is to empirically test the performance of the Arbitrage Pricing Theory (APT) in the Bombay Stock Exchange (BSE) for the period of 2001 up to 2015 on yearly basis. This study includes five macroeconomic variables (money supply, gold prices, exchange rate, GDP, and inflation) which are investigated against Sensex. Using Ordinary Least Square (OLS) we observed there are no significant effects of the selected variables on the stock market return. The results are largely consistent with similar studies carried for most developed and emerging economies.

Keywords: Arbitrate Pricing Theory (APT), Macro-economic Factors, GDP, Inflation, Money Supply, Exchange Rate

Introduction

In modern financial theory, the development of financial equilibrium asset pricing models has been the most vital research. The applications of financial equilibrium models have been very exhaustively examined for developed as well as emerging markets. These applications are used for a variety of purposes such as predicting common stock systematic risk, defining the cost of capital etc. The Capital Asset Pricing Model (CAPM) of Sharpe (1964), Linter (1965) and Mossin (1966) was the traditional equilibrium model which assumes that the stock returns are generated by a one-factor model, where the factor represents the market portfolio of all risky assets. It also stated that only non-diversifiable market risk influences expected security returns. However, the past researches on CAPM have produced mixed results. The decisive point in the assessment of the CAPM is the difficulty of measuring the true market portfolio. Another drawback of CAPM is that it assumes that the uncertainty about future prices of securities is the only risk that the investors are concerned with (Sharpe, 1964).

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But in reality there are other factors too which affect the stock returns, mainly the macroeconomic variables whether it is real or financial both have substantial effect on the performance of the corporate sector of the economy. Accordingly, the stock markets also get affected by these. The movement of stock prices, apart from the firms' fundamentals, also depends upon the level of development achieved in the economy and its integration towards the world economy (Kumar, 2013). For example, the uncertainty about macroeconomic variables such as Gross Domestic Product, inflation, exchange rates, money supply, and interest rates, are additional risks other than the market risks. Due to the severe problems in the testing the CAPM a number of the other models have been proposed. And to incorporate these variables Ross (1976) proposed the Arbitrage Pricing Theory.

Arbitrage Pricing Theory (APT) states that there are numerous sources of risk in the economy that cannot be eradicated by diversification. These sources of risk can be thought of as related to economy wide factors such as inflation and changes in aggregate output. So it does not restrict to market risk but included many micro and macro factors which can affect the security returns. Instead of calculating a single beta, like the CAPM, Arbitrage Pricing Theory calculates many betas by estimating the sensitivity of an asset's return to changes in each factor. The Arbitrage Pricing Theory assumes that a security return is a linear function, not only of one, but also a set of common factors. The APT thus indicates that the risk premium for an asset is related to the risk premium for each factor and that as the asset's sensitivity to each factor increases, its risk premium will increase as well. The APT predicted that the prices of all risky assets in the economy are conventional to the condition of no arbitrage. Hence, APT gives better justification for stock market movement than other stock market proxies.

The objective of this study is to analyze the empirical applicability of the APT to pricing the Bombay Stock Market (BSE) and identify the set of macroeconomic variables which correspond more with the stock market factors in India. This study developed five macro-economic variables which include: money supply, gold prices, inflation, exchange rate and GDP. This study concerns macroeconomic factors that have not been extensively explored in influencing the stock market performance in India. The next section presents review of literature, its subsequent section presents methodology, variables and data sources, its following section presents results and discussions and the final section presents conclusion.

Review of Literature

Chen, Roll and Roll (1986) inspected the validity of the APT in the US securities market. They found several macroeconomic variables to be significant in explaining expected stock return, particularly, industrial production, changes in risk premium, and twist in the yield curve. Further, Beenstock and Chen (1988) examined four factors namely interest rates, money supply (M3), fuel, and material cost, and the retail price index. They concluded that unanticipated increase in interest rate and fuel and material costs reduce security returns. They further stated that export volume and relative export prizes were not significant.

Martinez and Rubio (1989) examined the Spanish market return and they found that there were no significant pricing relationship between stock returns and the macroeconomic variables. Further, they concluded that the multifactor APT with macroeconomic variables fails to explain the size effect in Spanish stock returns. Similarly, Poon and Taylor (1991) in their study included monthly and annual growth rate of industrial production, unanticipated inflation, risk premium, term structure of return on value weighted market index. They showed that the tested macroeconomic variables do not affect the share price in the UK stock market. Likewise, Cheng (1995) analyzed the monthly return of 61 securities in the UK stock market and concluded that the explanatory power of APT in pricing UK stock market is not high.

Maysami, Howe, and Hamzah (2004) examined the relationship between stock returns and macroeconomic variables, including exchange rate in Singapore. They concluded that there was a significantly positive relationship, which can instinctively be clarified by the high level of international trade of Singapore. In similar line, Humpe and Macmillan (2009) found a positive relationship between the industrial production index and stock prices in both the US and Japanese market.

Rjoub, Tursoy, and Gunsel (2009) observed the relationship between the pre-specified macroeconomic variables; namely, unanticipated inflation, term structure of interest rate, risk premium and money supply and stock market returns in the ISE for the period of January 2001 till September 2005, on monthly basis. The results of the study indicated that there was a significant pricing relationship between the stock return and the tested macroeconomic variables. But these results showed a weak explanatory power based on the findings. They further clarified that there might be other macroeconomic factors which affect the stock market returns in ISE other than the tested ones.

Pal and Mittal (2011) studied the impact of gross domestic product on the Indian capital market and concluded that there was no significant impact on stock returns. Tangjitprom (2012) studied all the macroeconomic variables and categorized them into four parts. These variables were categorized as variables reflecting general economic conditions, variables related to interest rate and monetary policy, variables concerning price level, and variables concerning international activities. The study although gave mixed results and found significant relationships between macroeconomic variables and stock returns.

Narang and Singh (n.d.) examined the relationship between Sensex and gold price. The results of the study showed a positive correlation between stock returns and gold price from 2002 to 2007 but due to economic crisis in USA in 2008 and 2011 this correlation seems to be lessening. The results of Granger causality test also revealed that returns of Sensex do not lead to increase in gold price and vice-versa.

Kirui, Wawire, and Onono (2014) evaluated the relationship between GDP, treasury bill rate, exchange rate, inflation and stock market return in Nairobi Securities Exchange Limited. The results of the study showed a negative relationship between stock returns and the exchange rate. Other macroeconomic variables were not significant in explaining stock returns.

Methodology, Variables and Data Sources

The APT model

In this study, five macroeconomic variables are examined. The model below is designed to test the effect of those macroeconomic variables on the stock market prices. The factors tested are the money supply (M3), gold prices, exchange rate, GDP, and inflation. The variables can be incorporated into a linear model as suggested by Chen, Roll & Ross (1986):

$$R_i = b_{i0} + b_{i1}F_1 + b_{i2}F_2 + b_{i3}F_3 + b_{i4}F_4 + b_{i5}F_5 + e_i$$

where, R_i, actual return on the portfolio; b_i, is the reaction coefficient measuring the change in portfolio return for change in risk factors, F_i, is the macroeconomic factor. In this study, the factors tested were: F_1, the money supply; F_2, the gold prices; F_3, the exchange rate; F_4, the GDP; F_5, the inflation; e_i, a residual error for portfolio. The simplest of theories of pricing a financial asset is through discounting future cash flow. The variables that affect future cash flows or risk adjusted discount rate of a company must be considered. The aim of explaining the variables is to measure the macroeconomic forces that influence the stock returns.

H_0= There is no significant impact of selected macroeconomic variables on Sensex returns.

Variables and Data Sources

The empirical analysis is carried out using yearly data. The data period spans from 2001 to 2015. The study used BSE Sensex as a proxy for Bombay Stock Exchange market returns. The macroeconomic variables are obtained in yearly basis from the Reserve Bank of India (RBI) and BSE. The macroeconomic variables are nominal interbank exchange rate (EXR), GDP, money supply, gold prices and consumer price index to proxy for inflation (CPI). In order to smoothen the data all variables were converted to natural logarithm, rather than levels and percentage changes, which alleviates correlations among the variables. It also helps in reducing heteroscedasticity. The variables of the study were selected on the basis of theoretical propositions and evidence in the literature. Regression was applied with the help of Systat 13 for analysis purpose.

Independent Variables

Money Supply

In the study broad money (M3) has been taken into consideration. M3 includes liquid instruments as well as some less liquid instruments and is therefore considered the broadest measurement of money. Previous studies have indicated that the relationship of Money supply with the returns is positive in the short-run as the liquidity is increased due to increase in the money supply. In the long run increase in money supply leads to increase in inflation which affects the return in a negative manner.

Gold prices

Gold has traditionally been considered an attractive investment in India. When markets are volatile and investors panic they tend to move out the risky assets such as stock and invest into assets such as gold. Gold like virtually all commodities is traded on a dollar dominated basis.

Exchange Rate

Exchange rate is the rate which is used to convert one currency into another. The exchange rate is at end of day Rs/US dollar. It is evident from literature that the relationship of exchange rate with return is negative.

Gross Domestic Product (GDP)

The GDP is one of the primary indicators used to gauge the health of a country's economy. It represents the total rupee value of all goods and services produced over a specific time period. A significant change in GDP, whether up or down, usually has a significant effect on the stock market. It's not hard to understand why: a bad economy usually means lower profits for companies, which in turn means lower stock prices. Investors really worry about negative GDP growth, which is one of the factors economists use to determine whether an economy is in a recession.

Inflation

Inflation is based upon the Indian consumer price index. The index is a measure of the average price which consumers spend on a market-based "basket" of goods and services. Inflation – the rise in price of goods and services – reduces the purchasing power each unit of currency can buy. Rising inflation has an insidious effect: input prices are higher, consumers can purchase fewer goods, revenues and profits decline, and the economy slows for a time until a steady state is reached. Previous studies reported that greater volatility of stock movements was correlated with higher inflation rates.

Results and Discussions

Table-1: Regression Coefficients $B = (X'X)^{-1}X'Y$

Effect	Coefficient	Standard Error	Std. Coefficient	Tolerance	T	p-Value
CONSTANT	-67.956	1,178.901	0.000	.	-0.058	0.955
MS	252.077	972.985	2.217	0.001	0.259	0.801
GOLD	-138.755	316.650	-1.239	0.012	-0.438	0.672
EXG	358.730	305.819	0.565	0.405	1.173	0.271
GDP	-241.270	1,010.572	-1.703	0.002	-0.239	0.817
INFL	4.035	8.656	0.344	0.173	0.466	0.652

Source: Author's computation

The above table shows the probability value for money supply (0.801), gold prices (0.672), exchange rate (0.271), GDP (0.817) and inflation (0.652) all are greater than 0.05, which implies that they do not have significant influence on the SENSEX's return. GDP has the highest probability value, which implies that, out of this five predictors of the market returns, GDP (0.817) has more level of non-influence on the Indian stock return followed by money supply (0.801), gold prices (0.672), inflation (0.652), and exchange rate (0.271) has the least level of non-influence.

Table-2: Analysis of Variance

Source	SS	df	Mean Squares	F-Ratio	p-Value
Regression	2,588.462	5	517.692	0.328	0.884
Residual	14,215.686	9	1,579.521		

Source: Author's computation

Table-3: Regression Statistics

Measurement of the model strength R-squared	S.E. of Reg.	Durbin-watson
0.154	39.743	2.125

Source: Author's computation

The R-squared (coefficient of determination) for this study is 0.154 (see Table-3) which shows that about 15% of the variation in SENSEX's returns is explained by the APT model. The Durbin-Watson statistics of 2.12 implies no serial correlations between the variables. The F value is 0.328 and p value 0.884 which is more than 0.05, which shows that the null hypothesis was not rejected. That means the selected macroeconomic variables have no significant impact on the stock market return.

Conclusion

The results of the study indicated that the selected macro-economic factors have no significant influence in the Indian stock market. This specifies that other macro-economic factors might affect the stock market return in India, or we can say that the multi factor APT model with macro economic variables fails to explain the effect in the Indian stock market. The result of the study is supported by Martinez and Rubio (1989) and Poon and Taylor (1991), found that there is no relationship between the macroeconomic variables and stock market return.

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A Survey of the Factors Influencing Property Investment Decision of Indian Investors

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ABSTRACT

Individual investment decision repeatedly supported by various decision tools. It has been noticed that formation of information and various factors about market influences it most. The main objective of the study is to explore the factors which influence the property investment decision of Indian investors'. The study was conducted among 160 individuals of Hyderabad-Secunderabad twin cities, who already invested their money in property market. To collect data a structural questionnaire has been used and personally administrated among individuals. To analyze the data mean score, factor analysis and correlation among the factors has been tested. The study found, the length of time to hold property, the location of the property, volume of property trade, price of the property and proximity to the nearest main city is having highest effect on property investment decision. Over 90% of respondents opined that location and volume of the property traded and price of the property have high effect on their property investment decision, followed by the annual property tax rate. The findings from the research would provide an idea about the factors which influence the property investment decision of Indian investors. However it has been found that in real life people are not totally rational, rather they are influenced by various internal and external factors while making decisions.

Keywords: Property, Investors, Decision Making, Property Market, Investors Preference

Introduction

A responsible property investment decision involves various factors to be considered before taking final decision. Individual decision making has always been a disruptive study since ancient time, especially, when the decision making under high risk and uncertainty. It is always a cognitive process of choosing an alternative option out of several options.

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The property investment decision is always said to be very irrational and inconsistent. The various financial theories like Modern Portfolio Theory (Markowitz, 1952) and Capital Asset Pricing Model (Sharpe, 1964) has shown the way to the academics and researcher to analyze the performance of an investment. Those theories are based on the understanding that investors are rational and they consider all the available necessary information before taking investment decision. But various recent research have proved the irrational behaviour among investors and how it leads to repeated mistake in investment decision.

The studies show that investors do not make rational decision, their decisions get influenced by various emotional and mental factors. Before taking any investment decision they collect the relevant information from their own source. By the process of trial and error they guide themselves to choose the right opportunity. According to the study people value gains and losses differently. They take their decision based on perceived gains than on perceived losses. Real estate sector is at the boom in India since last few decades. As the result of hasty urbanization and growing income levels, a momentous growth in real estate investment can be observed since past few years.

As per the current analysis almost 5% of the GDP growth has been contributed by the housing sector in India. The result of the Economic Survey 2011-12, pointed that in terms of the multiplier effect on the economy the housing sector ranks fourth. In another report of industrial sector in India mentioned that the total economic value of the real estate activity in the country ranges between US$40-45 billion, which contributes almost 5-6% to the GDP growth. Out of the total value almost 90-95% of market is residential segment and the rest is commercial and retail segment. The retail segment considered to be the smallest portion, which contributes almost less than 1% of the total value of the Indian real estate value.

Unlike traditional market trends, the property buyers are showing more interest in the suburban plots above commercial plots. The plots which are having remarkably good returns in the mid-to-long term horizon are getting more importance by the buyers. Furthermore, the upcoming smart cities, where apartment culture not yet at boom, are also considered by the buyers to make a real estate investment.

The present study tries to explore some of the unanswered important questions about the property investment behaviour of Indian investors with reference to the Hyderabad-Secunderabad property market. The study will be investigating various factors which are influencing investment decisions in the Indian property showground.

Background

Traditional finance and economic theories assume that an individual acts rationally. However, the studies of Kahneman and Tversky (1979), Shefrim and stateman (1994) and Shleifer (2000), are the evidence of the irrational and inconsistence behaviour of individual when it comes to decision making under uncertainty.

According to Peter (1996), upto 1980, Efficient Market Hypothesis (EMH) dominated the economic arena. As per the EMH, investors are rational and they make decision based on available information. EMH has increasingly failed to explain market behaviour (Statman, 1995). In addition there are doubts on application of EMH to property market as noted by Gou (1984), and latter empirically tested by Case and Shiller (1989), Brown and Chau (1997).

But all these studies analyzed that market is neither perfectly efficient nor inefficient and none of the EMH variants can explain it. The Modern Portfolio Theory (MPT), Capital Asset Pricing Model (CAPM) and Arbitrage Pricing Theory (APT) are the quantitative models that actuate the rational expectations based theories (Sharpe, 1964; Ross, 1976). But, recent research has proven that these theories do not necessarily work always. For example, Fama and French, (1993, 1996), mentioned that these models would not be helpful to explain the behaviour of individual investors and average market return. Major property research in this area includes papers by Miles and McCue (1984), Titman and Warga (1986), Lusht (1988) and Liu and Mei (1992).

The property market of Hyderabad – Secunderabad twin cities are all at the boom after the division of the state. All the property investors' eyes are on the cities. The Telangana government's investment friendly policy measure and proactive approach has given a start up to the real estate growth from 1995. The state government started the development of the city with the association of the various renowned educational institutions like Indian Institute of Technology (IIT), Indian Institute of Information Technology (IIIT), Birla Institute of Technology and Science (BITS), and Indian school of Business (ISB), with many IT and Pharmaceutical companies. The various factors which boost up the growth of the real estate are, lower cost of living compared to other metro cities, shorter travel time to the work place and easy availability of skilled manpower from various institutes, job opportunities etc.

Literature Review

Diaz (1990) studied the U.S. residential property valuation process in general market. The findings suggest that, participated respondent normally don't follow standard deductive valuation process. They are typically tending to follow inductive method for property valuation to begin with the analysis of subject property. Brown (1992), analyzed the influence of gender on financial behaviour, latter on Brad and Odean (2001), also found parallel results on gender based financial behaviors.

Black and Diaz (1990) studied the comparable sale selection process and found valuer does not follow any systematic and efficient process for selecting comparable sales. Later few more studies have been done on comparable sale selection by valuers of U.K and U.S by Wood, AS (1996) and Gallimore and Wolverton (1997). Afterward, Levy and Schuck (2002), in their study confirms that clients influence the value estimator.

Kahneman and Riepe (1995) brought into the view that the investment decision gets influenced by individuals' beliefs, preferences and biases. They have done many researches to establish the same issue for investment advisors. Adair, Berry and Mc Greal (1996) had also done one study to find out whether the normative process of property valuation was followed by the residential valuer in Belfast, the findings suggested that valuer does not follow standard practice.

Psychological factors rather than fundamentals have been argued to impact property price dynamics. Case and Shiller (1998) gives evidence from their study that either boom in the market are as a result of investors reactions to one another, past price or past market booms. They further argued that investors in housing markets do not know fundamentals but rather interpret events in terms of rumor, clichés and informal observations.

Barkham and Ward (1999) analyzed the investors' behaviour in property investment decision making. Gallimore and Gray (2002) in their study analyzed the role of investor sentiment in property investment decision making. With the help of questionnaire survey method author examined whether investors' sentiments are rational or irrational and the importance of sentiment and its impact on decision making. The findings suggest that essentiality of sentiment indecision making. Authors suggest that sentiment as an important factor in decision making.

Human heuristic process has impact on property investment decisions. Gallimore (2000) conducted an investigation on decision making in small property companies. They bring into being that investment decision does not always follow normative model of decision making process.

Consumers' first check internally for information they already possess as noted by Bettman (1997) and Punj (1987). However, depth of experience, length of time since last purchase and satisfaction with previous purchase will affect the consumers' reliance or internal information as noted by Engel, Blackwell and Millliard (1995) who state that as consumers purchase real property frequently they rarely rely solely on past knowledge when selecting a new property to purchase rather they perform an external information search.

Diaz (1997), was the first one who developed a behavioural frame work for real property by providing the activities model, there are property investors who are risk takers and take high risk by investing in property market. The study has incorporated few aspects which affects the human information processing. Since the human mind is serial information processor which has limited capabilities and solve problem space. This involves knowledge of the market and computational capabilities, Diaz (1993).

Scope of the Study

The present study focuses on the factors that influence property investment decisions. Though there will be range of factors which influence the property investors and which in turn cause price fluctuation in property market, the study identifies the factors which influence the property investment decision, in the twin cities property market.

Objectives of the Study

The main objective of the study is to find out the various factors considered by property investors before making investment decisions in Hyderabad-Secunderabad twin cities in India.

Research Methodology

The Research study has collected data from primary sources. The primary data was collected from investors using a standard questionnaire. The study employed non-probabilistic sampling method, with a judicious mix of convenience and judgmental sampling. The final sample size was 160, with representation from a wide cross-section. The reliability of the items has been done by using SPSS 16 version. The study uses Cronbach's alpha to check reliability which is 0.870 for all 11 items. Convergence validity method has been used to check the validity of the items, which shows that the average loadings of the three component of factor analysis are more than seven.

Data Collection

Survey method was used to collect data from the primary sources. A structured questionnaire designed on the premise of established research and administered among 200 respondents out of those only 160 reverted, and analysis had been done with the final sample of 160 respondents.

Before making a property investment decision, investors consider several factors. The study adopted a Five-point Likert scale to measure the various variables.

Discussion and Findings

a. Factors Considered by Investors before making Investment Decision

To explore the aspect of the behavioural factors in property investment decision, the respondents were asked to rank various variables in a five point likert scale. The key index used in likert scale was, 5 = Not Important, 4 = less important, 3 Neutral, 2 = important and 1 = very important. The findings are tabulated below. The mean score of each item tabulated below in Table-1.

Table-1: Mean Responses of Various Factors on Property Investment Decision

Factors Affecting Decision	Mean Score
Frequency of buying	3.74
Frequency of Selling	3.82
Choice of Property to trade	3.80
Length of time to Hold property	4.15
Volume of property traded	4.04
Price of the Property	4.00
Location of the Property	4.08
Proximity to the nearest Main city	4.00
Annual Property Tax Rate and Land rates	3.88
Rent of the property in the last few years	3.69
Ability to mortgage and pay back	3.66

The research findings clearly established that, the length of time to hold property (mean 4.15), the location of the property (mean 4.08), volume of property traded (mean 4.04), price of the property and proximity to the nearest main city (mean 4.00) is having highest effect on property investment decision. Over 90% of respondents opined that location and volume of the property traded and price of the property have high effect on their property investment decision, followed by the annual property tax rate.

The other factors like, annual property tax, frequency of selling, choice of the property to trade and frequency of buying are ranked by the investors' at fifth and sixth, seventh and eighth position respectively. And the ability to mortgage and payback has been ranked last by investors' with a mean score of 3.66.

In order to find out the most influencing behavioural factors in property investment decision of Hyderabad-Secunderabad twin cities an exploratory factor analysis had been carried out to understand the most significant measures out of the 11 measures of questionnaire. The factor analysis mainly had been carried out for the purpose of data reduction and to isolate the significant measures.

Factor analysis was performed to group the items into different factors. The results in Table-2 shows that out of eleven measures three measures have eigenvalue of greater than one (Nunnally, 1978), has been explaining almost over 70% of total variance. The study used the kaisen criteria to retain the measures with eigenvalues greater than 1, which means a measure will be dropped out if it does not measure at least as much as the equivalent of one original variable (Kaisen, 1960)

Table-2: Total Variance on Behavioural Factors Affecting Investment Decisions in Hyderabad-Secunderabad Twin-Cities

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.918	44.711	44.711	3.188	28.986	28.986
2	1.709	15.536	60.247	2.369	21.536	50.522
3	1.126	10.238	70.485	2.196	19.963	70.485
4	.695	6.320	76.805			
5	.664	6.037	82.842			
6	.447	4.068	86.910			
7	.374	3.399	90.308			
8	.351	3.187	93.495			
9	.315	2.866	96.361			
10	.254	2.311	98.672			
11	.146	1.328	100.000			
Extraction Method: Principal Component Analysis.						

The Principal Component Analysis (PCA) was performed to transform all items into a set of interrelated variables of linear combinations. Varimax rotation was used to classify and reduce the factors. A total of three components or factors were extracted from the factors. A component to represents at least one variable, it should have an Eigen value greater than one. Component 1 explains the highest observed variance i.e. 28.986% and then component 2 which explains 21.536% of variance. The last component explains the least percentage of variance almost about 19. The three extracted components explain almost 70% of the total variability for all the eleven items.

Table-3: Commonalities and Rotated Component Matrix

	Initial	Extraction	Factor 1	Factor 2	Factor 3
Frequency of buying	1.000	.855		.891	
Frequency of Selling	1.000	.867		.866	
Choice of Property to trade	1.000	.680		.709	
Length of time to Hold property	1.000	.658	.775		
Volume of property traded	1.000	.622	.715		
Price of the Property	1.000	.552	.734		
Location of the Property	1.000	.708	.807		
Proximity to the nearest Main city	1.000	.651	.764		
Annual Property Tax Rate and Land rates	1.000	.655			.772
Rent of the property in the last few years	1.000	.804			.868
Ability to mortgage and pay back	1.000	.701			.812

To check the influence on gender and age on property investment decision factors, a correlation analysis has been done (see Table-4). There is not much correlation between property investment decision factors and age or gender except frequency of selling is correlated with gender at 0.05 significant level.

Table-4: Correlation between the Factors

Gender	-												
Age	.256**	-											
Frequency of buying	-.133	-.144	-										
Frequency of Selling	-.166*	-.134	.827**	-									
Choice of Property to trade	-.099	.035	.595**	.652**	-								
Length of time to Hold property	.009	-.089	.399**	.383**	.443**	-							
Volume of property traded	-.065	-.029	.415**	.449**	.486**	.679**	-						
Price of the Property	-.068	.090	.283**	.298**	.371**	.434**	.439**	-					
Location of the Property	-.087	-.005	.379**	.438**	.413**	.589**	.552**	.526**	-				
Proximity to the nearest Main city	-.146	-.044	.366**	.477**	.402**	.516**	.494**	.528**	.656**	-			
Annual Property Tax Rate and Land rates	.045	-.140	.243**	.321**	.244**	.313**	.254**	.125	.279**	.300**	-		
Rent of the property in the last few years	-.088	-.148	.293**	.373**	.385**	.127	.223**	.127	.240**	.264**	.579**	-	
Ability to mortgage and pay back	-.086	-.030	.257**	.294**	.385**	.173*	.237**	.138	.183*	.148	.448**	.653**	-

** Correlation is significant at 0.01 level, * correlation is significant at 0.05 level

Conclusion and Recommendation

The objective of this study was to find out the influence of various factors in property investment decision making. The findings reveal that the location of the property, price of the property and the mortgage or pay back capacity is having high impact on the property investment decision. The other factors are having moderate impact on the investors' preference.

The research findings clearly established that, the length of time to hold property (mean 4.15), the location of the property (mean 4.08), volume of property traded (mean 4.04), price of the property and proximity to the nearest main city (mean 4.00) is having highest effect on property investment decision. Over 90% of respondents opined that location and volume of the property traded and price of the property have high effect on their property investment decision, followed by the annual property tax rate.

The other factors like, annual property tax, frequency of selling, choice of the property to trade and frequency of buying are ranked by the investors' at fifth and sixth, seventh and eighth position respectively. And the ability to mortgage and payback has been ranked last by investors' with a mean score of 3.66.

The findings are similar to the Waweru *et.al.,* (2008), who found that institutional investors made reference to the trading activities of their peers thus affecting buying and selling decision in the Nairobi Stock Exchange.

The study further recommends the future research on behavioural finance theory in the Indian property market targeting the buyers and sellers directly. Further researchers can also analyze the various investment decision done by the property investors and can test the rationality using behavioural factors.

An apt way to do this would be the creation and use of psychometric testing devices for investors to measure their demographic and psychographic characteristics. Thereafter, customized behavioural portfolios can be constructed so as to maximize the financial as well as psychological well being of the investors.

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An Empirical Analysis of Bank Customers Regarding their Preferences towards Latest Government Schemes under NDA Government

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ABSTRACT

Financial institutions play a pivotal role in economy of any country and they also act as channels through which government implement their financial agendas. In India also, banks and financial institutions have played a major role since decades in implementing the schemes launched by the government in the centre. This paper aims to study the importance, impact and viability of various schemes launched by the current NDA government lead by Prime Minister Sh. Narender Singh Modi. The study understands the purpose of government behind launch of these schemes along with their impact on society at large. The study concluded that few schemes like PMJDY i.e. Pradhan Mantri Jan Dhan yojna and PMMY i.e. Pradhan Mantri Mudra Yojana was a success whereas other schemes like Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Atal Pension Yojana (APY) enjoyed moderate success among people of India. And recommendation for government is to first understand the demand at grass root level and design the schemes on that study. Also proper awareness has to be given to the target people to make these schemes a success in India.

Keywords: Bank Customers, Government Schemes, PMSBY, PMJJBY, APY

Introduction

With Change of government in Delhi, every new government launches its own set of social security, financial inclusion schemes for the country. Recently Sh. Narendra Modi led NDA Government in India which has launched following financial literacy schemes for all citizen of India especially for those who were far away from banking facilities:

- Pradhan Mantri Jan-Dhan Yojana (PMJDY): To open Saving Bank A/c in any bank India.

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- Pradhan Mantri Suraksha Bima Yojana (PMSBY): Accidental death insurance of Rs.2 lacs.
- Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY): Life Insurance of Rs.2 lacs.
- Atal Pension Yojana (APY): Monthly pension upto Rs.5,000/- after age of 60
- Pradhan Mantri Mudra Yojana (PMMY): Funding to Non-corporate small business sectors

The purpose behind launching these schemes is to make financial services such as banking, insurance, and others available to the Indian citizens especially from the low & middle class category at an affordable cost and make them financially secure along with arranging finance for small MSMEs increase the rate of growth of Manufacturing and Service sector. Lot of efforts are being made to increase the subscribers under each of these schemes.

Pradhan Mantri Jan Dhan Yojana

Opening zero balance saving account for every unbanked Indian household was the main objective behind the launch of PMJDY. Overdraft facility of Rs.5,000 is also available provided the account is kept active for 6 months after opening. Some banks are also opening account to existing customers whereas majority of them have restricted to only those with no bank account. Run by Department of Financial Services, Ministry of Finance, on the inauguration day, 1.5 Crore (15 million) bank accounts were opened under this scheme. By 15 July 2015, 16.92 crore accounts were opened, with around 20288.37 crore (US$3.1 billion) were deposited under the scheme, which also has an option for opening new bank accounts with zero balance.(https://en.wikipedia.org/wiki/Pradhan_Mantri_Jan_Dhan_Yojana)

Pradhan Mantri Suraksha Bima Yojana (PMSBY)

Accidental death insurance of Rs.2 lacs. The scheme will be a one year cover, renewable from year to year, Accident Insurance Scheme offering accidental death and disability cover for death or disability on account of an accident. All savings bank account holders in the age 18 to 70 years in participating banks will be entitled to join. In case of multiple saving bank accounts held by an individual in one or different banks, the person would be eligible to join the scheme through one savings bank account only. Benefits will be A. Death & Total and irrecoverable loss of both eyes or loss of use of both hands or feet or loss of sight of one eye and loss of use of hand or foot: Rs.2 Lakh. B. Total and irrecoverable loss of sight of one eye or loss of use of one hand or foot: Rs. 1 Lakh.

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

Life Insurance of Rs.2 lacs. The scheme will be a one year cover, renewable from year to year, Insurance Scheme offering life insurance cover for death due to any reason. All savings bank account holders in the age 18 to 50 years in HDFC Bank will be entitled to join. In case of multiple saving bank accounts held by an individual in one or different banks, the person would be eligible to join the scheme through one savings bank account only.

Rs.2 lakh is payable on member's death due to any reason .If the Scheme Member dies during Insurable Membership, subject to Policy being in force and all due Premiums, Service Tax and any Other Levies (if any) having been paid and subject to any restrictions or qualifications referred to in these Clauses, the amount specified as the Sum Assured for such Scheme Member shall become due to the Nominee of the Scheme Member. No Maturity benefit is payable under the policy. No Surrender benefit is payable under the policy.

Atal Pension Yojana (APY): Monthly pension upto Rs.5,000/- after age of 60. APY is a guaranteed pension scheme and is administered by the Pension Fund Regulatory and Development Authority (PFRDA). It guaranteed monthly pension for subscribers, ranging from Rs.1,000 to Rs.5,000 per month. Government of India (GoI) will also co-contribute 50% of the subscriber's contribution or Rs.1,000 per annum, whichever is lower. The Government co-contribution is available for those who are not covered by any Statutory Social Security Schemes and is not an Income Tax payer. GoI will co-contribute to each eligible subscriber, for a period of 5 years who joins the scheme in the period June 1 to December 31, 2015. The benefit of five years of Government co-contribution under APY would not exceed 5 years for all subscribers including migrated Swavalamban beneficiaries.

Pradhan Mantri Mudra Yojana (PMMY)

Funding to Non-corporate small business sectors. A flagship scheme of Government of India, was launched on 8th April, 2015 by the Hon'ble Prime Minister to "fund the unfunded" by bringing such enterprises to the formal financial system and extending affordable credit to them. The full form of MUDRA is Micro Units Development & Refinance Agency Ltd. This organization will offer financial support to the Non-Corporate Small Business Sector (known as NCSBS). With this goal, initially MUDRA has been set up as a subsidiary of SIDBI. Refinancing will be offered to non-financing companies which provide finance to small banks, regional rural banks, co-operative societies and similar entities that offer loans to trading, manufacturing & servicing micro units & small businesses. There are three Schemes under PMMY which are A. Tarun Loan: This is offered to cover loans from 5 lakh to 10 lakh. B. Kishor Loan: This is offered to cover loans from Rs.50,000 up to 5 lakh. C. Shishu Loan: This is offered to cover loans up to Rs.50,000.

Review of Literature

Appasaba L. V, Kiran, G. and Kadakol, A.,M (2013) conducted a study of MSMEs in Shimogga area near Bangalore. The author found that the presence of MSMEs helps to improve the life style of people and also having social development activity. MSMEs are providing employment opportunity to unemployed people. MSMEs having the relationship with other country to sell their product by this activity Shimogga got good identity. The study found that the government has very important role in promoting these MSMEs.

Shabna, Mol, T.P. (2014) investigated the importance of financial inclusion in Indian economy and role of RBI and Government in achieving the same. The author found that more financial access will attract more global market players to our country that will result in increasing employment and business opportunities. There are certain problems like lower financial literacy, lack of awareness, the cost of transaction and customer acquisition is high and it is not at all cost-effective. RBI has taken various initiatives to strengthen financial inclusion. Information and communication technology offers the opportunity for the banks to improve financial inclusion for the unbanked people.

Hema, D. (2013) analyzed the impact of financial inclusion with reference to daily wage earners. The author found that it is concluded that there is more need to educate and create some new instruments for daily wage earners and also make them a part of financial inclusion.

Garg, S., Agarwal, P. (2014) studied the success of financial inclusion in India and how it is related to MSMEs. The author also provided the various tools and strategies that can help in achieving desirable levels of financial inclusion. Further the author also suggested that innovative products, out of the box service models, effective regulatory norms and leveraging technology together could change the landscape of the current progress of the much needed and wanted, Financial Inclusion Program

Sane, R. and Thomas, S. (2014) assessed PFRDA Act i.e. The Pension Fund Regulatory & Development Authority Act was passed on 19th September, 2013. The author analyzed the significance of pension and also the viability of NPS Scheme i.e. New Pension Scheme. They concluded that PFRDA can also set in motion the next step of policy initiatives to ensure that increased coverage of the wider informal workforce. With this, the NPS will move the country closer towards providing social and income security for citizens in their old age.

Sanyal, A. and Singh, C. (2013) studied the viability of Universal pension Scheme in India. They concluded that nearly 80 percent of the working population is not entitled to any pension. An introduction of a universal pension scheme will bring relief to the working population. It will ensure that they live a good life after they retire with their health well taken care of. Nevertheless, if a citizen wants more at old age he/she can either opt for the national pension scheme or any other private schemes to do that.

Venkatesh, S. and Muthiah, K. (2012) has analyzed the importance of SME sector along with challenges and opportunities' for them. The authors have derived that for the sector to fully utilize its potential, it is essential that the entrepreneurs along with the government support take necessary steps for further development. It is quite evident that, nurturing this sector is essential for the economic well-being of the nation.

Need and Objective of the Study

In India, banks and financial institutions have played a major role from decades in implementing the schemes launched by the government at the center.

The research paper aims to study the importance, impact and viability of various schemes launched by the current NDA government lead by Prime Minister Shri Narendra Modi.

The objective of the study is to understand the purpose of government behind launch of these schemes along with their impact on society at large.

Research Methodology

The present study is mainly based on primary survey being conducted with the help of a pre-tested, well-structured questionnaire which is being personally administered to 200 customers from public sector banks. Two public banks considered for the study include Punjab and Sind Bank and Union bank of India. Data is being collected from the customers of these two respective banks from three major cities of Punjab that include Amritsar, Jalandhar and Ludhiana. Convenience sampling technique has been used to collect the data. Factor Analysis has been used in the present study to extract the factors that influence the behavior of customers of Punjab to open their accounts under various latest government schemes. The responses of the customers were sought on a five point likert scale ranging from Strongly Agree to Strongly Disagree. Due to time constraints, the sample of respondents was just 200; further study can be conducted by taking larger sample.

Factors Influencing Bank Customers to Open Accounts Under PMJDY Scheme

There are several key factors that influence the decision making process of customers. The multivariate statistical technique of Factor Analysis has been used in the present study to extract the factors that influence the behaviour of customers of Punjab to open their accounts with PMJDY. Factor Analysis is a technique primarily employed for summarization and data reduction when there are large numbers of variables under analysis (Hair, *et.al.,* 2010). Factor analysis derives underlying dimensions based upon the correlations among the variables that help the analyst in describing the data in a much smaller number of items.

Reliability is the extent to which a variable or set of variables is consistent in what it is intended to measure (Hair, *et.al*., 2010). This is done by determining the association between scores obtained from different administration of the scale. If the association is high, the scale yields consistent results, thus is reliable. Cronbach's alpha is the most widely used method for testing the reliability of the scale. It may be mentioned that its value varies from 0 to 1 but, satisfactory value required is more than 0.6 for the scale to be reliable (Malhotra, 2002).In the present study, the value of cronbach's alpha comes out to be 0.723 which is significant. After checking the reliability of the scale, it was tested whether data so collected is appropriate for factor analysis. The correlation matrix is computed and examined. It reveals that there are enough correlations to proceed with factor analysis.

Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is a useful method to show the appropriateness of data for factor analysis. Kaiser-Meyer-Olkin measure of sampling adequacy is found to be 0.603 in our study. It is indicated that the sample is good enough for survey. The overall significance of correlation matrices is tested with Bartlett test of sphericity as shown in Table-1, approx. chi-square =205.240 and significant at 0) provided as well as support for validity of the factor analysis of the data set.

Table-1: KMO and Bartlett's Test of Sphericity

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.603
Bartlett's Test of Sphericity	Approx. Chi-Square	205.240
	df	78
	Sig.	.000

Principal Component Factor Analysis

The present study employs the principal component analysis method of factor analysis. This method is recommended when the primary concern is to determine the minimum number of factors that will account for the maximum of the variance. After deciding upon the method of extraction, the decision has to be made regarding the criterion for the number of factors to be extracted. Orthogonal rotation with varimax is applied to the construct. The latent root criterion is used for extraction of factors. As per it, the factors with Eigen values greater than one are considered significant and the factors with Eigen values less than one are considered insignificant and disregarded (Malhotra, 2002).

Principal Component Factor Analysis followed by varimax rotation (Hair, *et.al.,* 1990) is employed for extracting factors. 12 statements were reduced to 4 factors. These factors explained 57.421% of the total variance as shown in Table-2, which is very much acceptable for the Principal Component Varimax rotated factor loading procedure i.e. 50 % (Johnson and Wichern, 2002).

Table-2: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.541	21.178	21.178	2.541	21.178	21.178	1.920	16.000	**16.000**
2	1.714	14.286	35.464	1.714	14.286	35.464	1.878	15.649	**31.650**
3	1.439	11.990	47.454	1.439	11.990	47.454	1.621	13.507	**45.157**
4	1.196	9.967	57.421	1.196	9.967	57.421	1.472	12.264	**57.421**
5	.985	8.211	65.632						
6	.924	7.698	73.330						
7	.802	6.685	80.015						
8	.581	4.844	84.859						
9	.572	4.765	89.624						
10	.464	3.864	93.488						
11	.402	3.349	96.836						
12	.380	3.164	200.000						
Extraction Method: Principal Component Analysis.									

In interpreting factors, there is a need to determine which factor loadings are to be considered. The criterion given by Hair, *et.al.,* (1990),where factor loading based on sample size is taken as the basis for decision about significant factor loading, was adopted. For our sample of 200 respondents, a factor loading of 0.4 and above has been considered significant. The four factors and the variables loaded on these factors have been summarized in Table-3.

Table-3: Factor Names and Constituent Variables

Factor Number	Factor Name	Factor Loading	Constituent Variables included in factor
1	No Option / Compulsion	.733	I had no bank account earlier
		.695	I didn't have all the requisite documents required to open a regular account.
		.649	My Bank asked me to open the PMJDY Account.
2	Anticipated Facilities	.757	I was anticipating extra benefits like overdraft facility in this account.
		.724	In order to get Accidental Insurance Cover of Rs.1.00 lac without any premium charged
		.714	To be Beneficiary of Government Schemes will get Direct Benefit Transfer in these accounts
3	Benefits	.772	To get access to Pension and Insurance products launched by the government
		.738	In order to get my Aadhar Number linked with a Bank account for any subsidy/ Scholarship
		.432	In order to get Rupay debit card free of cost
4	Convenience of Service	.732	To get the Cheque Books for further use
		.677	To get associated with a certain bank
		.520	To use the facility of "Bank Mitr" who will visit the villages with Machine to provide all bank services in every village

Factor 1: No Option / Compulsion

This factor explains 16.000 % of variance. It includes three statements i.e. "I had no bank account earlier", "I didn't have all the requisite documents required to open a regular account" and "My Bank asked me to open the PMJDY Account" revealing the fact that customers did not have account earlier. So, they felt it mandatory to open accounts under such schemes.

Factor 2: Anticipated Facilities

This factor explains 31.000 % of variance. It includes three statements i.e. "I was anticipating extra benefits like overdraft facility in this account". In order to get Accidental Insurance Cover of Rs.1.00 lac without any premium charged" and To be Beneficiary of Government Schemes will get Direct Benefit Transfer in these accounts" revealing the fact that customers are anticipating facilities from government via these schemes in future. So, they felt it is necessary to open accounts under this scheme to get anticipated facilities in future.

Factor 3: Benefits

This factor explains 45.000 % of variance. It includes three statements i.e. "To get access to Pension and Insurance products launched by the government", "In order to get my Aadhar Number linked with a Bank account for any subsidy/Scholarship" and" In order to get Rupay debit card free of cost" reveals the fact that customers want to avail benefits which come along with this account. So, they opened the accounts under this scheme to avail benefits given by government to all account holders.

Factor 4: Convenience of Service

This factor explains 57.000 % of variance. It includes three statements i.e. "To get the Cheque Books for further use", "To get associated with a certain bank" and " To use the facility of "Bank Mitr" who will visit the villages with Machine to provide all bank services in every village" revealing the fact that customers are lured by the convenience given to these account holders.

Factors Influencing Customers to Open Their Accounts in PMMY

For Factor analysis to be appropriate, the variables must be correlated. The basic assumption of the inter correlation matrix is that variables significantly correlate with each other as these are measuring the same thing. The inter correlations should be reasonably high. The inter correlations between the variables were found to be significantly high at either 1% or 5% level. This is also certifier of the suitability of the factor analysis on the data under present study.

Reliability is the extent to which a variable or set of variables is consistent in what it is intended to measure (Hair, *et.al.,* 2010). This is done by determining the association between scores obtained from different administration of the scale. If the association is high, the scale yields consistent results, thus is reliable. Cronbach's alpha is the most widely used method for testing the reliability of the scale. It may be mentioned that its value varies from 0 to 1 but, satisfactory value required is more than 0.6 for the scale to be reliable (Malhotra, 2002).In the present study, the value of cronbach's alpha comes out to be 0.689 which is significant. After checking the reliability of the scale, it was tested whether data so collected is appropriate for factor analysis. The correlation matrix is computed and examined. It reveals that there are enough correlations to proceed with factor analysis.

Next, the appropriateness of factor analysis is examined in terms of presence of significant correlations among variables. For this either the Bartlett test of spherecity or Kaiser-Meyer-Olkin (KMO) Measure of Sampling adequacy is used. The overall KMO statistics is found to be 0.701 (greater than the required 0.50) depicting that the factor analysis is feasible on the basis of sampling adequacy. The Bartlett's test is found to be highly significant (sig. at 0.000) as shown in Table-4 below.

Table-4: KMO and Bartlett's Test of Sphericity

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.652
Bartlett's Test of Sphericity	Approx. Chi-Square	348.195
	df	66
	Sig.	.000

Principal Component Factor Analysis followed by varimax rotation (Hair, *et.al.,* 1990) is employed for extracting factors. 12 statements were reduced to 5 factors. These factors explained 68.548 % of the total variance as shown in Table-5, which is very much acceptable for the Principal Component Varimax rotated factor loading procedure i.e. 50 % (Johnson and Wichern, 2002).

Table-5 : Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.327	19.390	19.390	2.327	19.390	19.390	2.069	17.242	17.242
2	2.205	18.376	37.766	2.205	18.376	37.766	1.912	15.930	33.171
3	1.412	11.769	49.534	1.412	11.769	49.534	1.525	12.709	45.880
4	1.250	10.420	59.954	1.250	10.420	59.954	1.375	11.462	57.342
5	1.031	8.593	68.548	1.031	8.593	68.548	1.345	11.206	68.548
6	.859	7.156	75.704						
7	.794	6.617	82.321						
8	.713	5.940	88.261						
9	.492	4.097	92.357						
10	.459	3.824	96.181						
11	.397	3.311	99.493						
12	.061	.507	200.000						
Extraction Method: Principal Component Analysis.									

Table-6: Factor Names and Its Constituent Variables

Factor Number	Factor Name	Factor Loading	Constituent Variables included in factor
1	Anticipated benefits factor	.718	I am expecting certain more benefits from government for loans under PMMY Scheme
		.688	My Bank insisted me to avail this loan
		.547	I wanted to start new business and this is easiest loan to get
		.541	This loan will help me built my credibility with bank to get higher loans in future
2	Security needs factor	.899	I was not having any security to pledge for regular loan
		.880	Neither I am a PAN Card holder nor I file IT returns, therefore I didn't have much of choice
		.487	My existing loan was not sufficient so I availed this loan
3.	Less Documentation factor	.617	There is hardly any documentation to get PMMY
		.544	I was not able to fulfill the requirements for regular loan
4	Low Interest factor	.571	To get the benefit of low rate of interest
		.501	I wanted pre-loaded MUDRA Card
5.	Convenience factor	.414	This is the quickest loan one can get
Table-6 summarizes five factors and the variables loaded on these factors			

Factor 1: Anticipated Benefits Factor

This factor explains 17.000 % of variance. It includes three statements i.e. “I am expecting certain more benefits from government for loans under PMMY Scheme”, “My Bank insisted me to avail this loan”, “I wanted to start new business and this is easiest loan to get.” and” This loan will help me build my credibility with bank to get higher loans in future.” revealing the fact that customers avail this loan with anticipation that government will give more benefits in future to all the borrowers of PMMY. Therefore in order to avail the anticipated benefits, customer takes loan under PMMY Schemes.

Factor 2: Security Needs Factor

This factor explains 33.000% of variance. It includes three statements i.e. “I was not having any security to pledge for regular loan”, “Neither I am a PAN Card holder nor I file IT returns, therefore I didn’t have much of choice” and ” My existing loan was not sufficient so I availed this loan” revealing the fact that customers who don’t have proper security to offer in order to take loan get loan sanctioned under this scheme as security requirements are relaxed in this scheme.

Factor 3: Less Documentation Factor

This factor explains 45.000% of variance. It includes three statements i.e. “There is hardly any documentation to get PMMY” and” I was not able to fulfill the requirements for regular loan” revealing the fact that customers who are not comfortable with huge documentation and other loan formalities of bank, opt for this loan as there is not much documentation and other requirements to avail loan under this scheme.

Factor 4: Low Interest Factor

This factor explains 57.000% of variance. It includes three statements i.e. “To get the benefit of low rate of interest” and” I wanted pre-loaded MUDRA Card” revealing the fact that in order to avail benefit of lower interest rate customers opt to avail loan under this scheme rather than going for normal loan case.

Factor 5: Convenience Factor

This factor explains 68.000% of variance. It includes three statements i.e. “This is the quickest loan one can get” revealing the fact that this loan requires less formalities and is among the easiest loan to avail, therefore customers opt for this loan because of convenience and speedy process.

Factors Influencing Customers to Enroll For PMSBY

Before applying the factor analysis, testing of the reliability of the scale is very important as it shows the extent to which a scale produces consistent results if measurements are made repeatedly. This is done by determining the association between scores obtained from different administrations of the scale. If the association is high, the scale yields consistent results, thus, is reliable. Cronbach’s alpha is most widely used method. It may be mentioned that its value varies from 0 to 1 but, satisfactory value required is more than 0.6 for the scale to be reliable (Malhotra, 2002).In the present study, the value of Cronbach’s alpha comes out to be 0.669 which is significant.

Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is a useful method to show the appropriateness of data for factor analysis. The KMO statistics varies between 0 to 1. Kaiser (1974) recommended that the value greater than 0.5 is acceptable. Kaiser-Meyer-Olkin measure of sampling adequacy is found to be 0.664. It is indicated that the sample is good enough for survey. The overall significance of correlation matrices is tested with Bartlett test of sphericity, approx chi-square =565.926 and significant at 0) provided as well as support for validity of the factor analysis of the data set. Table-7 indicates that data is appropriate for factor analysis.

Table-7: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.803
Bartlett's Test of Sphericity	Approx. Chi-Square	398.481
	Sig.	0.000

Principal Component Factor Analysis followed by varimax rotation (Hair, *et.al.,* 1990) is employed for extracting factors. 10 statements were reduced to 3 factors. These factors explained 66.645 % of the total variance as shown in Table-8, which is very much acceptable for the Principal Component Varimax rotated factor loading procedure i.e. 50 % (Johnson and Wichern, 2002).

Table-8: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.408	44.075	44.075	4.408	44.075	44.075	3.292	32.923	**32.923**
2	1.252	12.525	56.600	1.252	12.525	56.600	2.315	23.153	**56.076**
3	1.004	10.045	66.645	1.004	10.045	66.645	1.057	10.569	**66.645**
4	.861	8.613	75.259						
5	.632	6.322	81.581						
6	.526	5.263	86.844						
7	.473	4.732	91.576						
8	.348	3.481	95.057						
9	.310	3.096	98.154						
10	.185	1.846	200.000						
Extraction Method: Principal Component Analysis.									

Principal Component Factor Analysis

Principal Component Factor Analysis followed by varimax rotation (Hair, *et.al.,* 1990) is employed for extracting factors. Only the factors with latent roots greater than one are considered significant and all the factors with the latent roots less than one are considered insignificant and disregarded.

These factors explained 61.751% of the total variance, which is very much acceptable for the Principal Component Varimax rotated factor loading procedure i.e. 50 % (Johnson and Wichern, 2002). In interpreting factors, there is a need to determine which factor loadings are to be considered.

Table-9: Factor Names and its Constituent Variables

Factor Number	Factor Name	Factor Loading	Constituent Variables included in factor
1	Avail benefits	.827	I was not having any insurance cover
		.821	I enrolled for APY since I didn't have any pension plan
		.782	I needed some Guaranteed monthly pension
		.750	Contribution by government in my pension fund made me enroll into this scheme
2	Anticipated Facilities	.844	I am expecting certain more benefits from government under these schemes
3	Lack of options	.795	Premium was so meager to think about it
		.675	My Bank insisted me to avail these schemes
		.749	I was not able to get any other insurance due to my medical condition
		.650	A insurance at this much premium is too good to lose
		.604	I covered my parents under these policies

The criterion given by Hair, *et.al.,* (1990), where factor loading based on sample size is taken as the basis for decision about significant factor loading, was adopted. For our sample of 150 respondents, a factor loading of 0.4 and above has been considered significant. The four factors, their names and the variables loaded on these factors have been summarized in Table-9.

Factor 1: Avail Benefits

This factor explains 32.000% of variance. It includes three statements i.e. "I was not having any insurance cover", "I enrolled for APY since I didn't have any pension plan", "I needed some Guaranteed monthly pension "and "Contribution by government in my pension fund made me enroll into this scheme" revealing the fact that most of the customers enrolling for these schemes don't have any insurance or pension plan, therefore in order to avail the benefits of these schemes of government they have enrolled themselves.

Factor 2: Anticipated Facilities

This factor explains 56.000% of variance. It includes three statements i.e. "I am expecting certain more benefits from government under these schemes" revealing the fact that customers have enrolled in these schemes in anticipation that government will offer more benefits to policy holders in future.

Factor 3: Lack of Options

This factor explains 66.000% of variance. It includes three statements i.e. "Premium was so meager to think about it", "My Bank insisted me to avail these schemes"," I was not able to get any other insurance due to my medical condition"," An insurance at this much premium is too good to lose" and" I covered my parents under these policies" revealing the fact that enrolling in these schemes of government is quite convenient vis-à-vis other schemes in the market. Therefore many customers have enrolled in these schemes as they were not able to get any other scheme and wanted to avail benefits given by government under these schemes.

Discussion, Implications and Conclusion

The study was carried out in order to understand the success and acceptance of various schemes launched by NDA government since coming to power in 2014. Based on the research results and discussions it was concluded that few schemes became very popular among targeted customers whereas few didn't get anticipated response. In case of Pradhan Mantri Jan-Dhan Yojana (PMJDY) which was first scheme of government aiming towards financial inclusion became very popular very soon and as studied the targeted public got lured toward it because of benefits attached to it. The other scheme which got huge response was Pradhan Mantri Mudra Yojana (PMMY) which was aimed at Funding to Non-corporate small business sectors. The study clearly revealed that the most significant factor for success of this scheme was convenience and lack of documentation which hindered common man to take loan from the bank. The Atal Pension Yojana (APY), Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) were not much effective but those who enrolled for it, as revealed by study was due to factors like lack of option and also to avail benefits attached with it.

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Political Branding: The Contemporary Trait of Indian Polity

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ABSTRACT

Politics is one area which the layman might not associate with the field of branding but with time this aspect of modern-day democracy has become synonymous with branding. Jevons (2005) is of the view that branding is flexible enough to include the realm of politics. The consumer-citizen concept is a step in this very direction. Today's voter behaves more on the lines of a consumer who needs to be convinced to buy into (read vote) the brand promises (read election manifesto and promises made during campaigning) put up by various political brands. Just like there are two aspects of a brand, successful and failed, political branding is no exception to the same. Modern times have seen the rise of many a political brands some of whom have had an ardent following while others have been shunned by the electorate for their disconnect with the voter. The western democracies such as US and UK are replete with political brands which have proven their mettle (or faded into oblivion) during various elections. However, the same has came to fore only in the past few years in India thanks to the information revolution. No other election witnessed more significantly the concept of political branding as did the last general election. The concept of political branding and political participation have shown quite strong relationship between them in those countries where it is applicable. Through this paper, the authors have attempted to establish a connect between political branding and political participation. Also, they talked about what characterizes the successful making of a political brand in a conceptual way.

Keywords: Political Branding, Political Participation, Political Marketing, Election

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Introduction

Brands have made their presence felt in every walk of life. They have been a part and parcel of our daily scheme of things for much longer then could be imagined. As Danesi (2006) rightly points out that brands have been around us since "the dawn of history" in the form of trademarks. Danesi (2006) further elaborates that if the identification of a product is aided by visual schematics, then it is the concept of branding at the fore.

The modern times are characterized by the rise of the concept of consumerism wherein the consumers are increasingly becoming aware of their rights and calling the shots thus deciding the fate of various organizations. This holds true for the political icons and parties which dominate the mindscape of voters. Consumer activism and branding have been hand in gloves with each other thus making it sensible as well as necessary for organization of various hues to respond timely and accurately to the consumers' inputs as well as feedback. Scammell (2007) is of similar view that the ascent of consumer awareness has been coupled with branding thus creating new paradigms. Scammell (2007) is also of the view that the contemporary field of branding has taken shape more on the lines of a theory wherein such diverse notions as nations, places, cities and politicians (focus of this research paper) have found resonance thus taking it to the next level. Scammell (2007) further opines that as time passes by, politicians are increasingly getting leveraged as brands thus extending their appeal. A politician who is more accessible, realistic, approachable, relatable and emanating hope would be considered to be a better brand as compared to its compatriots.

Sales is not the be all and end all of marketing. Rather it is a part of it. Likewise, Jevons (2005) is of the view that it is not only advertising that makes branding. Branding is much more than merely being associated with advertising, no matter how good and effective an advert is. At the same time, having a strong brand image is imperative for a political brand to succeed. Scammell (2007) takes it further and says that an impressive brand name is equally important, if not more, as is a good politician or outfit. Martin Luther King Jr. This name itself has got a certain click to it and even before one knows anything about the politician or his affiliations, the brand name does develop an aura around it thus making the consumer-citizen curious to know more about it.

Fetscherin, Michele, Cid Goncalves, & Souki (2014) have talked about even during many early deliberations, brands were seen more as relationship partners above all else. They are of the view that human personalities and characteristics were seen as intertwined with brands. This does hold true in the case of political brands. The better voters are able to relate with the political brand, the more are the prospects of it succeeding provided it lives up to the pre-voting expectations because the interesting aspect related to political branding is that they come with an expiration date (in India and UK 5 years, in US 4 years). In case of India sometimes even this gets curtailed in the form of mid-term elections owing to backtracking by coalition partners. This trend was particularly prevalent in the last years of the past century and early years of this century.

Understanding Political Branding

Political branding has been around for some time, especially in the western democracies. However, its presence has been felt substantially after the rise of information revolution which made it possible for the consumer-citizen to stay in touch with political outfits and leaders as and when they desired, more on the lines of round-the-clock. The scrutiny which the politicians face with regard to their manifestos, deeds, campaigns, post-selection works has become much higher. When it comes to defining political branding, it is the manifestation arising out of the perception developed towards a political outfit, leader, campaign, strategy, policies, and other related terms which define the existence of a political entity. This is done both with the help of material cues such as political rallies, buttons, bill boards, campaigns, public appearances, as well as immaterial hints such as belief, trust, relatedness, interest, awareness, curiosity, etc. Language, symbols, signs also play a crucial role in the formation and popularity of a political brand. It is for this reason that some political brands are more popular than others.

With time, political branding has proven its worth and has been considered as a big business by such thinker like Jevons (2005) who credits this development to the popularity of this concept among the political leaders and organizations who have lapped it up with an open mindset as they came to understand the merit of it. Even the naysayers have accepted its efficacy and turned to it to revive their fortunes. Jevons (2005) further is of the view that the singularity related to consumers, which is normally associated with branding, has changed to a multiple scenario thanks to the advent of political branding in its realms. Further he says that the comprehensive way in which political campaigns are managed in today’s political scenario essentially characterize the phenomenon of political branding. Speed, Butler, & Collins (2015) are of a similar view. As per them, political branding has evolved as a multidisciplinary concept borrowing to varying extents from management, journalism, sociology and economics. This is so because campaigning is an economics-based activity whereas sociology does influence the way political brands behave in a certain way. Management is another arena which political branding touches because without management it would be quite difficult to ensure the success of a political brand. And journalism is an arena which influences every politician in one way or the other. In that sense, political branding indeed touches multiple areas and in the process brings a layered approach towards the leaders and parties.

Chandler & Owen (2002) talk about the cultural aspect related to political branding and are of the opinion that a good political brand should resonate with the electorate in the cultural sense so that they are on the same page and connect with each other. In this regard, they also opined that a successful political brand is one which has a charisma and the ability to pull the crowds to its rallies, speaks in their tongue and their minds. The rustic charm which leaders like Lalu Prasad Yadav and Mamata Banerjee bring to the table plays a crucial role in making them popular among the masses. It is with this very perception that when national leaders visit such states where the vernacular is different from English or Hindi, they tend to speak or at least infuse a few sentences in the local language or dialect to develop an instant connect with the crowd. Similarly, Clifton *et al.*, (2009) focus on the social aspect of a brand and proclaim that brands are being increasingly viewed as torchbearers of the social well-being. Thus, a political brand needs to focus upon good social deeds apart from making promises with regard to performance. This is so because today’s consumer-citizen holds such political brands higher than others on the virtue of their societal commitments.

Williams (2000) talks about the reciprocal relationship which a political brand tends to develop with the electorate. This affects the way the electorate feel about the political brand. The stronger the relationship between them, the more influence a political brand wields over its rivals.

History is replete with examples (as is modern world) with examples which go on to prove that the best brands are those which are able to get their point across in the simplest possible way. People always prefer such brands which are easily differentiated from their rivals thus highlighting their superiority in the simplest possible manner. This trait of effective branding is particularly effective in the case of political branding, specifically in a democracy like India, where the political scenario is cluttered with umpteen choices thus confusing the consumer-citizen making it quite difficult to choose one brand over the other.

It is in this context that Smith and French (2011) have given their finding on heuristics or ‘mental shortcuts’. They are of the view that humans normally tend to avoid new learning as long as they are comfortable with the existing information. The political brands with which the voters develop an association are the ones with whom the consumer-citizen tends to stay no matter which all new developments take place in the political scenario. This association helps them to avoid complex situations wherein they need to decide on their political affinity for one political brand over the other. This very much holds true in the Indian political scenario where voters tend to vote en-masse and repeatedly for a particular political brand no matter what the scenario is. However, this tendency has changed with time but still plays a crucial role in the overall scheme of things. This builds upon the views of Scammell (2007) who was of the opinion that brands act as short cuts as the images, sounds (such as jingles), taglines associated with them help the consumer to identify with the brand instantaneously thus cutting through the clutter. An easily recallable political brand would definitely score above its compatriots even before the election campaign begins or the ballots are cast.

Neiheisel & Niebler (2013) are of the opinion that having appealing party symbols, candidate logos, slogans, add to the political brand. At the same time, overtly usage of them leads to brand dilution and erodes brand value. Hence, the parties should exercise a bit of restraint when it comes to using their political brands because even the best brands can be victims of over-exposure thus losing their novelty factor in the process.Lees Marshment (2009), one of the leading thinkers in the arena of political branding, observes that when it comes to differentiating among various political outfits and leaders, political branding plays a crucial role as it provides the voters with enough cues to tell one leader or party from the other. Then there are others like Serazio (2015) who are of the view that with time political branding has matured as a concept and is more than just a mere differentiator among politicians or outfits. He is critical of the practices related to branding being used in the American political campaigns.

Political Branding: The Indian Connect

Seidman (2010) is of the view that a positive image, a strong following coupled with an uplifting message go in the making of a triumphant political brand. This is so because such a political brand makes the electorate hopeful, excited and feel better about themselves. Such was the scenario during the last general election in India. The electorate rallied behind one political brand over all others and this resulted in an unprecedented mandate wherein a non-Congress party got a majority for the first time in the history of Indian politics and a single-party majority government was formed after three decades riding on the charisma of one political brand which outplayed and outweighed all its compatriots by such a huge margin that even the supporters were bewildered though they expected a fine performance but like a super brand, brand NaMo surpassed its own expectations thus making everyone else sit up and take notice. Again, like a winning brand even before the results were declared or even when voting was going on, both the believers and detractors had a feeling that brand NaMo is going to outperform its compatriots by a big margin. This became possible due to the brand promise which the brand kept on projecting during all the rallies, talk shows, gatherings, on social platform, basically a 360^{o} approach towards brand engagement which was without a parallel in modern political history anywhere in the world.

What's more important to note here is the aspect that there was a consistency in the projection during the entire campaign in terms of brand performance, much like propagated by Creamer (2008) who talks about how a strong political brand should exhibit consistency in terms of its message as well as when it comes to fulfilling that brand promise in terms of brand performance. It is with a reason that as per the poll conducted by Centre for Media Studies and put up by one of the leading news channels of the country, Zee News, 70% of the surveyed population wish to see Narendra Modi as PM till 2024 and 62% were happy with his performance (Zee News, May 2, 2016). Though the findings also included some negative reactions for the government but brand NaMo was still the favourite among the various political brands. This goes on to prove that delivering on brand promise leads to better acceptability once a political brand is in power.

Another survey in this regard was conducted by Pew Research Centre even more recently, that is, September 2016 to gauge the acceptability of brand Modi across demographic segments in the country. Pew is one of the foremost authorities in conducting election-based survey with much precision in USA and other parts of the world. It was the notable exception with regard to predicting a majority for brand Modi in 2014 election. As per the findings of the survey, brand Modi is still relevant, contemporary and instantly recallable even after more than two-and-half years being at the helm of affairs. An overwhelming 81% of those surveyed aired a favourable perspective towards brand Modi. Of this number, 57% had a very favourable outlook in this regard. A mere 16% had an unfavourable opinion about brand Modi. What makes these findings credible is the fact that the survey included close to 2500 respondents from almost every major city of the country and was conducted over an extensive period (April 7-May 24, 2016). Thus, it became evident that consistent performance, one of the hallmarks of a good brand is very much visible in the case of brand Modi as it is still going strong after two-and-a-half years of rule. This becomes even more distinct as Indian politics (or for that matter politics in any democratic nation) goes through a lot of upheaval once a government has covered the mid-distance. Surveys, which are conducted to gauge the mood of the electorate in the middle of the term of the incumbent, throw up results which mostly go the other way for them but not in case of brand Modi. Another trait of a commendable brand is trust which Indians still repose on brand Modi as was evident from the survey.

Over the past few elections in India, same set of voters have voted differently in general election as compared to state elections. This has got much do with their identification with a popular figure at the central level thus convincing them to root for it. On the other hand, they find it more sensible to vote for a local and popular political entity when it comes to state elections. This phenomenon was seen in Bihar and Delhi as the voters of these two states voted different parties and coalitions in general election. This assumes significance because the elections to these two states were held close on the heels of the general election. Then there are the voters of Haryana, Jharkhand and to an extent J & K and more recently Assam which voted for the same party thanks to the strong image of brand NaMo who voted for it both at the centre and state elections. At the other opposite stand the voters of such states as West Bengal, Tamil Nadu, and Odisha who vote for the regional political brands no matter whether it is the general election or state election.

In fact, such has been the charisma and pull of regional political brands as J Jayalalitha and Mamata Banerjee that they were voted back to power for a consecutive second term in the recent state elections. J Jayalalitha bucked the anti-incumbency wave and formed back-to-back governments in the state for the first time in the past thirty years. Even in Bihar, brand Nitish was voted back to power for the third consecutive term (fifth time overall), albeit this time with the help of coalition partners. But the pull of brand Jayalalitha and brand Mamata is much stronger as they have proven their mettle time and again no matter whether the battle field is a central election or state one, no matter whether they are fighting for re-election or first time.

White and de Chernatony (2011) observe that those political brands who don't fulfil the pre-poll promises are shown the door whenever next elections take place. They get greatly devalued and suffer. At the same time, today's voters have attained such maturity that they are more than willing to give a second, a third chance to a political brand in whom they trust even though it has fallen short of its promises based on their overall experience with that brand. This is not to say that anti-incumbency has become a thing of past. However the voter of today has become more pragmatic and is not easily swayed by petty benefits in the lead up to the election and value development more than anything else. Trust plays a very significant role in the success or failure (arising due to the lack of it) of a political brand.

In the recent times, regional political brands in Indian states like Mamata Banerjee, J Jayalalitha, Nitish Kumar have proved that people are willing to give a second chance provided they see the merit in the same even though the political brand has suffered a few setbacks during its previous tenure. In this context, Needham's (2006) concept of 'repeat buy' would make an appropriate and relevant reference. He puts up an interesting analogy wherein he compares an incumbent, who is seeking a re-election, to a product which is up for rebuying based on the past experience of the customer. The failure to live up to the expectations of the consumer-citizen in the preceding term would definitely dent the chances of re-election much like a bad product being unsubscribed from the wish-list of its repeat buyers.

The Sixteenth Lok Sabha Election

India witnessed the biggest election exercise in the history of mankind to elect the sixteenth Lok Sabha. According to the EC data, more than 553 million people – more than South America's population – of India's 834 million eligible voters exercised their franchise in this election to elect the fifteenth prime minister of the Republic of India. This election was historic in many aspects. The above quoted number becomes further significant in the light of the fact that the last general election witnessed a record percentage, an all-time high of 67.7% voting as compared to 57.61% in 2009. The polls broke the record of 64.01% polling in 1984-85 when the elections were held in an emotionally surcharged atmosphere following the assassination of the then PM, Indira Gandhi. However, no such factor was prevalent during this election still voters came in droves to vote. The development plank, relatedness, humble background, ready reference of Gujarat Model (though his detractors criticized it), talks of inclusive growth, creation of jobs, self-reliant economy, women empowerment, power to the downtrodden sections of the society were some of the issues on which brand NaMo fought the election.

To score the point further home, about 140 million more people turned up at polling stations as compared to the general elections in 2009. This is about 40 million more than the total number of new voters – 100 million – added to the electoral rolls in the past five years. Majority of these additional 40 million voters were either youth or female or both.

What caused this steep increase in the voter turnout and more importantly which segments of the society played their part in it for the same are questions which need to be answered. This research paper delves on this issue and comes out with some trends and analyses which readers would be able to relate with. The role of political branding in the same is to be explored too and related with it.

Many experts believe that propelled by the high octane poll campaign by leaders of all parties, women and youth registered their highest ever show in the last general election. This is one of the aspects for sure which ensured higher turnout of the voters. There are different aspects related to it which would come up in further discussion.

The role of social media during the last general election is something which is worthy of mentioning and how it influenced participatory tendencies across various age groups, notably among the first time voters. Social media came into prominence in a political event for the first time during the 2008 Presidential election in USA, which Metzgar & Maruggi (2009) term as the first social media election The Obama campaign successfully harnessed it and repeated its feat in 2012. By then, politicians across the globe understood the might of it. The 2012 Presidential election in USA, the 2014 elections in India and Brazil and the impending 2016 Presidential election in USA were/are being fought as much (if not more) in the virtual world as they are in the physical world. Seidman (2010) is of the view that television plays a prominent role in politics. This holds true despite the onslaught of online media and in such countries like India where internet is not used by majority of the population At the same time, industry body for internet usage IAMAI mentions that close to 400 million Indians are connected on internet (more than the population of USA) of which 300 million access it on their smart-phones. Additionally, half of the online population of India uses such social networking platforms like whatsapp and facebook. 4 out of every 10 urban dwellers use internet and the reach and impact of internet is much beyond the users as the usage of the same many times leads to viral marketing and generates enough word-of-mouth. Additionally, the last general election saw 227 million comments, exchanges and conversations on facebook alone, the highest ever associated with a political event. It was later upended by the Brazil election (Source: Facebook's director of institutional relations in Brazil, Bruno Magrani as quoted on rappler.com). The political brand which made its presence felt the most during the election was brand NaMo by a huge margin.

Increased Political Participation: Rise of Brand Modi or Anti-Incumbency Effect?

The moment one talks about the increased participation in the last general election, anti-incumbency is the obvious notion which comes into picture. However, the reality may be not as apparent as perceived. The detractors of brand NaMo had the tendency of dismissing its role in the success of its party as well as increased participation and attributed the results mostly to the anti-incumbency effect. One very pertinent observation in this regard has been provided by Sanjay Kumar, Director of the Centre for the Study of Developing Societies (CSDS), under the heading of National Election Studies. “I don’t know how this idea that high turnout is associated with anti-incumbency has persisted from generation to generation,” he says. “This relationship has never existed.” To prove his point, he talks about the last 30 assembly elections. 24 of these saw higher voter turnouts as compared to the preceding ones. Out of these 24, there were 12 which voted the incumbent back to power. On the other hand, 12 didn’t. Thus it rendered this logic inconclusive that anti-incumbency leads to increased participation in a political event. It then leads to the obvious question, what was responsible for the high turnout as witnessed during this election?

Brand NaMo made its presence felt across various platforms, both physical and online. Narendra Modi travelled close to 300K kms addressing 500+ rallies, unprecedented in the history of Indian politics. Even after becoming PM, he has been known to campaign extensively in poll-bound states, albeit with mixed results. His appeal, presence on various media platforms with consistency in the message (Abki Baar, Modi Sarkaar), relatedness, humble background (from tea seller to four-times CM to the next PM), experience (four-time serving CM with a tenure running into a decade-and-a-half), commendability (the Gujarat Model of Development) added to the aura of brand NaMo during the election. Not only this, brand NaMo dominated the virtual landscape as well in the lead-up to the election becoming the second-most popular politician in the world just behind brand Obama, the same brand whose success inspired Narendra Modi to lap up to social media in a big way. Presently, he is having close to 32.5 million ‘likes’ on his official facebook page and 18.3 million followers on twitter. He has got his own website narendramodi.in apart from the official websites of PMO and party. Currently, he is the still the second-most popular world leader on facebook trailing Obama. More importantly, he is not only present on the social websites but also interacts with the users asking them for suggestions and listening to their views and complaints thus making political participation much more meaningful and relevant than the traditional modes of political participation. Even the various ministries of the government have taken the social media route for first-hand interaction keeping in view its effectiveness. More importantly, one needs to keep this fact in mind that a social media user doesn’t necessarily need to be registered as a voter to participate in the political activities as is the case with the traditional mode of participation. Again, this is not to say that the conventional mode of participation, namely getting registered and turning up on the day of voting, is losing its sheen. Far from it, as the trend shown above, the last general election saw the highest ever turnout in history of India.

Then the detractors of brand NaMo might also point out that its appeal was not uniform, that is, it was restricted to only those segments of the society which were traditionally loyal to BJP. Here too they were in for a surprise as such segments like SC, ST, OBC, Muslims, Sikhs; in short, the minority segments of the society came out in the support of brand NaMo in a way which was not seen for BJP in any of the preceding elections. As the chart shown below depicts, the entire gain in terms of vote share for brand NaMo came at the cost of the principal opponent INC and others.

Here again, the naysayer might say that it was BJP which won the election and not brand NaMo. The explanation to which lies in the chart itself. Such segments which have almost never voted for BJP also came out in support of the lotus based on their perception that brand NaMo would do what others have failed to do, namely, uplift their lives and protect their interests. They believed in the brand promise of brand NaMo based on its performance and the track record so much so that the scourge of 2002 which had been haunting it for more than a decade also was not enough to stop it from effectively wiping out competition. Many of such constituencies which were dominated by the minorities and were citadels of INC and others went to BJP thanks to charisma of brand NaMo.

When one argues whether it was the party or the leader who won the mandate, here is the bottom-line. It is not as if BJP was contesting the general election for the first time. Rather it was contesting it under the effect of brand NaMo for the first time and the difference was more than telling. Of the possible 543 seats up for grabs, BJP won 282, 10 more than the half-way mark necessary for forming the government, a feat which was not achieved by any party other than Congress till now. Even INC won majority on its own for the last time three decades ago riding on the sympathy wave in the aftermath of assassination of Lt. Indira Gandhi. In fact, all the pre-poll talks about equations arising after the elections were doused in the TsNaMo (as famously proclaimed by a leading daily of the nation). BJP even didn't need the support of its alliance partners of NDA. BJP+ stood at a mammoth 331, an impressive tally by any benchmark. The self-reliance on brand NaMo was well reflected in the choice of ministers for various departments. Narendra Modi handpicked those whom he felt right for that post, not bound by any alliance dharma as was the case during the coalition-era politics. It ruffled many a feathers but he was unperturbed.

A good political brand is one which apart from being successful, puts all the other brands on to the back foot. This is precisely what happened in the case of brand NaMo and others as well. The impact of brand NaMo was felt by such regional bigwigs like SP, BSP, JDU. Despite having the third-largest vote share of around 4.1% (rediff.com, May 17, 2014) after BJP (31%) and INC (19%), BSP didn't win a single seat. JDU was reduced to 2 seats, the same number which brand NaMo won contesting from Vadodara and Varanasi (he later gave up the Vadodara seat). Then there were such strong regional political brands like Mamata Banerjee (34 seats), J Jayalalitha (winning 37 seats, the third largest quantum behind BJP and INC) and Naveen Patnaik (20 seats) who held on their own despite the onslaught of brand NaMo. However, these were more like exceptions rather than norms. More importantly, previous to this general election, such quantum of seats would have decided who will form the next central government. All this changed thanks to the rise and might of brand NaMo. It is not without a reason that one of the leading experts called this as the 'Death of Kingmaker', as had been the tradition where regional players played a crucial role in the formation of the central government and dictated their terms in the process. Not anymore.

Concluding Remarks

To what extent brand NaMo has lived up to the expectations of the electorate in the past 2 years since it has come to power is beyond the scope of this research paper though the general acceptance towards brand NaMo (as mentioned earlier) is still very much there. It might have taken a bit beating but that has normally been the trend worldwide. There are hardly any instances of a political brand enjoying the same popularity after being in the office for a certain period of time. The popularity of brand Obama dipped during both the tenures as compared to the pre-poll ratings enjoyed by him. It is quite a difficult task for a political brand to live up to the expectations of the electorate who have reposed their trust on it once it assumes office because of the harsh realities of realpolitik. The lofty goals set during the campaigning and mentioned in the manifesto go for a toss many a times.

At the same time, one needs to keep in mind the re-elections which Narendra Modi won as the CM of Gujarat (he was voted four times to the office and served from 2001 to 2014 thus becoming one of the largest serving chief ministers of India) riding on popularity wave and if one goes by the survey mentioned above, there are fair chances that he might be voted back to power in 2019. When one talks about the debacle suffered by the chief rival brand namely brand RaGa; scams, corruption, inefficiency on various fronts, nepotism dented its image whereas such factors have not plagued the brand NaMo in the last two years though it has been facing problems of different nature.

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How A Bear Swallowed the Dragon

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ABSTRACT

This study explains how the Stock market plunge started in China, though China being the second largest economy in the world now which is causing the jitters in the economy of the globe. It identifies how the Changes in the Real Estate Sector have enriched the Stock Indices leading to the formation of Stock market bubble considering the investments in Real Estate Sector and then the real reasons for the burst of the bubble through the aggressive selling, especially during the month of mid June and July 2015 which eroded around 4 trillion worth of stocks, and also how the inflation and the Interest Rates acted as fuel for the rally and turmoil. This study also considers a few of the macroeconomic factors such as the Purchasers Manufacturing Index, Exports and GDP has supplemented the plunge. This study examines from 2012 to 2015, where China came from a growth phase to a crisis phase and tries to explain how a "Mighty Dragon is Swallowed by a Trivial Bull".

Keywords*:* Stock Market Plunge, Changes in Real Estate Sector, Macroeconomic Variables

Introduction

During the past decades, the Chinese economy has grown by an extraordinary amount. Its GDP stood the second largest in the world, next to the US. And many economists anticipated that only within a matter of time it could overtake the US. But China's Government imposes capital controls in order to keep its money within its borders. Therefore, the income earned by the growing middle class population had a few options to invest their newly earned wealth. Chinese Stock Market and the Real Estate are the two places where people started investing or can invest. They have become increasing expensive and with the hallmarks of a bubble forming. As early as a few months ago the Chinese Stock Market had an average Price Earnings ratio higher than the rest of the world with the Chinese technology growing by showing bubble like valuations of more than 220 times earnings on average. With this backdrop, this study has taken up to know "how a bear swallowed the dragon".

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Objectives

The important objectives of the study are presented as follows:

1. To study the changes in the real estate investment.
2. To examine the reasons for the stock market rally.
3. To analyze the impact of other economic variables on the stock market.

Research Methodology

The research methodology used for this study is presented as follows:

Sources of Data: This study used only the secondary sources of data. The secondary sources of data are drawn from the National Bureau of Statistics, the SSE Composite Index, Google Finance, Investing.com and from the People Bank of China.

Period of Study: The present study spans 36 months beginning from July 2012 to August 2015.

Statistical Tools: The present study is analytical in nature. The select statistical tools used for this study are mean, coefficient of variance, standard deviation, multiple-correlation and Z-test to present ”How a Bear Swallowed the Dragon”.

Changes in China’s Real Estate Sector

China’s real estate sector has been a significant pillar of China’s economy for the last decade. The shift to a market-centered economy from a state-controlled economy during the 1980s has put China on a high growth trajectory ever since. The real impetus came in the late 1990s, when the housing sector was privatized. It was during this time that the “property market” came into existence demand for new housing has been very strong in major cities as rising incomes has led to a desire by many people to upgrade their housing. This, coupled with massive urbanization which has occurred in China over the last two decades has created an ever growing need for urban housing. These two factors combined with the fact that the Chinese saw the real estate market as the best place to park their savings over the last decade, especially in high end real estate, has helped drive the boom in the China’s real estate market.

The easing of credit conditions following the 2008 global financial crisis and the subsequent boom in construction and asset prices have also triggered talk of the country experiencing a property bubble. In 2001 the Chinese Government rolled out a range of favorable policies to open up the real estate industry so that it might function as a backbone of China’s economy. And the property sector has become the most significant contributor to growth in the world’s second largest economy over the past several years. The policies have worked to some extent, but it is argued inelastic demand, due to rapid urbanization and a cultural tradition which emphasizes the importance of owning one’s own house or apartment when getting married, will keep the industry booming in the long run.

Due to the low interest rates and increased bank lending, which allowed cheap credit for the construction and purchase of property, while making competing debt investments less appealing, rely on local government on land sales (accounting for up to 50% of revenue), incentivizing the continued sale and development of land. And limited access to foreign investments for Chinese increased the appeal of domestic investments including the property has caused real estate prices to increase by 150% between 2005 and 2010. The real estate investment growth rate is presented in the Table-1.

Table-1: Real Estate Investment Growth Rate

Month & Year	Investment in				
	Real Estate (Accumulated growth rate %)	Residential Buildings (Accumulated growth rate %)	Office Buildings (Accumulated growth rate %)	Houses for Business Use (Accumulated growth rate %)	Real Estate Construction (Accumulated growth rate %)
Aug.12	15.6	10.6	35.0	25.7	13.5
Sep.12	15.4	10.5	36.1	25.3	13.6
Oct.12	15.4	10.8	31.4	25.8	13.5
Nov.12	16.7	11.9	32.7	27.3	14.6
Dec.12	16.2	11.4	31.6	25.4	14.7
Jan.13	-	-	-	-	-
Feb.13	22.8	23.4	53.3	22.4	32.9
Mar.13	20.2	21.1	44.1	21.2	28.8
Apr.13	21.1	21.3	48.6	22.7	27.0
May13	20.6	21.6	41.0	24.1	26.8
Jun.13	20.3	20.8	42.8	26.1	26.3
Jul.13	20.5	20.2	40.2	29.5	25.9
Aug.13	19.3	19.2	40.0	26.5	24.3
Sep.13	19.7	19.5	37.6	27.9	24.1
Oct.13	19.2	18.9	63.9	26.9	23.6
Nov.13	19.5	19.1	36.0	27.6	23.5
Dec.13	19.8	19.4	38.2	28.3	22.7
Jan.14	-	-	-	-	-
Feb.14	19.3	18.4	27.1	26.4	19.6
Mar.14	16.8	16.8	20.8	25.5	18.7
Apr.14	16.4	16.6	18.9	25.4	18.1
May14	14.7	14.6	16.2	23.6	16.5
Jun.14	14.1	13.7	19.0	23.2	15.3
Jul.14	13.7	13.3	19.3	22.3	14.1
Aug.14	13.2	12.4	18.7	22.9	12.8
Sep.14	12.5	11.3	22.8	22.8	11.8
Oct.14	12.4	11.1	23.8	23.4	11.2
Nov.14	11.9	10.5	24.6	22.0	10.1
Dec.14	10.5	9.2	21.3	20.1	9.3
Jan.15	-	-	-	-	-
Feb.15	10.4	9.1	14.9	18.2	8.8
Mar.15	8.5	5.9	20.6	17.2	5.4
Apr.15	6.0	3.7	13.6	13.9	3.2
May15	5.1	2.9	12.8	11.9	2.2
Jun.15	4.6	2.8	14.4	8.6	2.2
Jul.15	4.3	3.0	13.5	7.6	1.8
Total	496.7	455	974.8	747.7	536.9
Mean	13.7972	12.6389	27.0778	20.7694	14.9139
SD	5.1801	6.0429	12.8884	5.4187	8.4304
CV	37.5448	47.8116	47.5978	26.0896	56.5271
Multiple Correlation	-	0.9626	0.8125	0.8488	0.9671
Z test	-	-1.1508	6.1825	7.7201	0.7943
Two-tailed p-value		0.2498	0.0001	<0.0001	0.427

Source: National Bureau of Statistics

From the Table-1, it is observed that till February 2013, there is a gradual increase in the growth rate of investment in real estate which was at 22.8%. Also, it is witnessed that the growth rate in the investment in residential buildings, office buildings, also investment in buildings for office use as well as investment in real estate construction which is evident from the mean and standard deviations from each of the components and it is evident that the highest standard deviation for the office buildings of 12.89%, and co-variance of 47.59% whereas it can be said that high contribution is made by the investment in office buildings for growth in real estate investment. And the highest co-variance is from the construction which is 56.52%. This growth phase followed by the growth trend from the previous years here indicating the five stages any industry would face in its life cycle, i.e., (i) Early Stages Phase - alternative product design and positioning, establishing the range and boundaries of the industry itself. (ii) Innovation Phase - Product innovation declines, process innovation begins and a “dominant design” will arrive. (iii) Growth (Cost or Shakeout) Phase - Companies settle on the “dominant design”; economies of scale are achieved, forcing smaller players to be acquired or exit altogether. Barriers to entry become very high, as large-scale consolidation occurs. (iv) Maturity Phase - Growth is no longer the main focus, market share and cash flow become the primary goals of the companies left in the space. (v) Decline Phase - revenues declining, the industry as a whole may be supplanted by a new one. During the initial or early stages due to the above circumstances, the Chinese citizens are consuming the real estate product in growing numbers. More and more real estate companies entered into the market, race to offer their own products and gain a share of a growing market with this. Total sales and profits continued to grow in the Chinese real estate industry, which caused the industry to grow and now due to the overproduction of the building resulted in so called “Ghost Cities” entire landscapes where nobody lives. And with increased price levels, the industry began with declining stage. It is observed from the Table-1 that the growth rate in the investment in real estate started declining from March 2013 which was at 20.2% to 4.6% by June 2015 which is showing a decline of 15.6% from March 2013 to June 2015.

Stock Market Plunge

China’s recent history as a capitalist economy is pretty short, it really only started opening up to trade and investment in the 1980s, and its stock markets started in the 1990s. Its financial markets are much less developed than those in the U.S., and involve few people and a small percentage of total assets (that’s one reason why the property market has historically been so important). China’s free-float, the amount value available for trading on stock markets, is about one-third of its GDP, compared to more than 100 percent of GDP in most developed economies. More than half of Americans have some investment in stocks, whereas the figure in China is only about 6 percent.

During the past 12 months, the Shanghai and the Shenzhen Stock Index have increased more than double from 2,043.02 in June 2014 to 4,798.02 and from 1,267.67 in April 2014 to 3,987.19 in May 2015 on average, before its fall which created $6.5 trillion of value. Rising stocks encouraged even the companies to raise money by issuing shares and to use the proceeds to pay down debt. In the first half of the year, the Shanghai stock market led the world in initial public offerings 78 companies issued shares in Shanghai, raising $16.6 billion. It’s hard to picture, but that’s a stunning amount of money which is equivalent of about 70% of China's GDP in 2013, and about 40% of the total value of the NYSE. It's enough to pay off Greece's debt 20 times over, circle the Earth 250 times with $100 bills, or build to Stations. The rapidly inflating bubble that had driven share prices to dizzying heights had suddenly burst. By this spring, the stock markets in Shanghai, with 831 listed companies, and Shenzhen, with 1,700, boasted a combined market capitalization of $9.5tn, which made them – along with the much older Hong Kong exchange – the second-largest financial market in the world. The Shanghai and Shenzhen average index price from August, 2012 to July 2015 were presented in the Table-2 and 3 respectively.

Table-2: Shanghai Composite Index

Date	Avg. Index Price	Month's High	Month's Low	Change (%)
Aug.12	2,116.84	2176.8	2032.54	-
Sep.12	2,066.73	2145	1999.48	-2.37
Oct.12	2,100.03	2138.03	2053.09	1.61
Nov.12	2,043.95	2123.33	1959.33	-2.67
Dec.12	2,109.55	2269.51	1949.46	3.21
Jan.13	2,311.04	2391.82	2234.95	9.55
Feb.13	2,380.36	2444.8	2289.81	3
Mar.13	2,036.63	2369.65	2228.81	-14.44
Apr.13	2,211.80	2253.42	2165.14	8.6
May13	2,264.52	2334.33	2161.14	2.38
Jun.13	2,119.15	2313.43	1849.65	-6.42
Jul.13	2,086.23	2092.87	1946.37	-1.55
Aug.13	2,218.36	2198.85	1997.06	6.33
Sep.13	2,185.35	2270.27	2078.46	-1.49
Oct.13	2,354.65	2234.39	2093.2	7.75
Nov.13	2,493.26	2234.39	2078.99	5.89
Dec.13	2,163.38	2260.87	2068.54	-13.23
Jan.14	2,036.28	2113.11	1984.82	-5.87
Feb.14	2,091.49	2177.98	2014.38	2.71
Mar.14	2,036.63	2079.55	1974.38	-2.62
Apr.14	2,074.38	2146.67	1997.64	1.85
May14	2,029.75	2061.06	1991.06	-2.15
Jun.14	2,043.02	2087.32	2010.53	0.65
Jul.14	2,086.23	2202.13	2033	2.12
Aug.14	2,218.36	2248.94	2180.6	6.33
Sep.14	2,317.07	2365.49	2217.68	4.45
Oct.14	2,354.65	2423.6	2279.84	1.62
Nov.14	2,493.26	2683.18	2401.75	5.89
Dec.14	2,994.53	3239.36	2665.69	20.1
Jan.15	3,293.87	3406.79	3095.07	10
Feb.15	3,186.55	3324.55	3049.11	-3.26
Mar.15	3,483.94	3835.57	3198.37	9.33
Apr.15	4,186.23	4572.39	3742.21	20.16
May15	4,467.85	4986.5	4099.04	6.73
Jun.15	4,798.02	5178.19	3847.88	7.39
Jul.15	3,848.31	4317.05	3373.54	-19.79
Total	91,302.25	95,701.19	85,342.61	71.79
Mean	2536.1736	2658.3664	2370.6281	1.9942
SD	746.0748	865.6551	600.0635	8.1906
CV	29.4173	32.5634	25.3124	410.7263
Z Test		0.8470	-1.6548	

Source: Shanghai Composite Index Google Finance

Table-3: Shenzhen Composite Index

Date	Price	High	Low	Change (%)
Aug.12	705.55	743.59	663.52	6.30
Sep.12	687.12	766.23	658.23	-2.61
Oct.12	685.16	720.85	675.62	-0.29
Nov.12	600.82	697.66	593.59	-12.31
Dec.12	711.94	718.78	575.83	18.49
Jan.13	767.00	788.39	700.38	7.73
Feb.13	836.06	841.44	754.63	9.00
Mar.13	826.65	878.79	797.29	-1.13
Apr.13	836.88	880.95	782.90	1.24
May13	1,007.51	1,022.70	831.57	20.39
Jun.13	929.80	1,008.89	838.11	-7.71
Jul.13	1,041.33	1,113.17	923.80	12.00
Aug.13	1,088.74	1,156.17	1,042.71	4.55
Sep.13	1,229.59	1,229.59	1,083.44	12.94
Oct.13	1,138.23	1,288.46	1,110.58	-7.43
Nov.13	1,291.71	1,292.95	1,108.06	13.48
Dec.13	1,243.96	1,251.71	1,126.19	-3.70
Jan.14	1,410.34	1,422.08	1,238.45	13.38
Feb.14	1,387.99	1,521.49	1,346.69	-1.58
Mar.14	1,289.13	1,448.62	1,278.34	-7.12
Apr.14	1,267.62	1,367.55	1,230.73	-1.67
May14	1,325.19	1,344.31	1,215.85	4.54
Jun.14	1,434.38	1,434.38	1,308.54	8.24
Jul.14	1,407.11	1,464.66	1,316.46	-1.90
Aug.14	1,503.34	1,537.62	1,387.35	6.84
Sep.14	1,673.35	1,673.36	1,506.02	11.31
Oct.14	1,671.87	1,706.80	1,603.89	-0.09
Nov.14	1,752.15	1,761.78	1,591.20	4.80
Dec.14	1,580.37	1,808.23	1,557.40	-9.80
Jan.15	1,768.64	1,838.69	1,532.29	11.91
Feb.15	2,008.40	2,008.40	1,745.65	13.56
Mar.15	2,493.98	2,547.12	2,019.64	24.18
Apr.15	2,979.61	3,033.04	2,502.22	19.47
May15	3,987.19	4,148.58	2,908.26	33.82
Jun.15	3,265.82	4,449.42	2,885.06	-18.09
Jul.15	2,830.50	3,396.53	2,532.27	-13.33
Total	52,665.03	56,312.98	46,972.76	169.41
Mean	1,462.92	1,564.25	1,304.80	4.71
SD	780.88	908.95	617.42	11.34
CV	53.38	58.11	47.32	241.05
Z-Test		-0.5072	0.9535	

Source: Investing.com

From the August 2012 the month on month average Shanghai Composite Index, which was at 2,116.8 in August 2012 has gone to 4798.02 by May 2015 with an overall increase of 40% and the Shenzhen Composite Index, which was at 705.55 in August 2012 has gone up to 3,265.85 by June 2015 which is clear indication of that even the investment has gone up creating a bubble of epic proportions in the stock market. The foremost factor is the disconnect between the Chinese Stock market and the real economy. With the slow down in the economic growth which took a toll on property or real estate investment, and due to no other alternative investment for the Chinese people it has led to the diversion of investments from the real estate sector to the stock market leading to increase in investment in the stock market. The correlation between the real estate investment and the percentage change in index prices are presented in the Table-4.

Table-4: Correlation between Accumulated Growth in Real Estate Investment and the Percentage Change in the Prices of Shanghai and Shenzhen Composite Indexes

Correlation Between	Correlation
Accumulated Growth in Real Estate Investment and Shanghai Composite Index	-0.163327302
Accumulated Growth in Real Estate Investment and Shenzhen Composite Index	-0.07229955

Source: Compiled from Table 1, 2 and 3.

Table-4 presents correlation between the Investment in the Real Estate Sector with that of the average Change in Shanghai and Shenzhen Composite Index Price. It is observed that a perfect negative correlation for both the Indices which is representing that due to the fall in the real estate investment growth which is caused by the over supply and rise in prices of property rates, supported by the slowing economy has led to the increase of the Shanghai and the Shenzhen Composite Indices which is due to the increase in investment in the stock market by the people fueled by borrowing by the people which is because of the huge expansion in lending in recent years.

Table-5: Chinese Central Bank Interest Rates

Change Date	Interest (%)
Dec 26 2010	5.81%
Feb 09 2011	6.06%
Apr 06 2011	6.31%
Jul 07 2011	6.56%
Jun 08 2012	6.31%
Jul 06 2012	6.00%
Nov 21 2014	5.60%
Feb 28 2015	5.35%
May 10 2015	5.10%
Jun 27 2015	4.85%
Aug 25 2015	4.60%
Total	62.55%
Mean	5.69%
SD	0.64
Covariance	11.31

Source: People Bank of China

From the Table-5, it is observed that the Chinese Central Bank has cut the interest rates 5 times since November 2014 and the present interest is the lowest which is 4.60% changed by the Central Bank on August 25th, 2015 of an easy monetary policy. And it is also observed that the standard deviation of only 0.64%, which is indicating that the change with respect to that of the average change of 5.69% and co-variation of only 11.31% is due to that interest rates were not changed quite a long time and its only since November 2014 which were changed 5 times, which is an indication of easy money available and which has led to the large amount of money is being poured into the stock market which lead to the creation of bubbles. The other trend fueling the Chinese stock market has been through margin lending, or allowing brokers to lend their client's money to buy stocks, which has more than tripled in the past year as China relaxed its regulations on financing over the past five years, and it played a bigger role in the Chinese market than it has in perhaps in any other market in history. And moreover, majority of the Chinese investors don't have the high school degree. People often say that the stock market follows the "greater fool" theory- even if a stock is irrationally overvalued, it still might be worth purchasing if there is another fool out there willing to pay a higher price. That has become the calculus for many Chinese stock investors. As high as valuations are, novice investors rushed into the market even when the price increased. But the makeup of these new investors isn't encouraging. A survey showed that two-thirds of Chinese investors haven't completed high school. Even Chinese farmers are giving up tending their fields in order to tend their stocks. And many investors are young: According to Chinese-language media cited by Foreign Policy, over a third of China's 100 million investors are 30 years old or below. And unlike the developed countries where the professional money managers play a primary role and institutional investors account for the bulk of trades, but here in China retail investors account for about 85 percent of stock trades. Ordinary Chinese people had become so intoxicated by bull-market euphoria that stories began to proliferate about people leaving their jobs, and even their families, to become day traders, often using funds borrowed from high-interest rate "shadow banks" or loans taken out against their homes. By the second weekend of July 2015 margin borrowing on both exchanges had surpassed $320bn, representing almost 10% of the total market capitalization of all stocks being traded.

And in margin lending, if the value of a share falls below a certain level, investors will get a margin call, meaning they need to either deposit more money in their account, or sell shares to make up the difference which caused the market to crash down due to continue selling by the investors leading to fall in prices drastically. From the Table-2 and Table-3 it is observed that in the month of July the average Shanghai Composite Index fell to the lowest of 3,373.54 by 24% after reaching the highest to 5,178.19 on 12th June, 2015 and the Shenzhen Composite Index fell on average to the lowest of 2,885.05 by 18.09% and to 2,532.27 by 13.33% in the month of June and July 2015 where more than 4 trillion worth of stocks have been eroded since the month of mid June 2015 to July 2015. And on the other hand Chinese companies have even pledged their own shares as collateral for bank loans, meaning that, if their share price falls enough, they may default on their loans. This leverage could threaten the stability of banks and brokerage firms.

Even before panic spread through China's equity market in mid-June, it was shaping up to be a difficult year for the world's second-largest economy, feeling the pinch from slowing growth in manufacturing, trade, investment and domestic demand which was compounded by a cooling property sector and deflationary pressures. The following data shows how the other economic factors in turn were supplemented to the downfall of the stock market.

Table-6: Comparison of Exports with Indices

Month & Year	Exports Growth Rate (%)	% Change in Exports Growth rate	% Change in SSE Index	% Change in SZSE Index
Aug.12	2.70	-	-	-
Sep.12	9.90	2.67	-2.37	-0.03
Oct.12	11.60	0.17	1.61	0.00
Nov.12	2.90	-0.75	-2.67	-0.12
Dec.12	14.10	3.86	3.21	0.18
Jan.13	25.00	0.77	9.55	0.08
Feb.13	21.80	-0.13	3.00	0.09
Mar.13	10.00	-0.54	-14.44	-0.01
Apr.13	14.70	0.47	8.60	0.01
May13	1.00	-0.93	2.38	0.20
Jun.13	-3.10	-4.10	-6.42	-0.08
Jul.13	5.10	-2.65	-1.55	0.12
Aug.13	7.20	0.41	6.33	0.05
Sep.13	-0.30	-1.04	-1.49	0.13
Oct.13	5.60	-19.67	7.75	-0.07
Nov.13	12.70	1.27	5.89	0.13
Dec.13	4.30	-0.66	-13.23	-0.04
Jan.14	10.60	1.47	-5.87	0.13
Feb.14	-18.10	-2.71	2.71	-0.02
Mar.14	-6.60	-0.64	-2.62	-0.07
Apr.14	0.90	-1.14	1.85	-0.02
May14	7.00	6.78	-2.15	0.05
Jun.14	7.20	0.03	0.65	0.08
Jul.14	14.50	1.01	2.12	-0.02
Aug.14	9.40	-0.35	6.33	0.07
Sep.14	15.30	0.63	4.45	0.11
Oct.14	11.60	-0.24	1.62	0.00
Nov.14	4.70	-0.59	5.89	0.05
Dec.14	9.70	1.06	20.10	-0.10
Jan.15	-3.30	-1.34	10.00	0.12
Feb.15	48.30	-15.64	-3.26	0.14
Mar.15	-15.00	-1.31	9.33	0.24
Apr.15	-6.40	-0.57	20.16	0.19
May15	-2.50	-0.61	6.73	0.34
Jun.15	2.80	-2.12	7.39	-0.18
July.15	-8.30	-3.96	-19.79	-0.13
Total	227.00	-41.09	71.79	1.62
Mean	6.31	-1.14	1.99	0.05
S.D	11.70	4.60	8.19	0.11
CV	1.8542	-4.0302	4.1156	2.2000
Correlation			0.0542	0.0800

Source: National bureau of Statistics and compiled from Table-1 and Table-2

For a long time China's economy has grown on Exports along with investments in Real Estate, it can be observed from the Table-6 that there is a continues growth of exports from August 2012 which was at 2.70% has increased to 25% by January 2013, from then it experienced a decline in growth rate and also even a negative growth rate in a few months during the years 2013 and 2014, but in the year 2015, it recorded a negative growth rate except for the month of February 2015 which showed the growth rate of the highest record since ever, this is due to week long Lunar New Year holidays, which fell later in 2015. That's because exporters made their concentrated shipments in the first half of February, before the holiday began, and also due to the increased demand in Shipments from the US and Europe. And later from the month of March 2015 it has recorded a negative growth rate, which is running out of steam. As the largest exporting nation in the world now it cannot expect its exports to grow much faster than world trade, which is evident from the mean of -1.14 of percentage change in exports. In the month of July 2015 it recorded a decline of -8.30%, which is the lowest ever since, indicating that the slow pace of the economy. And it is also observed that a perfect positive covariance and correlation between the exports and Shanghai and the Shenzhen Indices, which is indicating that with the change in exports there is significant growth in both the Index price and with the fall in exports there is a fall in Index price.

Table-7: Comparison of Exports with SSE Index and SZSC Index

Variable	Z-Test	Two-tailed p-value	Significantly
Exports and SSE Index	1.8128	0.0699	Not Different
Exports and SZSC Index	3.2088	0.0013	Different

Source: Compiled from Table-6.

It is observed from the Table-7 that there is no significant difference between the exports and the Shanghai Composite Index which indicates that the growth in the exports has led to Index to rise because of growth in the economy and the decline in growth of exports has led to the decline of economy and also acted as one of the important phenomena for the selling of the stocks by the people due to the lowest record in the month of July by -8.30% which impacted people indicating the slowing economy.

Table-8: Comparison Between Economic Indicators and SHC and SZN Index

Month & Year	Manufacturing Purchasing Managers' Index (PMI) in %	% Change in PMI	Inflation	% Change in Inflation	% Change in Monthly Average of SSE Index	% Change in Monthly Average of SZSE Index
Aug.12	46.60		2.00	-	-	-
Sep.12	48.80	4.72	1.90	-5.00	-2.37	-0.03
Oct.12	49.30	1.02	1.70	-11.76	1.61	0.00
Nov.12	50.20	1.83	2.00	15.00	-2.67	-0.12
Dec.12	50.00	-0.40	2.50	20.00	3.21	0.18
Jan.13	48.50	-3.00	2.00	-25.00	9.55	0.08
Feb.13	47.30	-2.47	3.20	37.50	3.00	0.09
Mar.13	50.90	7.61	2.10	-52.38	-14.44	-0.01
Apr.13	48.60	-4.52	2.40	12.50	8.60	0.01
May13	49.40	1.65	2.10	-14.29	2.38	0.20
Jun.13	47.70	-3.44	2.70	22.22	-6.42	-0.08

Month & Year	Manufacturing Purchasing Managers' Index (PMI) in %	% Change in PMI	Inflation	% Change in Inflation	% Change in Monthly Average of SSE Index	% Change in Monthly Average of SZSE Index
Jul.13	49.00	2.73	2.70	0.00	-1.55	0.12
Aug.13	50.20	2.45	2.60	-3.85	6.33	0.05
Sep.13	50.70	1.00	3.10	16.13	-1.49	0.13
Oct.13	50.40	-0.59	3.20	3.13	7.75	-0.07
Nov.13	50.60	0.40	3.00	-6.67	5.89	0.13
Dec.13	49.80	-1.58	2.50	-20.00	-13.23	-0.04
Jan.14	49.30	-1.00	2.50	0.00	-5.87	0.13
Feb.14	48.20	-2.23	2.00	-25.00	2.71	-0.02
Mar.14	50.10	3.94	2.40	16.67	-2.62	-0.07
Apr.14	49.10	-2.00	1.80	-33.33	1.85	-0.02
May14	49.30	0.41	2.30	21.74	-2.15	0.05
Jun.14	50.30	2.03	2.30	0.00	0.65	0.08
Jul.14	50.80	0.99	2.30	0.00	2.12	-0.02
Aug.14	50.00	-1.57	2.00	-15.00	6.33	0.07
Sep.14	50.20	0.40	1.60	-25.00	4.45	0.11
Oct.14	49.90	-0.60	1.60	0.00	1.62	0.00
Nov.14	48.40	-3.01	1.40	-14.29	5.89	0.05
Dec.14	49.10	1.45	1.50	6.67	20.10	-0.10
Jan.15	48.40	-1.43	0.80	-87.50	10.00	0.12
Feb.15	48.50	0.21	1.40	42.86	-3.26	0.14
Mar.15	48.30	-0.41	1.40	0.00	9.33	0.24
Apr.15	48.10	-0.41	1.50	6.67	20.16	0.19
May15	48.90	1.66	1.20	-25.00	6.73	0.34
Jun.15	48.20	-1.43	1.40	14.29	7.39	-0.18
Jul.15	47.90	-0.62	1.60	12.50	-19.79	-0.13
Mean	**49.19**	**0.10**	**2.08**	**-3.23**	**1.99**	**0.05**
SD	**1.06**	**2.41**	**0.59**	**24.77**	**8.19**	**0.12**
CV	**2.15**	**24.10**	**28.37**	**-7.67**	**4.12**	**2.40**

Source: National Bureau of statistics and compiled from Table-1 and Table-2

PMI number is an indicator of manufacturing health. The number below 50 indicates the contraction, above 50 indicates the expansion and equal to 50 indicates no change. This is closely watched by the traders as this is considered as a good indicator of GDP as its main components of GDP.

And in the Table-8, it is observed that the industry is in contraction except for a few months in the year 2013 and 2014 and was the highest during the month July 2014 which was at 50.8 which is an indication of production and manufacturing in the country which in turn leads to an increase in GDP. And from August 2014 it recorded a decline and industry has begun to contract since November 2014 till the recent and production decreased to the lowest of ever since to 47.20 by July 2015. And the mean of 49.19% is indicating that the overall that the industry is in contraction on an average, but recorded a growth rate of 1.06% which is evident from standard deviation and also covariance of 2.15%. And traders consider this as an important economic event as it is indicating the GDP growth as well production and manufacturing within the country, an increase in PMI leads the Index to move up and with fall in PMI leads to the fall in Index as it effects the trader's sentiment. The same is proved with the help of Z-Test.

Table-9: Testing of PMI with SCH Index and SZN Index

Variable	Z test	Two-tailed Value	Significantly
PMI and SSE Index	-1.3283	0.1841	Not Different
PMI and SZSE Index	0.1243	0.9011	Not Different

Source: Compiled from Table-8.

It is observed from the Table-9 that there is no significant difference between the PMI and Shanghai Composite Index as well Shenzhen and the Composite Index which indicates that production and manufacturing also acted as a supplement for the growth and fall of Index and also one of the factors that affected the investor sentiment to sell off the stocks during the month of mid June and July which led to a crash in the market.

Investors are likely to hear the term inflation just about every day. They are often made to feel that this metric must be studied as a surgeon would study a patient's chart prior to operating. It is observed from the Table-8 that there is an increase and decrease of inflation and in the month of October 2013 inflation recorded high of 3.20% and from November 2013 it has recorded a gradual continues fall where inflation reduced by 1.8% which was 1.40%. On an average inflation of 2.08. An increase in inflation rate is an indication of oversupply of money into the economy or general increase in the price levels of the goods and services, so less of the amount will be available with the people to invest, and with the fall in inflation people can spend less of the amount of goods and services, so where savings can be enhanced in the form of investments which in turn can tend to increase in Index prices. And during the month of July 2015 it increased to 1.60% from 1.40% from its prior month of June, it also acted as a catalyst for the investor sentiment to sell of the stocks from the market.

Table-10: Impact of Inflation on Index

Variable	Z-test	Two-tailed Value
Inflation and SSE Index	-1.2005	0.2299
Inflation and SZSE Index	-0.7945	0.4269

Source: Compiled from Table-8

From the Table-10, it is proved that inflation also acted as the one of the macroeconomic factors that impacted the rise and fall in the price of the Index. The GDP Growth of China is presented in the Table-11.

Table-11: GDP Growth Rate

Quarter / Year	Growth Rate in %
Q3-12	9.10
Q4-12	10.40
Q1-13	10.20
Q2-13	8.60
Q3-13	11.20
Q4-13	10.20
Q1-14	7.90
Q2-14	9.00
Q3-14	8.50

Quarter / Year	Growth Rate in %
Q4-14	7.70
Q1-15	7.00
Q2-15	7.00
Average	8.90
SD	1.38
CV	15.48

Source: National Bureau of Statistics

For stock market investors, annual growth in the GDP is also vital. If overall economic output is declining or merely holding steady, most companies will not be able to increase their profits, which is the primary driver of stock performance. However, too much GDP growth is also dangerous, as it will most likely come with an increase in inflation, which erodes stock market gains by making our money less valuable, which the same can be observed from the Table-11, where on an average GDP growth rate is of 8.90 from third quarter of 2012 to second quarter of 2015, while the GDP was at its highest at 11.2% during the third quarter of 2013 and from the fourth quarter of 2013, it registered a fall in GDP and growth rate fell to 7% by 37.5% during the first and second quarter of 2015 which in turn impacted the stock performance and supplemented to the sell off of stock by the investors. With the crash in the market due to the heavy selling, 500 listed companies have halted trading on Wednesday July 1st week to stem further losses and in total at least 1,300 companies have suspended trading - Over half the listed companies in China. The suspensions caused the stock sell-off to spill over to blue chips – investors couldn't sell off small cap stocks, so they had to sell blue chips to meet margin calls and limit their exposure.

All of these suspensions have slowed the market crash, at least for them. But it is assumed that once these stocks resume trading, the market could drop further in the coming months. The Chinese government denounced the market movement as panic selling, and responded to the drop in a way that many analysts saw as a huge overreaction. Working through various agencies, the government has cut interest rates for the fourth time in the month of June in this year and paused new initial public offerings, capped short selling, changed the rules to allow pension funds and the social security fund to invest more in stocks, and ordered state-owned companies and controlling shareholders not to sell their shares. It changed the rules so that investors can, for the first time, use their houses as collateral to borrow money to buy stocks.

Most significantly, it used a state-owned securities financing company to lend $42 billion to 21 brokerages so they could purchase blue-chip stocks – on top of $20 billion that brokerages said they would buy over the weekend of June. All these taken together can be considered China's response was bigger than TARP(an asset relief program to purchase the assets and equities from the financial institutions to strengthen its financial sector), one of the U.S. government's prime responses to the financial crisis.

Conclusion

Massive urbanization in China needs to create more urban housing and it leads to the property bubble. This led to open real estate industry in a huge way. Investors understand this trend and they parked their savings in the real estate sector and on the other hand banking sector offered cheap credit for construction of residential, office and business houses. The government also encouraged this industry with liberalized policies and guidelines. These developments attracted more companies into the real estate industry and it led to overproduction of buildings in turn led to 'Ghost Cities'. The crises in the real estate industry leads to the slow down in the economic growth which took a tool on property and due to no other alternative investment for the Chinese people has led to the diversion of investments to the stock market. During the past 12 months the Shanghai and the Shenzhen Stock Index have increased more than double. Rising stocks encouraged even the companies it raise money by issuing shares and to use the proceeds to pay down debt. The rapidly inflating bubble that had driven share prices to dizzying heights had suddenly burst. The reason is that the disconnection between the Chinese stock market and the real economy. The other important reasons identified for "how a bear swallowed the dragon" are margin lending, central bank's five times interest rate cut within short span, majority of the Chinese investors don't have the high school degree, many investors are young, retail investors account for about 85% of the stock trade, most of them become day traders, companies pledged their shares with bankers, slowing growth in manufacturing, trade, investment and domestic demand, decline in exports, fall in PMI, inflation acted as one of the macroeconomic factors that impacted the rise and fall in the price of the index.

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HDFC Bank - A FAB 50 Company

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ABSTRACT

HDFC Bank is the second largest Private Sector Bank in India. Started in 1994 after Indian banking sector was liberalized, the bank operated with the mission of becoming a "World-Class Indian Bank." It offered a diverse kind of banking products and services under three business heads: Wholesale Banking, Treasury and Retail Banking. HDFC Bank stressed more on new technologies and systems in order to have cutting edge among its competitors. ATMs, phone banking, internet banking and mobile banking etc., were used extensively by the bank to be ahead of its competition. The bank as a part of its expansion and growth strategy, emphasized on organic growth as well as Mergers & Acquisitions route. Two major amalgamations in the form of Times Bank and Centurion Bank of Punjab with HDFC Bank led to the addition of huge number of branches to HDFC branch network and expansion of the geographical reach as well for the bank. The bank won many prestigious awards from various institutions of repute. Brand building strategies of the bank included better reach, better customer service, innovation in products and services and offering unique features, Co-branding, CSR, community partnership, advertising etc.

Keywords: Cutting Edge, Internet Banking, Mobile Banking, Organic Growth, Amalgamations, Geographical Reach

Introduction

On Nov 18, 2016, in the head quarters of HDFC Bank, in Mumbai, the mood among the Management and Employees was festive and abuzz. They were all discussing and sharing the news of their CEO Mr. Aditya Puri been ranked 36th in Fortune's (US magazine) top 50 business persons list for 2016. Mr. Aditya Puri was one among the four Indians that featured in the list, while the remaining three were Indian origin people.

On 25th, May, 2016 Mr. Aveek Datta, member of Forbes India Staff reported that HDFC Bank, India's second largest Bank has featured in 'The FORBES Global 2000' companies list in its 14th list released in May, 2016[1] and occupied 275th position in it. HDFC bank was one of the 56 Indian Companies that featured in the list of the World's biggest and most valuable public companies .

1 Liyan Chen and Andrea Murphy, www.forbes.com

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On July 23rd, 2015, The Financial Express, a leading business daily, published from India, reported that HDFC Bank along with 9 other Indian companies from India featured in Forbes Asia's FAB 50 list of Asia Pacific Region. Forbes Asia which has been compiling this list since 2005, reported that HDFC Bank, the second-largest private sector Bank in India figured nine times out of 10 such lists brought out by Forbes Asia, during the period of 2005-2014 and has become the leader from the region for the maximum number of times a company figured in the list. HDFC was one of the two Banks that appeared in the list, the second being the Axis Bank also from India.

"The FAB 50 is chosen from a pool of 1,300 companies in the region that have at least $3 billion in market cap or annual revenue[2]." The companies were screened based on a long series of performance measures and no company would be selected that carry a lot of debt, is more than 50% state owned and is more than 50% owned by listed parent companies[3]. With a 'Market Value' of US$ 33 Billion HDFC Bank occupied fourth position in the list while on the basis of 'Sales' parameter, it occupied 22nd position with US$ 8.4 Billion.

These awards created an immense interest among various sections of the society about HDFC Bank, especially among those sections of the society that continuously followed the Banking Industry, specifically Indian Banking Industry. Two media correspondents, who met on the evening of Nov 18, 2016 in a popular restaurant in the central Mumbai revisited the success saga of HDFC Bank. Their discussions revolved around how HDFC Bank came into existence, its expansion spree, how the Bank used innovative technologies in meeting its objectives, the Bank's CSR plank etc.

A Humble Beginning

HDFC Bank was incorporated in the name of HDFC Bank Ltd., as a first private sector Bank in India in 1994 and was promoted by India's premier housing finance company, Housing Development Finance Corporation Limited (HDFC Ltd), which had been in the business of housing finance in India since 1977. "The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of RBI's liberalisation of the Indian Banking Industry in 19944." The Central Bank of India, RBI, was guided by the following new guidelines (dated 22nd January,1993) on giving approval to the new private sector banks. "While recognizing the importance and the role of public sector banks, there is increasing recognition of the need to introduce greater competition which can lead to higher productivity and efficiency of the banking system. A stage has now been reached when new private sector banks may be allowed to be set up[5]." RBI started granting licenses for setting up of new banks in private sector. 'Out of various applications received, RBI had granted licenses to 10 banks'6 and HDFC was the first to receive it.

2 Liyan Chen and John Koppisch, "2014 Fab 50: Asia's Tech Takes Over The World," Forbes Asia, 27th, August, 2014, http://www.forbes.com/sites/liyanchen/2014/08/27/asias-tech-takes-over-the-world/

3 Opcit

4 "HDFC Bank – Milestones," Downloaded from HDFC Bank's Website, www.hdfcbank.com/htdocs/aboutus/News_Room/pdf/Milestones.pdf

5 "Guidelines on Entry of New Private Sector Banks," dated 22.1.1993, www.rbi.org.in

6 "Guidelines on entry of new banks in the private sector," dated 3.1.2001, www.rbi.org.in

As soon as the HDFC Bank received approval from RBI, it set the ball rolling. As a major stride, it converged on equity allotment to various stakeholders of the bank. To start with, HDFC Bank issued 70 No.s of equity shares to subscribers to the Memorandum & Articles of Association on 30th August 1994[7]. On the same day, 5,00,00,000 equity shares were allotted to HDFC Bank promoters[8]. On 22nd December, 1994, the bank allotted 5,09,20,000 shares to HDFC Employees Welfare Trust and HDFC Bank Employees Welfare Trust[9]. Subsequently, the bank settled on starting up the banking operations and commenced its operations as a Scheduled Commercial Bank in January 1995. The first branch of the Bank was opened on January 16th, 1995 at Ramon House, Church gate, Mumbai. On the same day, 90,79,930 No. of equity shares were allotted to Jarrington Pte. Ltd[10]. In the same month, the bank entered into a strategic alliance with 'National Westminster Bank Pc. and its subsidiaries (Natwest Group) for subscribing 20% of the banks issued capital and providing technical assistance in relation to the banks proposed banking business.'[11] On 18th, February, 1995, HDFC Bank's corporate office and a full service branch were inaugurated at Sandoz House, Worli, Mumbai[12].

In March, 1995, the bank went on to issue its shares to the public. "On March 14, 1995, HDFC Bank launched its IPO of Rs.500 million (5,00,00,000 equity shares) at Rs.10 each at par eliciting a record 55 times oversubscription.[13]" On 9.5.1995, the bank allotted another 4,00,00,000 equity shares on private placement basis to Natwest Group. Next in the order was listing the bank on the stock exchange. On May 19, 1995 the shares of the Bank were listed on the Bombay Stock Exchange Limited (BSE), Mumbai and on Nov 8, 1995 on the National Stock Exchange of India Limited (NSE), New Delhi.

Products & Services

HDFC Bank was established with the mission of becoming a World-class Indian Bank[14]. The Bank outlined its objective as ' building sound customer franchises across distinct businesses'[15]. The objective of the bank was to provide banking services for its target customer segments in such a way that it was preferred by them and thereby the Bank achieved a desirable growth in profitability[16].

The business strategy of the bank was:

- To boost its market share in India's growing banking & financial services sector
- To take advantage of its technology and open scaleable systems and keep up good standards for asset quality

7 "Company History - HDFC Bank Ltd.," Downloaded from The Economic Times' website, http://economictimes.indiatimes.com/hdfc-bank-ltd/infocompanyhistory/companyid-9195.cms
8 ibid
9 ibid
10 "HDFC Bank – Milestones," Downloaded from HDFC Bank's Website, www.hdfcbank.com/htdocs/aboutus/News_Room/pdf/Milestones.pdf
11 ibid
12 ibid
13 "HDFC Bank – Milestones," Downloaded from HDFC Bank's Website, www.hdfcbank.com/htdocs/aboutus/News_Room/pdf/Milestones.pdf
14 "HDFC Bak Ltd – Profile," www.hdfc.com
15 ibid
16 ibid

- To uphold high standards for asset quality
- To foster innovative products and services that decrease cost of funds and targets desirable earnings growth with low volatility

In tune with its Mission, Objective and Strategy, HDFC Bank offered a wide range of banking products and services. It provided commercial and investment banking under the wholesale side and transactional / branch banking under the retail side.'[17] The bank offered its various products and services under 'three business heads: Wholesale Banking, Treasury and Retail Banking[18].'

Under 'Wholesale Banking' head, the bank offered a wide variety of commercial and transactional banking products and services. They include loans, working capital and term finance, trade services, transactional services, cash management, structured solutions, foreign exchange and electronic banking requirements of large corporate, emerging corporate, supply chain and institutional customers. Under this head, the bank also offered commercial and transaction banking products to financial institutions, public sector undertakings, central and state government departments.

Under 'Retail Banking' head, the bank positioned itself as a one-stop-shop financial service provider and focused mainly on the middle class, affluent class and high net worth segments. Under this head the bank offered various deposit products, loans, credit cards, debit cards, depository (custody services), investment advice, bill payments and various transactional services. Apart from its own products, the bank also sold different third party financial products like mutual funds and insurance products (both life and general) to its customers.

Under 'Treasury' head the bank offered various products and services that include Foreign Exchange, Derivatives, Local Currency Money Market, Debt Securities and Equities. The Bank offered Indian rupee and foreign exchange derivative products to its customers.

Competitive Strength

Since its beginning, HDFC Bank kept an eye on its competition and tried to beat it by catering to customer needs in a better way. In order to have a cutting edge among its competitors and provide easy access to its customers of its various products, the bank relied more on new technologies and systems. To facilitate easy and flexible customer transactions and reduce servicing costs, the bank invested in multiple channels like branch expansion network, ATMs, phone banking, internet banking and mobile banking. Phone Banking services were offered even for Non-Resident Indian (NRI) customers of the Bank who stayed across the globe. HDFC Bank's Mobile Banking product was developed with an eye on data connections which could either be 2G or 3G. Technology played a key role in it's push into rural hinterlands as well. HDFC Bank, as part of its 'Service Quality Initiatives' emphasized on improvements in service quality across all customer touch points: Branches, ATMs, Phone Banking, Net Banking and Email channels. The bank also placed a high emphasis on improving the effectiveness of its grievance redressal mechanism across all its delivery channels by establishing a review mechanism for complaint disposal.

17 "HDFC Bak Ltd – Profile," www.hdfc.com

18 HDFC Bank Annual Report, 1998-99, downloaded from HDFC's Website, www.HDFC.com

Growth and Expansion

HDFC Bank relied on growth through "Operational Excellence, Customer Focus, Product Leadership, People and Sustainability."[19] Initially, the bank concentrated on 'Corporate Lending and its first set of clients include Tata and Birla Groups and Siemens, an Engineering Company.'[20] One of the major reasons for HDFC Bank to strategically position as a corporate lender in its initial years was due to lack of sufficient branch network. Hence, apart from serving the two leading industrial houses of the Country, TATAs and Birlas, the bank also entered the banking consortia comprising of over 50 companies. This consortia included some prominent MNCs, flagship companies of Indian Business Houses and Major Public Sector Enterprises.'[21] However, in order to overcome the limitations of the small branch network and geographical reach of the bank that existed previously, the bank slowly went into expansion mode in the subsequent years of its operation. To quote as an example, in the financial year 1995-96 the number of branches stood at 10 and the same grew to 28 by 1996-97, to 37 by 1997-98 and to 57 by 1998-99[22]. However, a major thrust took place in the growth of the branch network during the financial year 1999-2000, from 57 branches in 1998-99 to 111 branches in 1999-2000. Even in terms of geographic reach also, a major thrust took place during this period from 21 cities in 1998-99 to 34 cities in 1999-2000. Similarly a perceptible increase took place in terms of Total Deposits, Total Income, Working Funds, Profit After Tax and Net Revenue during this year. A summary of these data is captured in Table-1 titled 'Comparative Statement.'

Table-1: Comparative Statement

S.No.	Category	1995-96	1996-97	1997-98	1998-99	1999-2000
1.	Number of Branches	10	20	37	57	111
2.	Total Deposits	686 Crores	1279 Crores	2192 Crores	2915 Cores	8428
3.	Working Funds	992 Crores	1815 Crores	2829.9 Crores	4349.9 Crores	11731 Crores
4.	Profit After Tax	20.3 Crores	40.5 Crores	63.15 Crores	82.4 Crores	120.04 Crores
5.	Total Income	113 Crores	191 Crores	302 Crores	443 Crores	805 Crores
6.	Net Revenue	42.01 Crores	103.33 Crores	165.26 Crores	214.97 Crores	430.94 Cores

Source: HDFC Annual Report, 1999-2000

i) Two Major Amalgamations

Merger of Times Bank and HDFC Bank

A major leap in the growth of HDFC bank took place when Times Bank merged with HDFC Bank in the year 2000. Times Bank was promoted by Bennett, Coleman & Co. / Times Group. It was one of the new generation private sector banks that came into existence after the liberalization of Indian Banking Sector. Reserve Bank of India as per 'Sub-section (4) of Section 44A of the Banking Regulation Act, 1949, has sanctioned the Scheme of Amalgamation of the Times Bank Ltd with the HDFC Bank Ltd.[23]' This was first such

19 ibid

20 Anand Adhikari, "Aditya Puri has succeeded in building HDFC Bank from a scratch," Business Today, dated December 21, 2013

21 The economic times, economictimes.indiatimes.com

22 HDFC Bank Annual Report, 1998-99, downloaded from HDFC's Websu\ite, www.HDFC.com

23 "Amalgamation of Times Bank with HDFC Bank," Reserve Bank of India (RBI) press Release, dated 25th, February, 2000, www.rbi.org

merger between any two new generation private sector banks. Along with the merger came an increase in branch network and depositors for HDFC Bank - an addition of 39 more branches and all the depositors of those respective branches at a lesser cost. This merger boosted the position of HDFC bank in the Indian banking scenario. HDFC bank's continuous efforts to expand its banking infrastructure through organic growth also resulted in the addition of more branches and expansion to more geographical areas. Along with the increased geographical reach and addition of more number of branches came a substantial increase in total deposits, working funds, profit after tax and net revenue etc. The following table, Table-2, illustrates the growth of the bank in terms of number of branches, number of cities, deposits, working funds, profit after tax, net revenues etc., between 2000-2001 and 2007-08:

Table-2: Growth of the Bank

S. No.	Category	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
1	Number of Branches	131	171	231	312	467	535	684	761
2	Number of Cities	53	77	122	163	211	228	316	327
3	Total Deposits	11,658	17,654	22,376.07	30,408.86	36354.25	55796.82	68297.94	100768.60
4	ATMs	207	479	732	910	1147	1323	1605	1977
5	Working Funds	15617.33	23787.38	30424.08	42306.99	51439.00	73506.39	91235.61	133176.60
6	Profit After Tax	210	297	387.60	509.50	665.56	870.78	1141.45	1590.18
7	Net Revenue	677.86	943.34	1236.76	1724.69	2241.21	3424.66	4984.71	7511

Source: HDFC Annual Report, 2008-09 & Annual Reports from 2000-01 to 2007-08

Merger of Centurion Bank of Punjab and HDFC Bank

In 2008, one more major merger took place in the Indian Banking Industry: Centurion Bank of Punjab merged with HDFC Bank. Centurion Bank of Punjab which had absorbed Lord Krishna Bank in 2007, merged itself with HDFC Bank in 2008. This merger was undertaken with the view that it would supplement the organic growth plans of HDFC Bank and would result in business synergies for the combined entity. RBI gave its approval for the merger with effect from 23rd, May, 2008. "The Scheme has been sanctioned in exercise of the powers contained in Sub-section (4) of Section 44A of the Banking Regulation Act, 1949[24]." "As per the sanction, all the branches of Centurion Bank of Punjab will function as branches of HDFC Bank[25]." This merger was termed as largest merger in the private sector banking space in India by banking experts. This merger added scale, geography and experienced staff to HDFC Bank franchise. Mr. Deepak Parekh, Chairman, HDFC believed that "Centurion Bank of Punjab would be the right fit in terms of culture, strategic intent and approach to business[26]." Along with the merger, Centurion Bank of Punjab brought "394 branches, 452 ATMs in 180 locations across the country supported by employee base of over 7,500 employees[27]" to HDFC Bank's fold.

24 RBI approves CBoP – HDFC Bank Merger, RBI Communication dated 20th, May 2008, www.rbi.org.in
25 ibid
26 HDFC Bank and Centurion Bank of Punjab merger at share swap ratio of 1:29, Press Release by HDFC Bank dated 25th, February, 2008, www.rbi.org.in
27 ibid

By virtue of these two mergers (Times Bank & Centurion Bank of Punjab) HDFC Bank strengthened its position in the Indian Banking Industry, especially among the private sector banks.

ii) Foray into Semi-Urban & Rural Areas

HDFC Bank in the first few years of its operation concentrated mainly on Major Metropolitan Areas and Cities for the expansion of its branch network. Having started its operations first in India's Commercial Capital Mumbai and opening up a few more branches, subsequently, in that City itself, expanded later to other metropolitan cities like Delhi, Calcutta, Chennai, Bangalore etc. Later, it spread its operations to other smaller Cities and urban areas like Aurangabad, Mangalore etc. Thus, in the first few years of its operations, though, restricted its operations mainly to urban areas, but, in its subsequent years of operation, visualizing a huge unbanked population in semi-urban and rural opportunity, the Bank worked out on expanding to semi-urban and rural areas as well. Strategically, the bank tested these markets initially, identified the potential in those areas, analysed credit and operational structures required therein, products and branch networks needed thereof and then expanded its branch network to those areas. In fact, HDFC Bank pioneered (among the large private sector banks) in tapping the semi-urban and rural area opportunity and built up on such initial advantage. As per Aditya Puri, MD, HDFC Bank, "HDFC Bank is the only bank to have gone in a big way in the semi-urban and rural areas[28]." By 2005-06 financial year ending, about 54% of the Bank's 535 branches were located outside the top nine cities of the country[29]. By March, 2007, the figure rose to 62% (of the Bank's total 684 branches). The bank, in order to cater to the needs of these segments, introduced many innovative products and offered a variety of services. For example, in 2007, HDFC Bank entered into an agreement with Tata Pipes to provide credit facilities to farmers. In 2008, the bank entered into an agreement with Department of Posts, Kerala to offer services like Loan against Securities, National Savings Certificate and Kisan Vikas Patra through various post offices located in the state to penetrate into semi-urban and rural areas. In 2010, HDFC Bank launched a new rural campaign – rural Loan Campaign called Gramin loan Mahotsav – to meet all the loan needs of rural customers such as agricultural loans, personal loans, vehicle loans, gold loans etc. In 2012, HDFC Bank tied up with Indian Oil Corporation (IOC) to offer banking services, such as preliminary processing of loan applications, disbursal and collection of small value deposits, sale of micro-insurance, mutual funds and other investment instruments, through IOC's rural petrol pump outlets, Kisan Seva Kendras (KSKs). New technology also played a major role for HDFC while making the push into rural hinterlands. By offering technology enabled services like Hindi Mobile Applications, Hindi SMS Banking and Toll-Free number, HDFC bank made the customers' transactions with the bank easier. In rural areas, strategy of the bank, was to shift from the wholesale to the retail business as was done in the case of urban areas. "What we did in 12 to 13 years in urban areas, we are now replicating in semi-urban and rural areas," said Mr.Paresh

28 "We Will Grow as Long as the Economy Does: Aditya Puri, MD, HDFC Bank,"Forbes India Magazine, dated 6th June, 2014.
29 2005-06 Annual Report, HDFC Bank

Sukthankar, Executive Director, HDFC Bank. In order to comply with an RBI directive[30], HDFC engineered a new business model in rural areas – starting mini branches operated by a few staff to achieve the cost effectiveness, but, offer an array of products and services comparable with urban branches. Following this business model, during the financial year ending March 31, 2013 HDFC Bank opened up 193 micro branches (which are primarily two or three member branches to expand and deepen the penetration into rural markets including unbanked areas), out of the 518 new branches. In the financial year 2013-14 i.e., as on 31st March, 2014 the Bank expanded its distribution network to 3,403 branches and out of the 341 new branches that came up during the year more than 80% branches were opened in semi-urban and rural areas.

On the whole, in its 20 years of its banking operations, HDFC bank aligned the geographical spread of the bank's branches with its emphasis on reaching out to as many people in under banked and unbanked areas and on financial inclusion. The bank was broadly guided by a board mandated objective of bringing 10 million families (50 million Indians) into the banking fold (As per HDFC Bank's News Paper Release) while expanding to semi-urban and rural areas.

Brand Building Exercise

Brand building, both through traditional and innovative methods abetted by new technologies, in the modern day dynamic competitive scenarios, has acquired a new prominence for almost all the companies regardless of the industry they operated in. HDFC Bank was not shy of its brand building efforts either, over, the two decade period of its operations. The Bank followed a systematic progressive path to build its brand. Since the first year of its establishment, the bank emphasized on better reach, better customer service, usage of new technology in offering unique product benefits, innovation in services, Co-branding, CSR, community partnership, advertising etc.

Introducing Innovative Products and Services

On the product and service front, the bank introduced many innovative banking products and services, from time to time, in order to meet the continuously evolving customers' needs, beat the competition from other banks and create a space for itself. In this process, the bank had achieved many firsts of its kind to its credit. For example, in the year 1997, HDFC Bank introduced a Savings Bank Account Scheme, by which the customers need not maintain any minimum balance in the account. HDFC bank thus became the first bank in the country to introduce such scheme (India). "HDFC Bank has become the first bank in India to link up its automated teller machine (ATM) network with all the three major payment systems world-wide."[31] In October, the same year, the bank introduced ATMs that converse in regional language. At the same time, the bank even concentrated on tying up with other brands (Co-branding) for promoting its brand.

30 Reserve Bank of India (RBI) in 2012-13, advised State Level Bankers' Committees (SLBCs) to draw up a plan targeting all unbanked villages having a population of less than 2000 and notionally earmark these villages for banks to offer their services specifically, to begin with, EBT services in a time bound manner.

31 Company History – HDFC Bank Ltd., economictimes.indiatimes.com

For example, in the year 1998, HDFC Bank and Sony India came together and worked out a unique car finance package by which the customers who purchased a new car under the car finance scheme of HDFC Bank would be provided with an installation of a Sony car audio system to the car for no additional up front cash outflow. In the same year, the bank tied up with BPL Ltd for providing internet-enabled supply chain management and B2C e-Commerce services to corporates. In the year 2000, i.e. on 1st January, 2000, HDFC Bank started mobile banking in India. Thus, the bank became the first bank in the country to launch that service. In the same year, HDFC Bank and Cosmos Bank came together to launch a co-branded ATM card.

In 2001, HDFC Bank in association with Master Card launched the International Maestro Debit Card. In the same year, for the benefit of small and medium enterprises, the bank tied-up with Tally Solutions Pvt. Ltd. to offer real time accounting services to them. In 2002, HDFC Bank unveiled a new online account aggregation service `One View' for the benefit of its customers. In the same year, unveiled gold card and offered Mediclaim facilities to its Gold Card holders. Targeting to increase its customer base, the bank launched its wealth management programme in the same year.

In 2003, HDFC Bank announced resident foreign currency account. In the same year, it launched a co-branded credit card with e-Seva. In the same year, the bank tied up with IRCTC for online railway booking, introduced HDFC Bank Health Plus Credit Card, tied up with Escotel for introducing Global Debit Card and launched India's first mobile payment solution. In 2004, HDFC Bank went into an agreement with National Multi Commodity Exchange (NMCE) for warehouse receipts and entered into an agreement with Clearing Corporation of India Ltd (CCIL) for offering the collateral borrowing and lending obligation (CBLO) product to cooperative banks. In the same year HDFC Bank unveiled Quickremit, an unique online service for NRIs based in the US that enables them to send money to their relatives in India.

In 2005, HDFC Bank tied up with the International Bank of Qatar and launched banking services in Qatar. In the same year, HDFC Bank unveiled Credit Card for farmers and launched credit card for small and medium-sized enterprises in association with MasterCard International. In 2006, HDFC Bank tied up with OSIM for offering Consumer loans for the purchase of OSIM brand products and inaugurated Verified by Visa (VbV) facility for online shopping for the benefit of its debit card holders to make online shopping safe and secure for them.

In 2008, HDFC Bank went into an understanding with Indian Postal Department to extend its rural reach, opened its first overseas branch in Bahrain and launched India's First Rural Banking BPO at Tirupathi. In the same year, the bank launched India's First "Online Market Linkage Programme" for Self Help Groups (SHGs). This Online Market Linking Programme gave access to SHGs a huge captive market consisting of its employees and millions of customers and thereby paving way for them to realize higher price for their products.

In 2009, HDFC Bank signed an agreement with Guruvayoor Devaswom for offering e-collection through HDFC Bank Payment Gateway. This facility offered 'a variety of payment options to the devotees to make their offerings that include direct debit to their accounts with the HDFC Bank or pay by a debit card or credit card of any bank.'[32]

In 2010, HDFC bank and Emirates NBD, a leading bank of Gulf region, came together and launched a special online remittance facility. By making use of this facility Indian Nationals residing overseas could remit funds directly into their HDFC Bank accounts through Emirates NBD's online banking service. In 2011, HDFC Bank unveiled an ultra-premium credit card "INFINIA" targeting Uber Rich class in India.

In August, 2014 the Bank introduced ''ForexPlus' card for people making the Haj and Umrah pilgrimages. The card was launched with the objective of letting the pilgrims making all payments during their pilgrimage and withdraw money from ATMS as well. "With the launch of the prepaid forex card, we are offering pilgrims to Haj and Umrah a customised product to suit their ever-evolving requirements. They can make payments in a safe and easy manner, and also avail of the exclusive deals offered on the card[33]."

In August, 2015 HDFC Bank, Snapdeal and Visa came together to launch e-commerce credit card in order to facilitate digitalisation of payments by customers hailing from tier 2 and 3 markets.

In November, 2015 HDFC Bank went into an understanding (MoU) with a few (concerned) departments of Himachal Pradesh Government to facilitate easy property tax payments online by residents of Himachal Pradesh.

By partnering with various other companies and thereby launching (offering) various innovative products and services, HDFC Bank tried to tap the true potential of Indian financial market and tried to leverage the best brand image, out of such associations, for its brand.

CSR and Community Participation

HDFC Bank, as a part of building and sustaining its brand, was involved in CSR activities and community participation as well. The main thrust of its Social Initiatives was to empower the community through socio-economic development of underprivileged and weaker sections of society. The bank also inspired its employees to work for the betterment of the society and community by encouraging them to initiate and participate in CSR activities. In 2004-05 the Bank in association with an NGO initiated a program called Payroll Giving Program. The focus of the program was to encourage its employees to contribute generously from their salaries to social causes of their choice and simultaneously Bank would also match with contributions from its side. The Bank worked along with NGOs in the direction of providing drinking water to some villages and support school children with special emphasis on girl child's education. In 2005-06 HDFC Bank along with an NGO decided to support four schools in Mumbai by a program called "Ensuring Children Learn" with a special focus on 'Girl Child.' Apart from giving a helping hand in providing education and drinking water from time to time, the Bank and its employees contributed generously during the times

32 HDFC Bank Offers electronic payment collection facility to Guruvayoor Devaswom, News Release, dated April 29, 2009, www.hdfcbank.com

33 Navin Puri, HDFC Bank's branch division country head, "HDFC Bank launches ForexPlus card for Haj, Umrah pilgrims," The Financial Express, dated 17th August, 2014

of natural disasters. Some more initiatives of the bank were like assisting in setting up a Learning Resource Center (LRC) at a shelter house for street boys, supporting a day care center for the children of construction labourers, initiatives in the field of livelihood training and support and outsourcing some non-core back office operations of the bank to certain small semi-urban locations so as to create jobs for the local educated youth in those towns. Broadly, HDFC Bank's CSR plank sought to focus on Environmental Responsibility, Employee Engagement and Community Initiatives.

i) Under Environmental Responsibility, the bank took up the role of an influencer towards the environment which was embodied in its approach to carbon emission reduction. In this area, the bank calculated its carbon footprint and prepared a carbon management plan to reduce it. Apart from this, the bank focused on creating awareness amongst its employees about recycling, reducing pollution and conserve the environment.

ii) Under Employee Engagement, the Bank's employees were encouraged to volunteer time, resources and skills for various social causes. In this area, the bank's employees participated in various academic programmes, English language speaking courses and celebrated festivals with underprivileged sections of the society.

iii) Under Community Initiatives, HDFC Bank worked in the direction of community empowerment through socio-economic development of underprivileged and marginlised sections of the society. In this area the bank also partnered with NGOs.

Apart from these areas, HDFC Bank also worked in the areas of Financial Inclusion and Health and Hygiene under its CSR activities. In the area of Financial Inclusion the bank's focus was mainly on Micro Financial Institutions. The bank offered bulk lending to Microfinance Institutions and lent to Self Help Groups (SHGs). In the area of Health and Hygiene, the bank offered financial assistance to a number of villages for the construction of basic sanitation facilities that included provision of safe drinking water as well.

Overall, the CSR initiatives of the Bank embraced various areas of corporate sustainability that impacted the socio economic system of which the bank was part and parcel. The bank thus tried to commit to make a positive impact across the local communities it was present in and the society at large.

Awards & Accolades

In its two decades of commercial operations, HDFC bank received many prestigious Awards – both National and International- from various institutions of repute for its services and accomplishments in the banking arena and its contributions to society.

To name a few, the bank won "Best Bank" award from various Award giving Institutions continuously for many years. To name a few, in 1999, Hong Kong-based Finance Asia magazine named HDFC Bank as *Best Domestic Commercial Bank – India.* In the same year, Euromoney Magazine awarded HDFC Bank as "Best Bank – India" while Business Today Magazine awarded HDFC Bank as "Best Private Sector Bank." Similarly in 2000 and 2001, Hong Kong-based Finance Asia magazine named HDFC Bank as *Best Domestic Commercial Bank – India.* In 2000, Business India Magazine awarded HDFC Bank with "India 's Best Bank", while Forbes Global Named HDFC Bank in the 300 Best Small

Companies one of the "20 for 2001" best FE-E&Y Best Banks small companies. In 2001, HDFC Bank was awarded with the same award by the same institution. In 2003, Business World Magazine awarded HDFC Bank with "One of India's Most Respected Companies." In the same year The Asset magazine awarded the HDFC bank with "Best Cash Management Bank" while Outlook Money awarded the bank with "Best Bank in the Private Sector Bank-2003." In 2007, the bank was awarded with American Express Corporate Best Bank Award 2007; Outlook Money & NDTV Profit – Best Bank Award in the Private sector category; The Bombay Stock Exchange and Nasscom Foundation's Business for Social Responsibility Award– 'Best Corporate Social Responsibility Practice' Award. In 2009, Mr. Aditya Puri, MD, HDFC Bank was awarded with Business India Businessman of the Year Award for 2009 and in the same year Business Standard's Best Banker Award was given to him. In the same year, Business World Magazine awarded HDFC Bank with "Most Tech-savvy Bank" award. In 2014, HDFC Bank was awarded with Dun & Bradstreet – Manappuram Finance Limited Corporate Award 2014 – 'Best Corporate in Banking Sector.' (**For the list of Important Awards, see Appendix**).

Present Scenario

As of March 31, 2016 HDFC Bank had 4,520 branches in 2,587 geographical locations (Urban, Semi-urban and Rural Areas) and had 12,000 ATMs across India[34]. The bank had 55% of its total branches in semi-urban and rural locations[35]. By the same time (March, 201), the bank had a total of over 230.3 lac debit and 72.8lac credit cards over 2,80,000 Point-of-sale (POS) terminals for debit/credit cards acceptance at merchant establishments[36]. The shareholding pattern of the bank revealed that by the 2015-16 financial year ending, the authorized share capital of the Bank was Rs.550 Crore and paid-up share capital of the Bank was Rs.501,29,90,634/-. In terms of the equity shares held by different entities, HDFC bank held 21.67% of the Bank's equity, 18.87% of the equity is held by ADS/GDS Depositories while 32.57% of the equity is held by FIIs. In all, the bank had 4,41,457 shareholders. The total deposits as of March 31, 2016 stood at Rs.546424 Crores of which savings account deposits were Rs.147886 Crores. Retail assets stood at 248319 crores while return on capital stood at 18%. The below table, Table-3, illustrates the present scenario of HDFC Bank on some more parameters.

Table 3: Present Scenario

Item	Value	Item	Value	Item	Value
Profit After Tax	12,296 Crores	Deposits	546424 Crores of Rupees	Saving Deposits	147886 Crores of Rupees
Branches	4,520	ATMs	12,000	Cities/Towns	2,587
POS Terminals Installed	2.83 lacs	Debit Cards	230.3 lacs	Credit Cards	72.8 lacs

Source: HDFC Annual Report 2015-16

A Future Perspective

As per the Board of HDFC Bank, in the next few years, HDFC Bank aims to financially

34 Distribution Network, About Us, www.hdfcbank.com

35 Financial Results for the year ended 31 March, 2015, News Release, www.hdfcbank.com

36 Businesses, About Us, www.hdfcbank.com

include 10 million households at the bottom of the pyramid[37]. The bank also further focuses on digitalisation of customers banking transactions by making use of technological innovations available for financial transactions. NetBanking, MobileBanking and turning the bank's website into 24/7 virtual branch are the means to achieve it. In order to achieve this objective, the bank aims to focus on simplicity, comprehensiveness and innovation. By making use of this digitalisation of customers financial transactions, technological developments and means, the bank tries to complement its efforts of foraying into the rural and semi-urban areas. Under its Sustainable Livelihood Initiatives (SLI), HDFC bank aims to continue providing holistic banking, capacity building and livelihood programs in India's rural areas.

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- Forbes India's website, www.forbesindia.com
- Business Today's website, www,businesstoday.in
- Forbes Asia's Magazine, www.forbes.com/forbesasia
- Forbe's US's Magazine, https://www.forbes.com/home_usa

Appendix

List of Important Awards

S.No.	Year	Award Giving Entity	Award
1.	1999	Business Today	Best Private Sector Bank
2.	,,	Euromoney magazine	Best Bank – India
3.	2000	Forbes Global	Named in The 300 Best Small Companies one of the "20 for 2001" best FE-E&Y Best Banks small companies
4	,,	Business India	India 's Best Bank
5	2001	The Economic Times	Awards for Corporate Excellence as the Emerging Company of the Year
6	,,	Forbes Global	Named in The 300 Best Small Companies one of the "20 for 2001" best FE-E&Y Best Banks small companies
7	2002	Asiamoney magazine	Commercial Bank in India 2002
8	2003	Outlook Money	Best Bank in the Private Sector â€“ 2003
9	,,	FE-Ernst & Young Best Banks Survey	Best New Private Sector Bank - 2003
10	2004		

37 HDFC Bank Annual Report, 2014-2015, www.hdfc.bank.co.in

S.No.	Year	Award Giving Entity	Award
11	,,	Asian Banker Awards	Operational Excellence in Retail Financial Services - 2004
12	,,	Forbes Global	Best Under a Billion, 100 Best Smaller Size Enterprises in Asia/Pacific and Europe - 2004
13	,,	Business World	One of India's Most Respected Companies - 2004
14	2005	Economic Times - Avaya Global Connect Customer Responsiveness Awards	Most Customer Responsive Company - Banking and Financial Services - 2005
15	,,	The Business Today-KPMG Survey	Best Bank in India" for the third consecutive year in 2005; Best Local Cash Management Bank in India US$11-100m - 2005
16	2006	Business world	Best listed Bank of India
17	,,	Forbes Magazine	One of Asia Pacific's Best 50 companies
18	,,	Business Today	Best Bank in India.
19	2007	Dun & Bradstreet – American Express Corporate Best Bank Award 2007	Corporate Best Bank Award
20	,,	Asiamoney	Best local Cash Management Bank Award voted by Corporates
21	2009	Business India Businessman of the Year Award for 2009	Mr. Aditya Puri, MD, HDFC Bank
22	,,	Business world Best Bank Awards 2009	Most Tech-savvy Bank
23	,,	Outlook Money NDTV Profit Awards 2009	Best Bank
24	,,	Forbes Asia	Fab 50 Companies in Asia Pacific
25	,,	GQ India's Man of the Year (Business)	Mr. Aditya Puri, MD, HDFC Bank
26	2010	Outlook Money 2010 Awards	Best Bank
27	,,	Forbes Top 2000 Companies	Our Bank at 632nd position and among 130 Global High Performers
28	,,	Financial Express - Ernst & Young Survey 2009-10	Best New Private Sector Bank; Best in Growth; Best in Strength
29	2011	Outlook Money Best Bank Award 2011	Best Bank - Runner Up
30	2012	DSCI Information Technology Award 2012	Security in Bank (2nd time in a row) Security Leader of the Year (Banking)
31	,,	Business world Awards for Banking Excellence 2012	Most tech-friendly Bank Deal of the year (Rupee Bonds)
32	,,	ICAI Awards 2011	Excellence in Financial Reporting
33	2013	Asia Money 2013	Best Domestic Bank in India Mr. Aditya Puri: Best Executive in India
34	,,	Institute for Development and Research in Banking Technology Awards	- Best Bank - Managing IT Risk (Large Banks) - Best Bank - Mobile Banking (Large Banks) - Best Bank - Best IT Team (Private Sector Banks)
35	,,	Business world	Best Bank in India (Large Banks)
36	,,	MACCIA Awards 2013	Best in Financial Services: Bank Category
37	2014	FE Best Bank Awards	- Best Bank in the New Private sector - Winner - Profitability - Winner - Efficiency

S.No.	Year	Award Giving Entity	Award
38	,,	Asiamoney	Best of Best Domestic Banks - India
39	,,	Dun & Bradstreet - Manappuram Finance Limited Corporate Award 2014	Best Corporate in Banking Sector
40	,,	J. P Morgan Quality Recognition Award	- Best in class straight Through Processing Rates
41	2016	Institutional Investor All-Asia Executive Team ranking	Mr. Aditya Puri ranked Best CEO - HDFC Bank ranked Best Company in Banks sector of Asia ex-Japan
42	,,	The Financial Express India's Best Banks Awards	Lifetime Achievement Award to Mr. Aditya Puri
43	,,	IDRBT Banking Technology Excellence Awards 2016	Best Bank in Banking Technology Excellence for the year 2015-16
44	,,	Cisco-CNBC TV 18 Digitizing India Awards	Award for Innovations in the Financial Industry & Digital Banking
45	,,	Dun & Bradstreet Corporate Awards 2016	HDFC Bank wins Dun & Bradstreet Corporate Award 2016 in the Banking sector
46	,,	NABARD Award	Best Bank in JLG-Bank Linkage programme in Assam
47	,,	Business Today - KPMG India's Best Bank	HDFC Bank wins Bank of the year and Best Digital Banking Initiative awards
48	,,	NABARD Award - The Best Bank in SHG Credit Linkage in Tamil Nadu	HDFC Bank wins NABARD Award
49	2017	12th BML Munjal Awards 2017	Sustained Excellence in Learning & Development
50	,,	The Financial Express India's Best Banks 2016	- Profitability: Rank 1 - Strength & Soundness: Rank 1 Bank of the Year

Source: www.hdfcbank.co.in

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Impact of Crisis Era on Life Insurance Business in India - A Comparative Study on Select Policies

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ABSTRACT

Life Insurance sector, one of the vibrant service industries in India brought new dimensions in the 21st century with effective entry of private sector in Indian market. The life insurance sector has achieved significant growth because of its aggressive marketing practices to overcome cut throat competition. But the impact of crisis made the life insurance business to receive the decline especially with some of the cash cow policies like Unit Linked Insurance Plans (ULIPs). Though the impact of crisis is over, the life insurance sector needs the boost to lift from the effects of crisis. Lapse in policies and consistent decline in the growth rate of policies have shown the need for effective strategies of companies to overcome from the impact of post crisis era. Hence the present paper throws light on the coping marketing strategies to overcome the effects of crisis in life insurance business in India.

Keywords: IRDA, Lapse Ratio, Life Insurance Corporation, Recession, Unit Linked Insurance Policies

Introduction

Financial crisis is a term which is familiar in America during early 1980s when Latin America, Mexico, Asian and Russia have witnessed major crises due to failure of the governments to tackle with the downfall in several sectors. The global financial crisis of 2008-09 which emerged in September-October, 2008 has brought about the failure merger of several large financial firms of United States and European countries. The recession started to show bad signs on financial sectors especially in banking, real estates and financial services. It has shown its impact on Indian economy through financial, exports and exchange rates. Further, the other significant factor contributed for the investments is declining consumer demand. Among the financial services which got its

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impact, insurance business in India has shown one of the major areas where the slowly rising service sector has been affected in terms of sales and revenue to the insurers.

Insurance is the backbone of country's risk management system. Risk is an inherent part in human lives. The insurance providers offer variety of products to businesses and individuals in order to facilitate the protection from risk and to ensure financial security. Insurance industry is witnessing a tremendous contributor to the economic development of the country and is considered to be the fortitude of country's risk management system. Along with benefiting the nation's growth, it is also aiming to share the risk of the insurance holder. It is a legal contract that protects a person from contingent risk of losses through financial means and provides means for individuals and societies to handle some of the risks faced in daily life. The insurance is primarily classified based on the compensation to be paid to a person for an anticipated loss to his life, business or an asset. With its two eyes namely life and general insurance, this service sector is providing to the welfare of many with variety of insurance products (polices) which are tailor made to the needs and expectations of the people. Life insurance or life assurance is a contract between the policy owner and the insurer, where the insurer agrees to pay a designated beneficiary a sum of money upon the occurrence of the insured individual's or individuals' death or other event, such as terminal illness or critical illness. In return, the policy owner agrees to pay a stipulated amount at regular intervals or in lump sums.

The present paper is a modest attempt to critically analyze the impact of crisis period on the life insurance business in India with special focus on select life insurance policies.

Need for The Study

Emergence of insurance in India is approached in a slow and steady manner. The 21st century witnessed a rapid introduction and development of insurance service organizations in India. When it comes to the impact of recession, it has created huge impact especially on the life insurance companies. There has been a significant decline in the performance of LIC and private life insurance companies. Many private life insurance companies initiated market based ULIP policies and investment policies. For many companies, comparing to life fund which includes term plans, endowment, which life plans, the ULIP has remained as cash cow which brought lot of sales to them. As the ULIP is based on the market growth, the companies got huge investment with many policies. But, the recession which made its fatal effects on many sectors reached insurance sector in India too. Because of the high fluctuations in the market, the value of ULIP policies showed declining growth and as many private life insurance companies highly depended on the ULIP polices started to see the effects of recession with low sales and lapse of polices in the companies. Hence, the present research based study is very important to analyze the effects of crisis on life insurance sector and coping marketing strategies.

Review of Literature

A paper on FDI's prospects in insurance sector brought out by the ASSOCHAM stated the need of the increase in the FDIs in the insurance sector as one of the measures to overcome from the effects of crisis. The paper also made a positive opinion that increase of

FDI will definitely give more advantage to the insurance sector and both the life and non-life insurance markets will benefit accordingly.

Dun & Bradstreet, through its publication “BFSI Sector in India” under the D&B “sectoral Round Table conferences” series brought interesting facts about the impact of crisis on the life insurance industry. The paper focused on the active participation of IRDA which made stringent guidelines laid down on solvency margins as well as investment norms for the industry players to follow.

The IRDA’s stringent guidelines regarding the investment of policy holders’ funds also gave the positive outcome with less impact of economic crisis on the life insurance business in India. And the article made a critical analytical argument that the Indian life insurance companies remained relatively insulated from the financial crisis plaguing the global markets. It revealed the fears of global recession saw the need for international cooperation in order to revive the world’s financial systems.

The International Actuarial Association in a conference summary titled “The day after tomorrow for the Asian Life insurance industry” gave the remarks that the financial crisis revealed weaknesses and flaws in the regularity and risk management systems of life insurance companies. The joint paper by Bedia D.D. & Annada Padmawar on ‘recession’ has highlighted the functions of insurance company which are highly influenced by the recession or financial crisis. The study made critical examination on measurement of recession on general management functioning in insurance sector. The study has concluded that, sales followed by Stress level, Retention or turnover, Organization structure & Compensation areas are affected adversely throughout recession whereas Product, general management practices & recruitment activities are less affected by the same. The study made by Dilip Maitra has shown that insurance industry is facing twin challenges including economic slowdown and lower margins due to freeing up of premium rates. The author has recommended that, the slowdown in economic activities in India has led to a sharp reduction in asset creation in Indian industries. Yogesh Jain (2013) in his article has focused on ‘economic reforms and world economic crisis with special focus on changing Indian life insurance market place. The paper has analyzed that, growth of life insurance business in India declined after economic crisis.

Objectives of the Study

The study is aimed analyze the impact of crisis on life insurance business performance in India. In order to examine the main theme, the study investigated the following objectives.

- To present the overview of life insurance business in India
- To examine the impact of recession on the growth of life insurance business in India
- To present the performance of select life insurance policies before and after crisis era

Finally, the study brings the strategic initiatives to be considered for overcoming the impact of recession on life insurance business.

Methodology

The study witnessed from 2000-01 to 2012-13 period. The study is mainly based on secondary data which is collected from annual reports of IRDA, and latest updates are collected from news papers and internet sources. The study is restricted to comparison of select life insurance plans and funds.

Overview of Life Insurance Sector in India

The journey of life insurance has evinced very slow growth till the achievement of Independence. The first 150 years were staged mostly by turbulent economic conditions. It witnessed, India's First War of Independence, adverse effects of the World War I and World War II on the economy of India, and in between them the period of worldwide economic crises triggered by the Great depression. However, the new hope of success for life insurance business got its seed after achievement of independence in 1947.

After completing the arduous task of integration of about 250 life insurance companies, the LIC of India gave an exemplary performance by achieving various objectives of nationalization. LIC has been working since 1957.

Since, 1991, Indian economy has been going through euphoric financial reforms. Consequent to the implementation of landmark reforms in the financial sector, the insurance sector in India is going to witness sea change. The Government of India appointed a committee on reforms in the insurance sector in April, 1993 under the chairmanship of Shri R.N. Malhotra, former finance secretary and RBI Governor. The Government implemented major reforms as envisaged by the landmark report of Malhotra Committee. Based on the outcome of the report, the Government of India enacted Insurance Regulatory Development Authority (IRDA) Act, 1999. Later, the IRDA became the regulatory body for the insurance companies and the recommendations of IRDA resulted in the entry of private companies in the life insurance and as well as in the General Insurance sector. Soon after liberalization of the insurance sector, LIC also started competing with private players from 2000 onwards. Therefore, 1957 to 1999 is treated as pre-liberalization period and from 2000 onwards, it is treated as post liberalized period.

Over the last 14 years from 2000 to 2014, since the life insurance sector was privatized, the industry has shown a remarkable and impressive development. Many joint ventures in life insurance started innovative marketing practices which have highlighted the sector to reach one of the emerging service industries in India.

The performance of the insurance sector in the period of 2007-08 and 2008-09 was largely influenced by the subprime crisis. The sub-prime crisis started in the United States in late 2007, evolved as a financial crisis in US and later engulfed Europe and UK. By late 2008 it seeped into Asia. As a result, the financial crisis deepened among many countries of the world, thus forcing the respective governments to take necessary steps to come out of the crisis. Internationally, except for a few large companies, insurance companies were fairly insulated, though for the first time since 1980, insurance premiums declined in real terms with non-life premiums falling by 0.8 % and life premiums falling at a much higher rate of 3.5 percent. For analyzing the objective on impact of recession on the growth of life insurance business, the following comparative study is made.

Entry of Life Insurance Companies Before / After Recession

Table-1: Entry of Life Insurance Companies in Indian Life Insurance Market

S. No.	Period	No. of companies existed		Total
		No. of companies existing in public sector	Private sector	
1	Before 2000 period	1 (LIC)	0	1
2	Before recession (i.e., 2000-01 to 2007-08)	0	21	21
3	After recession (i.e., 2008-09 to 2013-14)	0	2	2
Total		**1**	**23**	**24**

Source: IRDA annual reports

Table-1 clearly depicts that, there is a sharp decrease of entry of life insurance companies in post crisis era. Further, the results show that, before recession, there is a clear witness of 21 new companies entered in Indian life insurance market. But it has shown sharp decline in next 6 years. Hence, it is a clear evidence of lack of attraction for the entry of new companies in Indian life insurance business.

Insurance Penetration and Density in India After Liberalization of Insurance Sector

Table-2: Growth Statistics about Penetration in Insurance

Year	Life		Industry	
	Density (US$)	Penetration (%)	Density (USD)	Penetration (%)
2001	9.1	2.15	11.5	2.71
2002	11.7	2.59	14.7	3.26
2003	12.9	2.26	16.4	2.88
2004	15.7	2.53	19.7	3.17
2005	18.3	2.53	22.7	3.14
2006	33.2	4.10	38.4	4.80
2007	40.4	4.00	46.6	4.70
2008	41.2	4.00	47.4	4.60
2009	47.7	4.60	54.3	5.20
2010	55.7	4.40	64.4	5.10
2011	49.0	3.40	59.0	4.10
2012	42.7	3.17	53.2	3.96
2013	41	3.1	52	3.9
2014	44	2.6	55	3.3
2015	20.68	1.209	20.909	0.82
2016	44	2.6	55	3.305

Source: IRDA Annual Report, 2015-2016

Here, the density is considered by taking the ratio between premium underwritten and the total population in a given year (in US$). The above table clearly shows that within a period of decade, the life insurance sector has shown tremendous growth as the growth in the life insurance density has grown more than 6 times from 9.1 US$ (i.e., ratio of premium in US$ to total population) to 55.7 US$. The penetration in terms of percentage has also risen steadily from 2.15% to 4.40% by the end of the year 2010. For the first time in 2011, it was observed that there is a down fall in insurance density but the life insurance density has gone up to 44 US$ in 2014. Overall, the trend in life insurance density and the overall insurance sector density has been showing declining consistently since 2009 and this is also a clear evidence of lessening the growth of life insurance sector in India.

Comparative Study on Number of Individual New Policies Issued

Table-3: Number of Individual New Policies Issued

Period	LIC (in lakhs)	Growth/Decline rate	Private Sector (in lakhs)	Growth/Decline rate
2005-06	315.9	31.75	38.71	73.37
2006-07	382.2	21.01	79.22	104.64
2007-08	376.1	-1.61	132.62	67.40
2008-09	359.1	-4.52	150.11	13.18
2009-10	388.6	8.21	143.62	-4.32
2010-11	370.3	-4.70	111.14	-22.61
2011-12	357.5	-3.47	84.42	-24.04
2012-13	367.82	+2.88	74.05	-12.28
2013-14	345.12	-6.17	63.60	-14.11
2014-15	201.71	-41.55	57.37	-9.79

Source: IRDA Annual Reports & Hand book

The study clearly proved that, the number of new policies sold by LIC before recession period is steadily increasing and reached to high despite the impact of recession in 2009-10 periods. And there has been slight declining growth rate in the number of new policies issued for LIC. In the financial year 2012-13, it has recorded 2.88% positive growth rate. Where as in Private sector, which consists of more than 20 private life insurance companies have together made positive growth rate till 2008-09 period. The growth rate is shown highly positive till recession period in comparison with LIC. Whereas, the post crisis era is showing a negative impact on the performance of life insurance companies, where as the growth rate of private life insurance companies is shown negative which means there is a rapid decline in the growth rate. Since recession, private sector has shown negative growth rate consistently in the last 5 years period. Overall, the comparative study clearly proved that, LIC has shown its resilience in the recession period, whereas private life insurance companies have shown decline in the growth rate in the post crisis era.

Lapse Ratio of Life Insurance Companies

Table-4: Lapse Ratio in Life Insurance Companies

Name of the Company	Lapse ratio (Based on number of policies in %)						
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
AEGON Religare	-	-	23	24	9	17	28.5
AVIVA Life	57	80	59	24	31	28	21.7
Bajaj Allianz	17	19	14	17	11	21	18.7
Bharti AXA	-	45	46	38	19	36	42.7
Birla Sun Life	4	6	9	39	72	51	61.3

Name of the Company	Lapse ratio (Based on number of policies in %)						
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Canara HSBC	-	-	4	0	3	24	21.5
DLF Paramerica	-	-	2	80	19	31	33.6
Edelweiss Tokyo	-	-	-	-	-	0	39.9
Future Generali	-	-	18	37	25	49	29.6
HDFC Standard	4	4	6	8	5	4	5.6
ICICI Prudential	26	40	53	81	46	42	34.1
IDBI Federal	-	-	0	0	6	11	15.9
India First	-	-	-	-	-	4	14.2
ING Vysya	17	17	16	19	14	12	13.4
Kotak Mahindra	17	17	19	14	12	16	14.6
Max Life	25	17	19	23	13	13	10.9
Met Life	34	24	18	25	31	30	17.0
Reliance	35	21	40	31	16	38	25.8
Sahara	21	24	22	21	15	14	16.9
SBI Life	19	16	9	7	7	9	12.3
Shri Ram	24	55	41	41	15	9	27.7
Star Union Dai-ichi	-	-	1	4	18	23	29.0
TATA AIA	26	35	26	42	33	28	18.7
LIC	4	6	4	4	5	5	5.6

Source: Annual reports of IRDA from 2006-07 to 2014

Lapse ratio directly influences the company's growth rate. Rising lapse ratio indicates the distrust of the policy holders towards life insurance products. This will lead to decrease in the total revenue obtained by the life insurance companies from policy holders. From the table, it is clear that, before recession, the lapse ratio has shown very less evident to most of the life insurance companies. The lapse ratio has shown very high during 2008-09 and 2009-10 periods. Further, it is also observed that, the lapse rate is shown very high for all the private life insurance companies, whereas in Life Insurance Corporation, the lapse ratio has shown quite steady despite the impact of recession. Hence, it is proven that, all the private life insurance companies have suffered by the lapse ratio after recession.

Performance of Life Insurance Policies Before and After Recession

A comparative study is undertaken to analyze the performance of select life insurance products' performance both before and after recession shown in the following table.

Table-5: Performance of Life Insurance Policies from 2004-05 to 2012-13

Name of the Fund	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Life Fund	17.21	16.34	16.2	60.31	58.31	61.64	64.19	65.81	66.53
Pension & General Annuity & Group Fund	28.21	27.51	24.8	11.85	13.28	14.97	16.18	17.25	17.33
Unit Linked Fund	159	98.48	29.8	27.84	27.91	23.40	23.40	16.94	16.14

Source: IRDA Annual reports & Hand book

Table-5 shows the detailed performance of growth of 3 select policies. When it comes to life fund, the policies including term, endowment, whole life plans have been included. In Pension & General Annuity and Group Fund, both pension and limited period annuity plans have been taken into consideration. In Unit Linked Funds category, the Unit Linked Insurance Plans (ULIPs) have been considered. From the comparison of test results, it is observed that, with reference to life fund, before recession taken place in 2008-09 periods, the growth has been most of the time below 20% and there is not much change in the growth percentage till 2008-09 periods, whereas, from the period 2009-10 onwards, there is a sharp increase in the growth percentage of Life Fund. It has crossed the growth rate of Pension & annuity group fund and Unit Linked Fund. Ever since recession has taken place, the growth rate of Life fund has shown steadily increasing in comparison with other two types of funds. In Pension & Annuity fund, there is steady decrease till 2009-10 periods. It has recorded highest in 2002-03 period with 51.13 and 172.73 % in 2003-04, whereas the growth is shown steadily decreasing in the pre-recession period. But, the growth is shown steadily increasing since post recession period.

When it comes to Unit Linked Fund, it is clearly observed that, there is a sharp increase since 2002-03 periods due to healthy financial growth in Indian economy. But it has shown a rapid decrease in 2009-10 periods. Ever since post recession period, the growth rate of Unit Linked Fund has been steadily decreasing. Overall, the results clearly show that, Life fund has gained more advantage in the post recession period where as Unit Linked Fund has shown steady decline in the post crisis era. The Pension & General Annuity & Group Fund has shown slowly increasing rate in the post crisis period.

ANOVA of one-way classification is applied to analyze the following Hypothesis.

H_0: There is no significant difference in the growth of select funds of life insurance sector.

H_1: There is a significant difference in the growth of select funds of life insurance sector.

The test result is specified in following table.

Table-6: ANOVA Test Results

Source of Variation	Sum of Square	DoF	Mean Square	F	P-value	F critical value
Between Groups	51552	8	6443.98	1.00	0.465	2.510
Within Groups	115371	18	6409.51			
Total	166923	26				

Source: Generated from SPSS

From the test result, clear that, calculated value of F (1.00) is less than the table value of F (2.510), hence the degree of freedom is 8, 18. So it is to conclude Null hypothesis is accepted. Therefore, it is concluded that, there is no significant difference in the growth of select funds of Life Insurance Sector.

Fund Wise Lapsation Scenario in Select Life Insurance Plans

Table-7: Fund Wise Lapse Rate of Select Policies

Type of Plan	Duration of number of years since plan has been taken by the policy holders (in years)						
	0 - 1	1 - 2	2 - 3	3 - 4	4 - 5	5 - 6	> 6
WP Endowment	18.14	11.62	5.71	4.72	3.98	5.88	2.86
NP Endowment	19.03	23.17	9.68	5.26	3.10	2.26	5.82
Term Plan	34.72	37.44	17.13	11.98	9.98	28.03	32.33

Type of Plan	Duration of number of years since plan has been taken by the policy holders (in years)						
	0 - 1	1 - 2	2 - 3	3 - 4	4 - 5	5 - 6	> 6
WP Whole Life	11.87	9.31	4.80	4.17	3.28	2.13	8.65
NP Whole Life	13.22	40.67	33.05	7.24	3.22	4.99	17.52
Unit Linked Plan	23.17	17.75	8.12	3.63	2.10	2.16	20.37

Source: IRDA Committee report on Lapsation, 2008

Table-7, it is to be observed that for whole premium endowment plan, the lapse rate is very high for initial period of 0-1 year duration. For Net Premium Endowment plan, the lapse rate has shown high in initial period of 0-1 and 1-2 years period duration. For Term plan, the lapse rate is high for initial period of first 2 years period with 34.72% and 37.44%. For Whole Premium Whole life plan, the lapse rate is 11.87% for 0-1 year and 9.31% for 1-2 years period. For Net premium whole life plan, the lapse rate shown very high with 40.67% for 1-2 years period duration and for Unit linked plans, the lapse rate shown high for 0-1 year period. Hence, from the results, it can be concluded that the lapse rate shown is evident for the first 2 years period for all the life insurance plans considered for study. And further, the lapse rate showed high especially for the term plan with 34.72% in 0-1 year period and 37.44% for 1-2 years period.

ANOVA of Two-way classification is applied to analyze the following Hypothesis.

H_0: There is no significant difference in the lapse ratio of different life insurance plans

$2H_0$: There is no significant difference in the lapse ratio on the basis of duration of policy taken by the policy holders. The test result shown in following table.

Table-8: ANOVA Test Results

ANOVA of Two-way classification test results						
Source of Variation	**Sum of Squares**	**DoF**	**Mean Square**	**F**	**P-value**	**F critical value**
Rows	1665	5	332	7.520	0.000	2.533
Columns	1861	6	310	7.006	9.940	2.420
Error	1328	30	44			
Total	4854	41				

Source: Generated from SPSS

From the result, it is clear that, for rows (type of life insurance plans) calculated value of F (7.520) is higher than the table value (2.533), hence the degree of freedom is 5. So to conclude Null hypothesis is rejected. Hence, to conclude, there is a significant difference in the lapse ratio of select life insurance plans.

For columns (duration of policy taken by the policy holders), calculated value of F (7.006) is higher than the table value (2.420), hence the degree of freedom is 6. So to conclude that Null hypothesis is rejected. Hence, to conclude, there is a significant difference in the lapse ration on the basis of duration of policy taken by the policy holders.

Strategies for Regain

To cope up with the effects of crisis, the life insurance sector in India need to adopt different innovative marketing strategies in order to reduce the decline in the growth of the life insurance business. Some of the important strategies needed to be adopted to overcome the impact of crisis are specified below.

As the FDI limits is expected to increase up to 49%, IRDA must reconsider its policy of inviting of new life insurance companies in the Indian market. Adopting liberalized policy will encourage more companies to enter in life insurance business there by increases the sector growth.

The companies need to study extensively while designing the products, effective use of technology can create better plot form in creation of customer database. To lessen the lapse ratio, companies need to analyze the customer acceptance of the policies before they get introduced in the market.

The study on type of policies and the lapse rate for select companies has clearly showed that the market based ULIP policies and the term plans showed maximum prone for lapsation. Hence, the basic benefit that policy holders get from the term plan must be revised as most of the present policy holders are looking at the returns at the end, irrespective of unexpected happenings. Further, for ULIP plans, the companies must guarantee the minimum expected growth returns by taking either the average or with the help of predictive analysis for ensuring that the policyholders gets minimum growth results irrespective of marketing conditions. The recent initiatives of LIC in ensuring minimum growth returns for its marketing policies are the inspiring facts which in long run will assist the companies with trusted policy holders.

Conclusions

India has remained one of the several countries affected by global meltdown despite stringent measures taken by government for its various areas of service sector. Though the collapse remained very low comparing to many countries, the life insurance sector has been shown affected. From the survey results, it is clearly observed that, there is a proved declining growth in life insurance business in India and it has shown evident that, the slow growth rate of economy and persistent higher inflation and prices might have shown its presence by lessening of growth of the sector. The private sector right from its introduction depended heavily on market based investment policies. The decline in the market performance has influenced declining growth in the ULIP sales. And also the period between 2007-09 clearly showed the declining sales of both life and ULIP polices in the life insurance market. As many life insurance companies in India are joint ventures, the impact of recession on foreign partner has influenced the performance of life insurance companies in India. And also, creation of Integrated risk management system (IRMS), better sophisticated pricing, better understanding of customer, strategic product development and effective claim settlement mechanism are the key marketing strategies to be adopted by the life insurance marketers and as well as the companies in order to achieve sustainable development in the post crisis era.

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CSR Policy and its Implementation: A Study of Select IT Companies

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ABSTRACT

Days are gone when the corporates use to be responsible for the goals of the organization, now it has to equally think about the society which is directly or indirectly getting affected with the policies, taken such care of the society is termed as Corporate social responsibility (CSR) it is being the way through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line- Approach"), focusing on people ,planet and profit. While at the same time addressing the expectations of shareholders and stakeholders, as explained by United Nations Industrial Development Organization (UNIDO). It is a corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare, became noticeable over the last two decades as the policies and the practices where not upto the codes and standards. CSR is a tool used to integrate societal objectives with the company's operations and growth. It has become mandatory now for the companies and have its policies.

Keywords: Corporate Governance, Corporate Social Responsibility, Mandates, Sustainable Development,Transparency

Introduction

CSR is the process by which an organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrates its commitment in this regard by adoption of appropriate business processes and strategies by working on the triple bottom line approach, and now companies are compelled to react as it has become mandatory now. The idea has gained prominence over the last two decades with better understanding and taking different issues by different companies and countries in their own way, whatever may be the method, issues the main objective was to see that the society at par should be benefitted.

CSR projects are far more replicable, scalable and sustainable, with a significant multiplier impact on sustainable livelihood creation and environmental replenishment. (Osborn

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2001)[1]. It is not charity or mere donations, but a way of conducting business, by which corporate entities visibly contribute to the social good. CSR team identifies and engages with growing and impactful projects that deliver quality in the areas the company decides to focus on . This paper has tried to study the CSR policy in select IT firms as it has been found that the IT sector employees are young and work for longer hours and different shifts ,come from different cultures and regions and comparatively better paid, they are the future leaders and the values can be inculcated in a broad platform . Kevin jones and Jennifer viewed CSR as a tool to facilitating relationship management, and thus building support networks for the organisation, instead of as a set of activities that build organisational legitimacy through the management of perceptions.

Review of Literature

CSR as a construct that "encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time" (Carroll 1979) In 1991 Carroll illustrated these four responsibilities in a pyramid, which ranks business responsibilities in order of relative importance, with economic responsibilities assumed as primary, followed by legal, ethical and finally philanthropic responsibilities.[2]

CSR enhances the relationship between Service Quality (SQ) and Purchase Intention (PI), proving that the presence of CSR activities as a moderator enhances the impact on finding to understand consumer behavior towards relationship between service quality and purchase intention. The organizations should communicate the performed CSR activities to its stakeholders clearly.

According to Jai Prakash and Sharma, Corporate governance came into prominence in the early 90s after the problem of policies and practices of Junk Bond Fiasco of USA and failure of Maxwell, BCCI and Polypeck in UK. India had a scam of Harshad Mehta in 1992.[3]

CSR enhances the relationship between Service Quality (SQ) and Purchase Intention (PI), proving that the presence of CSR activities as a moderator enhances the impact on finding to understand consumer behavior towards relationship between service quality and purchase intention. The organizations should communicate the performed CSR activities to its stakeholders clearly.[4]

The researchers felt that no food retailer in the investigated European country has a successful CSR positioning, even if it intensively communicates. Therefore it has to be considered critically whether the input-output ratio of the cost to communicate and the impact on consumer behavior are at least balanced, it is worth rethinking their CSR communications strategy.[5]

1 Erica van harpen, joost, m, e, penning, Matthew Muhlenberg consumer's evaluations of socially responsible activities in retailing, https://www.researchgate.net/publication

2 Carroll, A. B. (1991). The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders. Business Horizons, 34, 39-48.

3 Jai prakash Sharma, corporate governance failure: a case study of satyam corporate governance vol 3, no 2 july-dec 2010.

4 Hammadhassan, maryamsaeedhashmi and zahoorsarwar, exploring the impact of retail stores' service quality on consumers' purchase intention: the moderating role of csr". Middle-east journal of scientific research 19 (4): 505-520, 2014,issn 1990-9233.

5 Eva Lienbacher, Christina Holweg, Nicole Rychly, Peter Schnedlitz, csr in food retailing: what's really on customers' minds?

The World Business Council for Sustainable Development (WBCSD) defines CSR as, “The continuous commitment by the business organization to behave ethically and contribute to the economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”.CSR projects are far more replicable, scalable and sustainable, with a significant multiplier impact on sustainable livelihood creation and environmental replenishment. Principle as follows: CSR activities mitigate risks, enhance reputation, and contribute to business results, that is all to the good. But for many CSR programs, those outcomes should be a spill over, not their reason for being. Yet all have one thing in common: They are aligned with the companies’ business purpose, the values of the companies’ important stakeholders, and the needs of the communities in which the companies operate. These companies, of course, stand in stark contrast to those that are focused solely on creating value for their shareholders.[6]

The original pyramid of CSR needs updating to reflect the increased power of business relative to government in the 21st century. The amended pyramid of CSR places ethical responsibilities as primary, followed by legal responsibilities economic responsibilities and lastly philanthropy.[7]

Hanna Schramm - Saarbruecken’s study we contribute to the knowledge on the impact of CSR in the retailing industry on consumer behavior, which has only seldom been addressed in previous research and to the best of our knowledge has not been analyzed in such a comprehensive manner, covering all six domains of CSR activities. Our study on CSR’s impact on consumers’ purchasing behavior is in line with the research that generally suggests that the influence on companies’ market performance is positive in terms of affecting customer loyalty and purchasing behavior. We could reconfirm this for the retailing industry.[8]

According to HBR review there is equally important need to ensure that society does not suffer from disparities of income and provision of basic services like health care, education and literacy, companies are adopting CSR practices because of various benefits like 1. Securing strong relationship with stakeholders 2.To increase attractiveness of investors 3. Create a better & stimulating work environment 4. To improve organization effectiveness 5. Create & maintain high reputation.[9]

Wilson (1994) argues that creating an environment in which the organisation can flourish depends upon developing relationships with stakeholders including government, industry, suppliers, employees, special interest groups, and local and national communities.[10]

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6 V. Kasturirangan, lisa chase and sohel, social responsibility the truth about CSR, jan-feb 2015 issue.

7 Denise Baden, Are construction of Carroll’s pyramid of corporate social responsibility for the 21st century, International Journal of Corporate Social Responsibility 20161:8 DOI: 10.1186/s409910160008© Baden 2016 Published: 2 August 2016.

8 Hanna Schramm - Saarbruecken Corporate Social Responsibility of Retail Companies: Is it relevant for Consumers’ Purchasing Behavior ?

9 kavita d. Chordiya“corporate social responsibilities of Mahindra & Mahindra”, iosr journal of business and management (iosr-jbm) e-issn: 2278-487x, p-ISSN : 2319-7668 pp 14-20 www.iosrjournals.org.”

10 Wilson, L. (1994). The return to Gemeinschaft: Toward a theory of public relations and corporate community relations as relationship-building. In A. Alkhafaji (Ed.), Business research yearbook: Global business perspectives (pp. 135-141). Lanham, MD: International Academy of Business Disciplines & University Press of America.

CSR communication strategies that are adapted to consumers' cultural backgrounds could be essential (Ding 2006), especially when the message content and audience's message perception are tied to cultural values (e.g. Kim & Johnson 2013).[11] CSR activities. Communication practitioners implementing CSR or CRM campaigns across different cultural groups should carefully examine audience's cultural backgrounds and their impacts on individuals' message processing, and develop culturally adaptive messages.[12]

Objectives

1. To know the concept of CSR & the various benefits of CSR.
2. To study the CSR status in the IT Firms.
3. To understand the diversified activities under CSR by It firms.
4. To look into various kind of CSR policies.

The modern times are followed by Globalisation and the rise of variety for the consumers and their welfare is kept in mind to better oneself and the society at large. Some of the IT Companies based on the corporate social responsibility and its incorporation and implementation policies are studied for the same and the details are given below.

I.TechMahindra's CSR policy works for the "Educated, skilled and able people providing equal opportunities to people with different abilities. The Foundation was set up in 2007, as a Section 25 Company (referred to as a Section 8 Company in the Companies Act, 2013). The Foundation essentially works with children and youth from urban, disadvantaged communities in India. In the current year, it will reach out to as many as 80,000+ primary and 400,000+ secondary beneficiaries. Of these, at least 50% are girls/young women and 10% are people with disabilities. It has 10,000+ associates over 50,000+ hours with its beneficiaries through a robust corporate volunteering programme.

Tech Mahindra's social work is currently focused upon three areas School Education, Employability and Technical Education, the Foundation is running 150 + projects at 10 locations in 9 states/union-territories of India, long-term partnerships with government, non-government, corporate and institutional agencies.

Among which 1245 proposals from 375 schools entered into the semi-finals,and 124 projects that entered the final, 32 were ultimately selected for awards (10,000-80,000 0RMB (USD 1,460-11,700).

The second Social Innovation Cup in 2009 with 6,252 applications from 766 colleges and universities, among which 1,181 proposals from 377 schools entered into the semi-finals. 29 proposals were selected as the winning projects who received Google's funds.

11 Kim, J.-E., & Johnson, K. K. P. (2013). The impact of moral emotions on cause-related marketing campaigns: a cross-cultural examination. Journal of Business Ethics, 112(1), 79–90. doi:10.1007/s10551-012-1233-6.

12 soojungkim and jiyangbae: Cross-cultural differences in concrete and abstract corporate social responsibility (CSR) campaigns: perceived message clarity and Perceived CSR as mediators, International Journal of Corporate Social Responsibility 20161:6DOI: 10.1186/s40991-016-0009-1©Kim and Bae 2016 Published: 2 August 2016

In 2010, Among the 18,200 proposals from 1,060 schools, 1,511 proposals from 506 schools has made to the semi-final round. 28 student teams were selected to be funded to run their projects in 2010 summer.

In 2011, Among the 20,600 proposals from 1,278 colleges and universities, 3,326 proposals from 677 schools made their way into the semi-finals and 310 proposals from 172 schools into the finals. Winner teams, approximately 40 expected, that stand out in the end will run their projects in 2011 summer with Google awards ranging from 20,000 to 80,000 RMB (USD 3,050-12,200).

“Google China Social Innovation Cup for College Students” is a nationwide competition that aims to empower China’s youth to become agents of social change. 100 of them that top in the number of proposal submission will share 500 Google “Campus Volunteer Stars” Scholarships every year.

Social issues addressed have included education, poverty alleviation, disability aid, healthcare, women and children, arts and culture, and community development.

Google Grants is an in-kind donation program awarding free AdWords advertising to select charitable organizations. Since its inception, it has supported hundreds of organizations in advocating and promoting their causes, from animal rights and literacy to abandoned children and HIV education. Room to Read, which educates children in Vietnam, Nepal, India and Cambodia, attracted a sponsor who clicked on its AdWords ad.

In the aftermath of the Sichuan earthquake in China, Google Grants also supported the China Red Cross, China Charity Federation, China Youth Development Foundation, China Children and Teenager’s Fund and other organizations with free in-kind advertising of over 6 million RMB.[13]

Table-1: CSR Policies of Microsoft

Categories of CSR activities	Microsoft Performance
Educating and empowering workers	More than 99% of Microsoft employees completed annual training on Standards of Business Conduct, which is available globally in 17 languages
Labor and human right	86% of employees surveyed stated that they would recommend Microsoft as a great place to work. The proportion of women in the global workforce grew from 24% to 28% during 2014. Representation of women and minorities increased from 22% to 27% during the same period.
Health and safety	The company conducts Voice of the Supplier Surveys in an anonymous manner to monitor the adherence to health and safety and other important CSR-related principles.
b) Emissions	Microsoft has purchased 3 billion kilowatt hours (kWh) of renewable energy in 2014. All new data centers of Microsoft have an average 1.125 Power Usage Effectiveness (PUE), which is one-third less than the industry average. Company’s carbon offset project portfolio represents more than 600,000 metric tons of carbon dioxide (CO2) emissions.

13 www.google.com

Categories of CSR activities	Microsoft Performance
Other initiatives	The Microsoft Youth Spark Initiative has been introduced to create opportunities for 300 million youths. The initiative has resulted in creation of opportunities for 124 million. Microsoft has launched Office 365 for Non-profits in 92 countries around the world, providing $55 million worth of Office 365 subscriptions to nearly 11,500 non-profits globally. Microsoft completed the Global Network Initiative (GNI) Phase III Assessment, conducted by an independent assessor, and the GNI Board determined that Microsoft is compliant with the GNI Principles on Freedom of Expression and Privacy. The company began the audit of its non-hardware suppliers against 23 different ethical, social, and environmental risks by country and by commodity category.

Source: microsoft.com

II. IBM defines itself by fundamental values not by products, technologies or leaders, shared values are given more importance than ever before, identify and act upon new opportunities to apply our technology and expertise to societal problems,its existing programs and initiatives to achieve maximum benefit. Empowering employees and others to serve their communities and integrate corporate citizenship and social responsibility into every aspect of our company. Microsoft spending on CSR initiatives in 2014 exceeded $1 billion, which includes cash donations of $119 million and in-kind donations worth $948.6 million.[14]

III. ITC believes that a company's performance must be measured by its Triple Bottom Line contribution to building economic, social and environmental capital towards enhancing societal sustainability and the strategic context of business, enterprises possess, beyond mere financial resources, the transformational capacity to create game-changing development models by unleashing their power of entrepreneurial vitality, innovation and creativity. ITC has crafting unique models to generate livelihoods and environmental capital.

Enhancing environmental and natural capital, supporting rural development; promoting education; providing preventive healthcare, providing sanitation and drinking water; creating livelihoods for people, especially those from disadvantaged sections of society, in rural and urban India; preserving and promoting sports;

Developing the required capability and self-reliance of beneficiaries at the grass roots for social and economic development;

Engaging in affirmative action interventions such as skill building and vocational training, to enhance employability and generate livelihoods for persons from disadvantaged sections of society;

Pursuing in areas that fall within the economic vicinity of the Company's operations to enable close supervision and ensure maximum development impact;

Carrying out in relevant local areas to fulfil commitments arising from requests by government/regulatory authorities and to earmark amounts of monies towards "Enterprise Social Responsibility (ESR)" activities and to spend such monies.

14 www.microsoft.com /john dudovskiv/may 15, 2015 .

Providing equal opportunities through CSR Programmes as vendors or employees on merit.

Promoting sustainability in partnership with industry associations, like the Confederation of Indian Industry (CII) through the CII-ITC Centre of Excellence for Sustainable Development.

Implementation: through ITC Education Trust, Rural Development Trust, Sangeet Research Academy, Bhadrachalam Education Trust, Tribeni Tissues Education Society (and other Trusts, Foundations and Section 8 companies that may be established by the Company from time to time.

Governance: The CSR and Sustainability Committee will place for the Board's approval, a CSR Plan delineating the CSR Programmes to be carried out during the financial year and the specified budgets thereof. The Corporate Management Committee (CMC) will assign the task of implementation of the CSR Plan within specified budgets and timeframes to such persons or bodies as it may deem fit.

The persons/bodies to which the implementation is assigned will carry out such CSR Programmes as determined by the CMC within the specified budgets and timeframes.

Reviewing the implementation of the CSR Programmes once a quarter and issue necessary directions from time to time to ensure orderly and efficient execution.

Every six months the CMC will provide update to the Sustainability Committee and give review of reports and status of implementation of the same.

At the end of every financial year, the CSR and Sustainability Committee will submit its report to the Board.

IV. Wipro's view is that it is critical to engage with the social and ecological challenges that face humanity. Social programs on a strong foundation of ethical principles, good governance and sound management. This includes, among other things, holding ourselves up to public scrutiny through a framework of transparent, rigorous reporting. Its engagement with social and ecological issues goes back a long time. The central tenets of its approach have been the emphasis on strong, meaningful work on systemic social issues. Its policy reflects these principles and strategies that have informed long history of corporate citizenship and social responsibility over the years.

1. Wipro's foremost responsibility of an organization is to run its business ethically and in compliance with the law in letter and spirit, with a set of foundational values as embodied in Spirit of Wipro and comprises, at the least, the following three principles

   a) Unyielding integrity in every aspect of business b) Treating people everywhere fairly and with respect – at the workplace as well as in communities outside and c) Demonstrating ecological sensitivity in thought and action.

2. Its approach to social responsibility and sustainability rests on three important pillars. a) The Strategic: Choosing domains and issues to engage with that are force multipliers for social change and sustainable development. Social responsibility is as much about

being a sustainable organization as it is about external initiatives. Therefore, some of its areas of engagement lie at the convergence of business goals and social purpose.

b) The Systemic: Within the chosen domains, engaging on systemic issues that require deep, meaningful and challenging work. Given the nature of social change, this implies commitment over the long term, typically for several decades because real, genuine change does that long to happen.

c) The Deliberative: emphasis is on depth and on long term commitment implies a deliberative approach that precludes spreading ourselves thin or engaging in 'cheque book philanthropy'. By implication, this also means that we are wary of expanding and growing our social programs as ends in themselves.

3. Governance and Management: The Board Governance, Nomination and Compensation Committee will be the apex body that will oversee its CSR policy and programs. The committee comprises of following independent directors, Member An officer of the company at the senior most level will report to the Board CSR committee, who looks after the goals, objectives and budgets. Comprehensive, transparent reporting on sustainability.

4. Implementation: is through multiple channels – a separate trust (e.g. Wipro Cares) or directly through functions and groups within the company that have been set up for this purpose. Decisions will be taken by the CSR leadership of the company. The approach is to primarily work through partners with established track records in the respective domains. The majority of its projects are long-term multi-year programs.

5. CSR and sustainability must transcend boundaries whether organizational or national. Wipro's social and sustainability initiatives center on Education, Ecology, and Community Care. The principles for the programs are: Education: Engaging in deep and meaningful systemic work in the area of school and college education.

   Community Ecology and Health Care: Engaging with the community on issues of Health Care, Ecology and Education for the underprivileged of Business Sustainability: Reducing and minimizing the environmental footprint of our operations and enhancing the biodiversity.

   Diversity: Encouraging and enhancing diversity at the workplace and outside on gender, nationality and persons with disability .work in education is driven by the belief that education is a key enabler of social change and a better society, believe in a social vision of democracy where each citizen is not only capable in an individual sense but also sees the ethic of equity, the essentiality of diversity, the ethos of justice, and is thus driven by social sensitivity. School Education in India: systematic issues in school education in India through a network of partner organizations. Over the past 14 years, it is associated with 60 organizations at different levels and have worked closely with 35 organizations working in improvement of school education, through organization-level and project-level support for 67 projects till now,which has contributed to systemic improvements at multiple levels including state and central government level educational reforms.

6. Education for children with disability: There has been inadequate focus on education for children with disability.

   Sustainability Education: Started in 2011, the program brings together key concerns: school education and sustainability. This program reached out to more than 3000 schools, 3500 educators and 15000 students since inception. School Education outside of India: Contribute to improve Science and Math education in schools primarily serving disadvantaged communities in US cities. The program is currently active in Chicago, in New Jersey, New York and in Boston Engineering Education, the IT Services industry contributes to nearly 8% of the GDP.

   Skills development for students that is based on a comprehensive framework of postgraduate level education and (b) Capacity building among the faculty of engineering colleges. The Wipro Academy of Software Excellence (WASE) program helps Science graduates to study for a Master's degree in Software Engineering (M.Tech). Run in partnership with the Birla Institute of Technology & Science (BITS), Pilani, India, this unique program blends rigorous academic exposure with practical professional learning at the workplace, we run a similar program called WISTA in collaboration with Vellore Institute of Technology (VIT) for science graduates without a mathematics background. Since 2007, it has reached out to nearly 27500 faculty across 1300+ colleges in 27 states.

   Primary Health Care: touches the lives of 50000 people in 45 village communities in the areas of Waluj, Amalner, Mysore, Tumkur and Hindupur in India. Engaging in a number of significant post-disaster rehabilitation projects, most notable of which have been the Gujarat earthquake, the Tamil Nadu tsunami and the Karnataka floods. Business Sustainability: working based on the Triple Bottom line framework, focuses on a range of ecological and workplace initiatives, the principal ones of which center around Energy and Carbon, Water, Waste, Biodiversity, Product Stewardship, Supply Chain Responsibility, People Diversity on the aspects of Gender, Disability and Nationality, Employee health, wellness and safety, Employee empowerment through continuous learning and advocacy forums and a framework of comprehensive public reporting .

   It has a presence in more than 57 countries around the world; of our workforce of more than 145,000 employees, 11% comprise nationalities other than Indian. Issues of healthcare, education, access to energy, water and sanitation and livelihoods are often closely inter-linked.

7. Wipro's Charter on CSR it is critical to engage with the social and ecological challenges that face humanity. It is the conviction that the engagement with social issues must be deep, meaningful and formed on the bedrock of long term commitment; for that is the only way by which real change can happen on the ground. This is also reflective of the fact that such an approach serves both, enlightened business interest and social good. its social programs run on a strong foundation of ethical principles, good governance and sound management including.[15]

V. Cognizant is focusing on the sustainability efforts in various programme ranging from reducing the environmental impact of company's operations ,providing a safe workplace

15 www.wipro.org

while promoting professional development of the employees, maintaining a high standard of business conduct, delivering superior service and tangible business advantage to the clients.

The company follows a strict policy on CSR and supplier ensuring that its priorities are clear, concrete and unmistakable to the stake holders consisting of employees, clients, investors. The mandate of the company is dual from operating with greater efficiency and productivity to run better, simultaneously achieving innovation led advances in performance and value to run differently. Client first is the culture of the company where experienced professional client team ensures flawless alignment. It strives to create and support learning experiences that are accessible, stimulating, enriching – and fun.

Education efforts are aligned with the needs of each region in the company's global network, with a focus on alleviating disparities in education due to gender, economic level or distance from urban centers. Since 2011 it has awarded over $ 9 million in grants and has introduced 25000 children to 1.5 million hours of making activities focused in math disciplines in 200 communities.

Its Global delivery platform allows associates, business partners and customers to work as one sharing their experiences and insights and collaborating in real time results.

Project Outreach is one of the world's largest corporate volunteer efforts, and focuses on learning, mentoring, career counseling and talent development, it logged over 1.25 million volunteer hours since inception in 2007. Today, supporting in India, the Philippines, Singapore, Australia, Hungary, and the Benelux region, UAE, Argentina, Germany, China, UK and North America.

Fulfilling the education, healthcare and livelihood needs of economically and socially disadvantaged segments of society.,. Peoples development efforts are focused on attracting and retaining talented individuals, building a diversified n workforce offering effective programs to advance their carrier.

Client first work ethics which It stands for professionalism, integrity and passion for excellence. Women empowerment aims in attracting developing and promoting them.

Health and safety initiatives including employee health screening program in India's IT industry, wellness first campaign encourages better nutrition and other healthy practices. Occupational, health and safety measures: Strategies are executed to converse energy and reduce waste through disciplined management practices ,improves facilities design and reengineered business processes.

Paperless office program has made great strides in reducing paper usage across the global operations. 43% less per capita carbon emission is taken care of with the go green campaign. Around 4000 volunteers as green brigadiers are involved in the cleanup efforts, recycling campaigns and awareness raising activities in their communities.16

VI. Infosys strives for economic development that positively impact the society at large with minimal resource footprint. Embrace responsibility for the company's actions and encourage a positive impact through its activities by eradicating extreme hunger, poverty

16 https://www.cognizant.com/company-overview/sustainability

and malnutrition, promoting healthcare, sanitation and safe drinking water. For the Environment, communities, stakeholders and the society.

Education: Employment enhancing vocational skill especially among children, women and elderly and differently abled persons.

Rural Development Projects: Strengthening by increasing accessibility, housing, drinking water,sanitation,power and livelihood by creating sustainable villages. Gender equality and empowerment of women: setting up home, day care centers and hostels. Environmental sustainability: ecological balance, flora and fauna, safeguarding animal welfare agro forestry etc. National heritage arts and culture: protecting building sites and monuments setting up libraries, developing traditional arts and handicraft.17

Conclusion

Since the last decade it has established a strong foundational framework for social and environmental initiatives both within the organization as well as outside. As it has become mandatory either by pull or push companies has to think about CSR which if implemented successfully will definitely will bring in the change in the society. As IT sector has expatriates also the policies can be adopted of other countries easily. The coming together of business, government and civil society to address society's biggest challenges holds great promise, which is brought with the distinctive vision, commitment and energy to the fullest.

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17 www.infosys.com

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Current Trends of CSR Practices in Indian Firms

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ABSTRACT

India is a developing nation. CSR plays an important role in shaping economy of a developing country. The contemporary Indian economy is characterized by a paradigm shift from corporate tycoon to socially responsible. The importance of CSR is increasing day by day because the firms realize that the ultimate goal is not profit making but trust building. Trust building is much more important and a viable asset to run a business smoothly. The research paper attempts to analyze the study of CSR trends in India. This is an effort to give insight to what extent firms can follow the CSR. It also throws light upon CSR for Indian firms which would be helpful for both social and economic interest. In this paper it is mentioned that after the amendment in The Companies Act 2013 which came into effect in 1st April 2014, so after implementation what are the activities received attention by Indian firms highlighted.

Keywords: CSR, Social Risks, Environmental Risks, Hazardous Sector, CSR Drivers

Introduction

The effectiveness of corporate social responsibility has become the main concern to sustainable growth of a business, which comes through many aspects of business and making all the aspects stronger to gain sustainable success. Success in business is not all about maximizing the wealth but thinking about the development of the stakeholders, community and environment as well. Corporate social responsibility is a term used to make the place favorable for workers, community and building confidence in people for long term achievement of the success with the help of the stakeholders of the company.

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It promotes stakeholder engagement with the help of three institutional components of society- business, government and civil society to facilitate people to strengthen them. According to the point of view of Mahatma Gandhi, Indian companies were supposed to be the “temples of modern India”.

Top 10 Indian Companies’ Sustainability and CSR 2016

1. Tata Steel Ltd.
2. Tata Power Company Ltd.
3. UltraTech Cement Ltd.
4. Mahindra & Mahindra Ltd.
5. Tata Motors Ltd.
6. Tata Chemicals Ltd.
7. ITC Ltd.
8. Shree Cements Ltd.
9. Bharat Petroleum Corporation Ltd.
10. Larsen & Toubro Ltd.

(Source: IIM Udaipur, Futurescape and Economic Times)

Indian corporate societies are much conscious about social consideration and community development. They have been involved in serving the community since years, their aims to do business for two causes, wealth maximization and community development. Their tremendous success in business is based upon their inclination towards community development and economic development of India. Corporate social responsibility started driving fast from 1980s in India because of the great vision of Indian business families but current scenario is quite opposite, it needs some more strategic and effective initiatives in educational, social, medical and entrepreneurial field to drive our country towards new prospects.

Before 2014 the term CSR was supposed to be a part of corporate ethics and was not in much practice but the actual practice came into the effect from 1st April 2014 as per the clause 135 of The Companies Act 2013, it ensures that the activities as are included in CSR policy undertaken by firms as a mandate.

Various CSR Initiatives in Key Domain

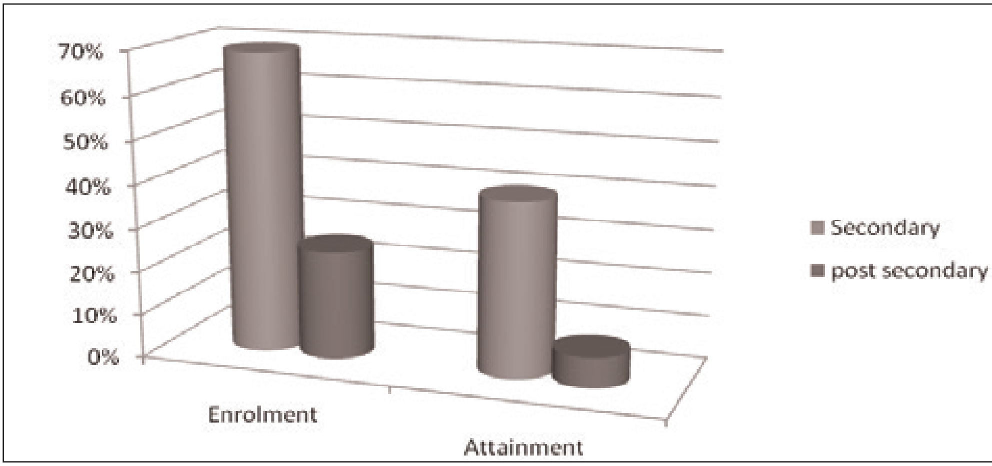
Educational Initiatives

Education is the first step for systematic success in life and contributes in the development of a country, it is known as a fundamental right to everyone below 14 years of age but everyone is much aware about the condition of education in India particularly primary and secondary education. Rate of dropouts is very high in secondary and post secondary education. According to the 2011 census, enrolment in secondary education is 69% but attainment is only 40% in the same way enrolment in post secondary is 25% but attainment is only 7% which show the sensitiveness of the situation in education.

Table-1: Educational Initiatives

Stages	Enrolment	Attainment
Secondary	69%	40%
Post Secondary	25%	7%

Figure-1: Educational Initiatives



Source: Census 2011

According to the census 2011, increment in education from 2001-2011 is only 9.17% in male and 9% in female education. As we all know about education that it is the backbone of any community, development and prosperity of the nation are based upon education. Therefore some of the big initiatives in this regard are appreciable like,

- Tata Education Excellence Program
- Wipro's "Applying Thought in Schools"
- ITC's Primary Education Program
- Tech Mahindra Foundation (TMF) 'Empowering through Education etc.

Tata Education Excellence Program

A unique initiative aimed at promoting excellence in education at schools in Jamshedpur and other cities where the company has operations was started by Tata Steel, with the objective of improving the quality of education, and to create a culture of excellence and nurture the citizens of tomorrow.

Forty schools are currently benefitted from this programme, which covers 2,500 teachers and 100,000 students from the ICSE, CBSE and other examination boards. It is unique in nature because it is run by a private institution rather than by the government. A special committee has been set up to oversee and govern this initiative, and all resources are disbursed by the company.

It adopts a holistic approach, with its framework bench marked against similar frameworks in the US, Europe, Japan and Australia. The programme encourages schools to promote the concept of quality and performance excellence in all their activities, including teaching and learning methods.

Wipro's 'Applying Thought in Schools'

Wipro is contributing in education as Demonstration schools which provide good quality education at costs and constraints similar to that of rural government schools. Demonstration Schools provide the opportunity to strengthen the theory practice linkage. It gives a purpose to experiment, to plan, implement and tackle some core issues or problems that mark our education system, all in the context of larger challenges that India faces. It enriches the learning of the Foundation on School Education

The first sets of schools began operations in mid-2012 and are located in the following states: Uttarakhand, Rajasthan, Karnataka and Chhattisgarh. 50 such schools are planned to be established by 2016.

In the wake of the Constitution along with the Right of Children to Free and Compulsory Education Act, National Policy of Education, State Policies, National Curriculum Framework.

The Curriculum allows children to develop an interest in and understanding of the world around them, nurture the ability to analyze, reflect and communicate, build capacity for caring relationships, appreciation of arts and aesthetics, build life skills, attitude and responsibility towards work and facilitate livelihood in future. An integrated approach will ensure that all forms of knowledge, perspective, and values have an equal place.

ITC's Primary Education Program

ITC's Primary Education Programme aims the lack of quality primary education in rural communities which has become main concern for the government to strengthen. It is also aiming to strengthen the government primary schools' vast network by stemming drop-outs, increasing enrolments and improving learning outcomes, the Programme puts in place mutually reinforcing interventions that are coordinated to support a move towards child friendly schools.

ITC also aims on infrastructural facilities to provide government schools, such as separate toilets for boys and girls, boundary walls, drinking water stations and furniture. It focuses more on students and teachers to train them on WASH (Water, Sanitation, Hygiene) principles, and also motivate them to form WATSAN (Water and Sanitation) Committees and Child Cabinets to take ownership of WASH areas in schools, helping to promote behavioural change among children.

ITC's Primary Education programme has covered over 467,000 students and more than 1,325 government primary schools have been provided infrastructural support.

Tech Mahindra Foundation (TMF) 'Empowering Through Education'

Tech Mahindra Foundation is playing a vital role in development quality of education under the umbrella of Tech Mahindra Foundation which was established in 2007, operates across eleven locations in India, and runs programs in education and employability.

ARISE or All Round Improvement in School Education is the largest educational initiative under the school education programme of Tech Mahindra Foundation.

The whole-school turn around programme, which works with 65 schools, 19 partners, and 6 municipal corporations across India, aims to develop existing government and non-government schools into model schools of excellence.

ARISE+ or All Round Improvement in Special Education is a special programme which encompasses the Foundation’s work in the area of school education for children with disabilities.

Working with diverse groups within the domain, the Foundation empowers children with disabilities, including sight impairment, hearing / speech impairment, loco-motor disabilities, and a range of mental disorders and disabilities across India.

Shikshaantar, which literally means creating a difference to education, is the second flagship initiative of Foundation, encompassing its work with teachers and the education system. The most important component of the Shikshaantar programme is capacity building of teachers, principals, school inspectors, education officers, leaders and management officials by training. Through the In-service Teacher Education Institute (ITEI), the Foundation is building capacities of more than 1500 teachers, more than 400 heads of schools, and more than 70 education functionaries in the primary schooling system of East Delhi Municipal Corporation (EDMC).

Shiksha Samwardhan, which means education enrichment programme, is the third large initiative of the Foundation. It consists of thematic interventions around learning enhancement which make learning interesting, child-centred and activity-based, reduce the cumulative burden of non-comprehension and promote grade-appropriate competencies. The programme largely works with children who remain or have fallen out of the safety net of the education system.

All these initiatives can be encouraged but some more strategic plans for the betterment of education system are needed. Some initiatives for the improvement of basic education are needed to encourage those children who are away from quality education then the value education can be understood easily. Their relentless effort cannot spoil because they are dedicated to their responsibility.

Social Awareness Initiatives

Awareness in the society is the main cause of the development which changes the mindset of the people to think differently about anything such as Right to vote, polio, HIV/AIDS, road safety, pollution control, TB, dengue, eve teasing etc., by the awareness, these things can be controlled easily with the help of some sort of campaign. According to **The Companies Act 2013** (Cause 135) which came into effect in 2014 clearly talk about the CSR, so many companies have taken initiatives for social awareness program, like

1. Indian railways “clean Ganga”
2. Aditya Birla Group “Model villages”

3. ITC’s e-Choupal initiatives
4. TATA Power “Act for Mahseer”
5. TATA chemicals “Save the Whale Shark Campaign”

Indian railways ‘Clean Ganga’

Indian Railways has decided to use the water released from sewage treatment plants for non-potable purposes like washing trains and platforms in the wake of corporate social responsibility. As India is suffering from water crisis at large, Indian Railways will also formulate a policy for using water more efficiently in its premises, after signing an MoU with Water Resources Ministry for using non-potable water released from effluent treatment plants along the Ganga and Yamuna river areas.

Aditya Birla Group ‘Model Villages’

For over 50 years now, the Aditya Birla Group has been and continues to be involved in meaningful, welfare driven initiatives that distinctively impact the quality of life of the rural poor. The vision is to actively contribute to the social and economic development of the communities, in so doing build better sustainable way of life for the weaker sections of the society and raise the country’s human development index. In this series Group started to make villages model in terms of education, healthcare and family welfare, infrastructure, agriculture and watershed management, and working towards sustainable livelihood pattern. The footprint of our community work straddles 2,500 villages. In working with the communities, they gauge what their real needs. Of the 2,500 villages are engaged in this cause, they have zeroed in on 300 villages, hope to morph into model villages. Making of a Model Village entails ensuring self-reliance in all aspects viz., education, healthcare and family welfare, infrastructure, agriculture and watershed management, and working towards sustainable livelihood patterns. Fundamentally, ensuring that their development reaches a stage wherein village committees take over the complete responsibility and the teams become indispensable.

ITC e-Choupal Initiatives

It is an India-based business initiative by ITC Limited which provides Internet access to rural farmers. The purpose is to inform and empower them and, as a result, to improve the quality of agricultural goods and the quality of life of farmers. It is a consumer product and agribusiness conglomerate in India known for their production of cigarettes, specialty paper, food products and packaging services. Through the e-Choupal initiative, it has created more than 6,500 e-Choupal computer stations in rural areas that serve an average of six hundred farmers each. Using this technology, farmers may order supplies, learn about best agricultural practices, receive weather reports and read about pricing for crops throughout the region.

TATA Power ‘Act for Mahseer’

Mahseer is a fish acclaimed all over the world for being an outstanding game and food fish of India. Mahseer is one of the 20 mega fishes in the world; it can grow to about

9 feet in size, or 54 kgs in weight. There are around 33 species of this fish. Besides, Himachal Pradesh and the Himalayas, some species of this fish are found in the River Ganga and Yamuna too. Known as the toughest sport fish, Mahseer is a well-known game fish and an angler's delight; the size and fighting prowess of the fish makes it popular among recreational angling enthusiasts. It is also known as the king of fresh water for this reason. TATA has taken initiative to save them and their species which can be encouraged for social awareness

The reasons for extinction of this species are:

- Loss of habitat
- Declining quality of habitat due to Industrial and human pollution leading to loss of breeding grounds
- Impacts of river valley projects
- Use of explosives, poisons and electro fishing by poachers,
- Introduction of exotic species

TATA chemicals 'Save the Whale Shark Campaign'

The whale shark is the largest fish in the world and was once slaughtered along the Gujarat coast in large numbers for its oil and meat. This led to a steep decline in its population and hence, it was declared an endangered species in 2001. The 'Save the Whale Shark Campaign' was started in 2004 with an aim to create conservational awareness amongst the coastal communities and garner their support for protecting this endangered fish.

After the great success of two phases, this project is now in the third phase and is being implemented in partnership with the Wildlife Trust of India and the Gujarat State Forest Department with support from the fishing communities of Veraval, Sutrapada and Dhamlej region. A total of 585 whale sharks which were incidentally caught in the fishing nets of the locals have been rescued and released. The forest department has institutionalised the process of providing monetary relief to fishermen towards fishing net damages incurred during the whale shark rescue operation. The annual celebration of Whale Shark Day has also been started by the forest department. Research work on whale shark biology including its feeding, breeding and migratory patterns is continuing, and this will help establish scientific knowledge about this species and help in its long term survival.

Campaigns are the main basis of awaking people to prevent themselves from any problem which makes the society stronger by means of morally, behaviorally, psychologically etc. Companies are also taking interests in such campaign by providing facilities to NGOs, UNICEF, WHO, Central and State Governments programs are the big names in this regard.

Health Care Initiatives

It is said that "health is wealth", in this prospective of life, health care becomes more important than any other aspect of life. To be honest India has poor health care system for public unlike USA and UK. So the responsibility of corporate becomes indispensible towards health care of the community to enable them to live their life healthier and develop themselves. The health care industry should take initiatives to provide affordable health care facilities which can be accessible to underprivileged society which has become hot talk in India. In rural area only 2% doctors are available while population of rural area is 68%. So the private healthcare sector can do a lot with the collaboration of corporates. Many corporate societies come forward to take initiative in this regard like,

- TATA Steel's Maternal and Newborn Survival Initiative (MANSI)
- L&T's community health centers
- M&M collaboration with the Lifeline Express trains
- Jubilant Life Sciences initiative to reduce malnourishment in children and promotion of breast feeding in village communities

TATA Steel's Maternal and Newborn Survival Initiative (MANSI)

The programme is designed to benefit 17,500 women aged between 15 and 49 years and 6,400 children under the age of two years. It aims to reduce maternal and child mortality and morbidity in the identified block. It seeks to promote positive health behaviour and appropriate care seeking behaviour, improve access and utilization of health services, influence policy and share best practices and enhance community capacity to sustain health initiatives beyond the life of the project.

L&T's Community Health Centers

L&T's Andheri Health Centre (AHC), which renders several health services to the community, has crossed a major milestone of 50,000 female Laparoscopic Sterilization Procedures from 1979 till today which is really a great achievement towards the service of the community. The team of doctors have sterilized 50,000 women and 3,870 men. The services rendered by AHC include Family Planning, Mother & Child Health Care including immunization, Skin & Leprosy clinic, Chest Diseases & Tuberculosis clinic, and Cataract & Eye Check-up. Family Planning operations through laparoscopic procedures started in 1978-79 with a dedicated team of ten gynecologists, anesthetists and surgeons at Andheri. The Centre undertakes several procedures: Copper-T insertion, and Medical Termination of Pregnancy (MTP with Cu-T).

The Mahindra Group with Lifeline Express trains

The Impact India Foundation launched this project in 1991. The Life Line Express offers medical and surgical interventions to the differently abled in remote areas, free of cost. The hospital on rails consists of 5 coaches, fully air-conditioned and equipped with the most modern gadgets. The Mahindra group sponsored Lifeline Express to treat patients with operable orthopaedic disabilities (post polio deformities), hearing related disorders, cleft lip, Dental and eye related operable disabilities.

The Mahindra group is glad to bring the Lifeline Express to Wardha. Last year, Mahindra's Automotive Sector & Mahindra Finance had taken the Lifeline Express to Rangia, in Assam, where several thousand patients underwent medical check-ups, post which 594 surgeries were performed. It has become a train of hope to the people.

Entrepreneurial and Skills Development initiatives

Everyone is much aware about the unemployment rate in India which is directly affecting the Indian economy. The main reason behind this problem is unproductive and less quality education. Skill development in students has become main factor to reduce the unemployment form India. Indian government has taken initiatives like Skill India program and Start up India Stand up India. The corporate societies are already working for this cause since years like,

- L&T's Construction Skills Training Institutes (CSTIs)
- TATA Motor's Learn, Earn and Progress (LEAP) for mechanic motor vehicle training
- The GAIL Institute of Skills (GIS)
- Mahindra Pride Schools provide livelihood training to youth

L&T's Construction Skills Training Institutes

For a fast growing and evolving industry like the construction industry, the need for skilled labour is indispensible and as leader in construction, L&T is playing a key role in creating skilled labour through its Construction Skills Training Institutes that are spread across the country. L&T began to promote Construction Vocational Training in India by establishing a Construction Skills Training Institute in late 1995 at Chennai. The Construction Skills Training Institute has separate conducive campuses at Chennai, Mumbai, Ahmedabad, Bangalore, Hyderabad, Kolkata, Delhi and Cuttack for Practical and Class Room Training, which are contributing in the development and making people skilled towards the economical development of India.

TATA Motor's Learn, Earn and Progress (LEAP) for Mechanic Motor Vehicle Training

In 2014-15, the company put a five-year plan with the target of skilling 1 million people. Out of a total CSR spend of Rs.186.2 million in the year, nearly Rs.80 million was estimated for the skill-building initiative. The thinking behind this is that India, poised to become the world's 'youngest country' by 2020, with an average age of 29, will by then account for 28 percent of the world's workforce.

The number of this workforce is enormous but its employability quotient is alarmingly low and which is also the main concern to the Government of India that explains the urgent need for education in job skills. The National Skill Development Council estimates that around 170 million Indians will require employment in the informal sector by 2022. 35 million are needed in the automotive sector — where Tata Motors is the largest enterprise in India — as mechanics, drivers and the like. So the responsibility of TATA Motors becomes big in this sector.

The GAIL Institute of Skills

In the competitive business scenario, enhancement of learning capabilities of employees is a must for all organizations. In this direction, GAIL established its training centre "GAIL Training Institute" (GTI) at Noida in the year 1997 with assistance from DANIDA and at

Jaipur in 2005.

Since then, it has developed itself as a good Training Institute offering various training programmes related to the gas value chain for professional development of executives working in the Oil & Gas sector. To achieve GAIL's vision, GTI is continuously gearing up to design programs to sharpen knowledge, improve skills, align attitude and promote efficient use of applicable technology. GTI has been meeting these aspects with ever increasing process improvement of its management system and is an ISO certified Institute.

Mahindra Pride Schools Provide Livelihood Training to Youth

In support of the Government mandate for affirmative action, the Mahindra group has set up Mahindra Pride Schools to empower youth from socially disadvantaged sections of society by providing livelihood training, to enable them to gain employment based on their skills.

The first Mahindra Pride School located at Pune, commenced operations in 2007. To date, Mahindra Pride Schools have come up in Chennai, Chandigarh, Patna and Srinagar. The school is meant exclusively for youth (18-25 years) from socially disadvantaged sections i.e., (SC), (ST), (OBC), Notified Tribes (NT) and De-notified Tribes (DNT); offering equal opportunity for men and women, with a focus on rural youth. It is non-residential and offers various alternative livelihood options to the students free of cost. 'Road Shows' are conducted for a month in specific communities / hamlets with a high SC/ST/OBC/NT/DNT population to spread information about MPS and encourage the youth to enrol for the training offered by the school.

Conclusion

The CSR regime in India is in a nascent stage, it is found that there is a need for creating awareness about CSR among masses to make it more effective. CSR practices should function as built-in self regulating mechanism whereby business would monitor and ensure the adherence to law, international norms and ethical standard.

In this age of fast growing and high technological world, the responsibility of corporate world towards the service of the community becomes indispensable when The Companies Act 2013 (clause 135) came into effect in 2014; this act says clearly that funds must be spent from income to contribute in the improvement of quality of life of the community. Many initiatives have been taken in all four areas of development as mentioned above but still some strategic and effective initiatives are needed to reach the need of the people particularly in basic education, health, social awareness and skill development programs.

In recent years firms realized the true importance of CSR and initiating the step towards it, firms sustainability involves social responsibilities.

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Corporate Social Responsibility Performance and Firm Performance: A Cross Country Analysis from Asia

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ABSTRACT

The present study is a modest attempt to explore the association between Corporate Social Responsibility (CSR) Performance and firm performance in the context of four countries- India, Indonesia, Japan and South Korea. The study is based on the sample of 28 listed non-financial firms from India, 21 from Indonesia, 36 from Japan and 28 from South Korea for a period of 6 years from 2008-09 to 2013-14. Market-to-book ratio (MBR) is used to measure the firm performance. Content analysis technique based on the framework of Global Reporting Initiatives (GRI) is employed for calculating the disclosure score of CSR. The study finds that the average level of disclosure is the highest in case of Japanese firms (nearly 90 percent), followed by India (85 percent), and 81 percent in case of South Korea. On the other hand, the level of disclosure is only 70 percent for Indonesian firms. Employing Logistic regression model, the study finds that there is a significant and positive association between CSR and MBR in the case of India, Japan and South Korea. These outcomes indicate that CSR disclosure is very significant for enhancing firm value. However, in the context of Indonesian firms, the study fails to disentangle any significant impact of CSR on firm performance.

Keywords: Corporate Social Responsibility, Global Reporting Initiatives, Firm Performance, Logit Model

Introduction

Corporate Social Responsibility (CSR) is not a new concept. It has always existed throughout the history of business organisation, mostly in the form of philanthropic activities. However, the publication of the seminal book in 1950 by Howard Bowen has marked the beginning of modern CSR (Carroll, 1999). Since then, there appears to be a growing recognition within the business society of the importance of the key stakeholders

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who are attached to socially responsible behaviour of the organisation. As organisations increasingly recognise the broad duties of accountability towards societal expectations, the role of CSR reporting for discharging such duties has gained momentum (Gray *et al*., 1996). Previously, CSR comprised of social and environmental components. However, after the publication of '*Our Common Future*' report by World Commission for Environment and Development (WCED) in 1987, the role of business has undergone a radical change in the recent past. With this publication, the business society has started recognising the importance of corporate sustainability (CS). The report of WCED had clearly highlighted the greater importance of business toward society encompassing human need, community development and products related responsibility apart from and the environmental issues (Reid, 1995).Such importance was further stressed at the Earth Summit held in Rio de Janeiro from 3 to 14th June 1992 (UNCED, 1992). Presently, CSR is considered as one of the major component of CS (Chen *et al*., 2015).Thus, there is a need to study the influence of CSR disclosure on firm performance due to the importance of the 'voice of society' (Warhurst, 2000). Unfortunately, in most of the previous studies, researchers have even included environmental indicators while assessing issues related to CSR in both developed and developing countries (McWilliams and Siegel, 2000; Mishra and Suar, 2010; Saleh *et al*., 2011; Lioui and Sharma, 2012; Ahamed *et al*., 2014; Marti *et al*., 2015; Cahan *et al*., 2016).

According to Verrecchia (1983), CSR disclosures are costly affairs. Therefore, a firm discloses its non-financial information only if the benefits outweigh the costs. The various benefits of such disclosures include reducing information asymmetry (Dhaliwal *et al*., 2011), accentuating the link between financial and non-financial performance, improving better relation with stakeholders (KPMG, 2013), and increasing investor awareness leading to a larger investor base (Merton, 1987). Moreover, such disclosures can also help investors in estimating the parameters of firms' underlying cash flows, leading to reduction of estimation risk (Lang and Maffett, 2011). In addition, Hull and Rothenberg (2008) reported that CSR initiatives might help a firm in differentiating from its competitors by building brand image and obtaining valuable support from diverse stakeholders, which eventually leads to better financial performance. The extant literature indicates that apart from Chen *et al*., (2015) prior studies have attempted to shed light on the usefulness of CSR disclosures incorporating environmental issues on the firm performance, but results are inconclusive (Ullmann, 1985; McWilliams and Siegel, 2000; Orlitzky *et al*., 2003; Brammer *et al*., 2006; Ho and Taylor, 2007; Garcia-Castro *et al.*, 2010; Saleh *et al*., 2011; Aras *et al*., 2010; Lioui and Sharma, 2012), which creates a gap for further research. Such inconsistency in results may have arisen because the researchers could not segregate the environmental indicators from the report while assessing CSR, due to a lack of any globally accepted framework for segregating the social and environmental indicators. After the publication of Global Reporting Initiatives (GRI) reporting framework in the year 2000, it became possible to compute firm's performances towards the three different aspects of corporate sustainability (e.g., economic, society and environment)very precisely and accurately. However in the Asian context, comprehensive empirical study relating to CSR by undertaking only the social indicators of GRI is very limited to the best of our knowledge (Chen *et al*., 2015). In this backdrop, the present study is a modest attempt to examine the association between CSR and firm performance using GRI reporting framework, in the context of four Asian countries – South Korea, Japan, India and Indonesia. These countries are selected based on the reports of KPMG (2008 and 2013) and Carrots and Sticks (2013) and also based on the availability of CS report in English language from the company's website over the years.

The remaining part of the paper is organised as follows: The next section presents literature review and development of hypothesis. The subsequent section discusses data and methodology adopted in this study. The section that follows it is devoted to results and discussion followed by concluding remarks in the last section.

Literature Review and Hypothesis Development

Researchers have long been interested in issues related to CSR. Yet, its credibility remains in question, and still it is not clear whether CSR issues are significant in influencing firm performance. Accordingly, a number of studies relating to the association between CSR and firm performance have been undertaken so far. In these studies, researchers have adopted a different methodology to measure CSR like content analysis technique, KLD index and interviews and questionnaire method.

Based on the content analysis technique for measuring CSR, Saleh *et al*., (2011) examined the relationship between CSR and firm performance of Malaysian public listed companies. The results of their study indicated that CSR has a significant impact on the financial performance of Malaysian companies. Similarly, Ahamed *et al*., (2014) examined the relationship between CSR and financial performance for Malaysian firms and found that there is a significant positive association between CSR and firm performance. Using a sample of 40 Nigerian companies, Uadiale and Fagbemi (2012)also indicated a positive and significant association between CSR and firm performance. Chen *et al*., (2015) examined the relationship between CSR and financial performance of 75 manufacturing firms selected from GRI website. In this study, they tried to measure CSR very precisely using 40 specified indicators for the social aspect of the firm based on GRI guidelines. The outcomes of the study indicated that CSR is significantly and positively correlated with the financial performance. However, empirically Brammer *et al.*, (2006) in the context of UK, and Ho and Taylor, (2007)in the context of Japan and USA observed negative association between CSR and firm performance. On the other hand, Aras *et al*., (2010) failed to extricate any insignificant association between CSR and profitability of 40 companies listed in Istanbul Stock Exchange (ISE).

In the context of US firms, Dhaliwal *et al*., (2011) examined whether firms that voluntarily publishes CSR report can reduce their cost of capital. The outcome of their study revealed that firms with a high cost of capital tend to publish CSR report which exhibits superior CSR performance and that consequently leads to a reduction in the cost of equity capital under certain conditions. Likewise, El Ghoul *et al*., (2011) reported that firms with better CSR performance lead to a lower cost of equity for the US firms. Similarly in the context of 31 countries across the globe, Dhaliwal *et al*., (2012) also encountered a negative association between CSR disclosure and cost of equity capital. The outcome of the study demonstrates that CSR disclosure is an important channel for informing investors about CSR performance. Using questioner survey method for assessing CSR, Mishra and Suar (2010) examined the influence of CSR on firm performance of Indian companies. The study found that listed companies performed better CSR practices which consequently improved both the financial and non-financial performances of these companies.

Based on KLD measure of CSR, a plethora of studies relating to CSR and firm performance were undertaken. For instance, employing KLD index to measure CSR, Hillman and Keim (2001) investigated the association between CSR and firm performance in US. Their results indicated a positive and significant association between CSR and firm performance. In the similar context, these findings were consistent with the study of Waddock and Graves (1997). Likewise, Palmer (2012) examined the association between social performance and firm performance in the context of S&P 500 firms. Using a time series analysis, the results indicated that there is a significant positive association between CSR and firm performance. The study further concluded that a firm with a better CSR initiatives may also influence some customers to pay a premium for its products and/or services. On the other hand, Lioui and Sharma (2012) found negative association between CSR and firm performance and, this association turned out to be positive when R&D was added as an independent variable. The study supports the conclusion of McWilliams and Siegel (2000) related to the importance of the inclusion of R&D expenditure while investigating the association between CSR and firm performance. Similarly, Garcia-Castro *et al.*, (2010) found mixed results while examining the influence of CSR on financial performance in case of 658 US firms. Additionally, in a similar context of the US firms, there are also some other studies where the researchers found an insignificant impact of CSR on firm performance (McWilliams and Siegel, 2000; Ullmann, 1985).

The review of some extant literature relating to the association between CSR and firm performance reveals mixed results. The main plausible reasons for these inconsistencies may be due to inappropriate methodologies adopted to measure CSR, inappropriate definition of key variables used in the study, and finally limited study period examined (e.g., two or three years). The literature also depicts that majority of the studies were conducted in developed economies like USA and UK, and there is a dearth of such studies in the Asian context.

According to KPMG (2013), theoretically there exists a positive relationship between CSR and firm performance. Based on this theoretical relationship, the following alternative hypothesis is formulated for empirical testing in the Asian context.

H_1: CSR is positively associated with firm performance.

Data and Methodology

Source of Data, Study Period and Sample

The present study is based on the secondary data collected from the published sustainability or responsibility reports and annual reports of the listed non-financial companies from India, Indonesia, Japan and South Korea for a period of 6 years from 2008-09 to 2013-14. Since the GRI specified items may not be applicable for financial companies to report, the study considers non-financial companies only. Apart from the different platforms (like the websites of Corporate Registrar, UNGC, GRI as well as the company's respective website) where companies are publishing sustainability reports, the present study is relying only on the respective company's website for easy accessibility of such reports. In order to select the sample of the study, we have developed the two distinct criteria: i) a listed non-financial company must publish its sustainability report in its respective website; and ii) a company must publish its sustainability report in English language on a continuous basis. Companies who fulfilled these criteria are 36 from Japan, 28 from South Korea, 28 from India and 21 from Indonesia and, thus become the final sample of the present study.

Measurement of Variables

Financial performance is the dependent variable in this study, which is measured by market to book ratio (MBR). The existing literature reveals that the researchers have used this measure of firm performance (Marti *et al*., 2015; Cahan *et al*., 2016). In this study, MBR is calculated by dividing the market value (MV) by book value (BV) of equity. Market value of equity is calculated by multiplying the number of outstanding equity shares with the share price at the end of each financial year.

CSR is used as the explanatory variable in this study. For measuring CSR, many researchers have adopted the technique of content analysis (Ho and Taylor, 2007; Aras *et al*., 2010; Saleh *et al*., 2011; Uadiale and Fagbemi, 2012;Chen *et al*., 2015; Cahan *et al*., 2016). Hence in the present study, we adopt the same methodology of content analysis based on the GRI framework for calculating the score of CSR disclosure, which is considered as the proxy for CSR performance. The GRI reporting framework is used not only because of the majority of the sample companies which have adopted this framework for communicating their CSR related information to the stakeholders, but also because it is possible to measure the social responsibility very precisely with the given specified indicators of CSR. In order to carry out the content analysis technique, either of the two versions of GRI framework (i.e., G3 and G3.1) is used. The usage of either of the framework depends on the applicability of the framework in publishing the CSR related information. G3 version was published in 2006 with 79 indicators altogether, out of which 40 indicators were specified for social component and,when G3.1 was released in 2011, these 40 indicators increased to 45. It is also important to note that if the sample firm does not follow any framework, then the content analysis is made on G3 version. Binary coding system is used to calculate the level of CSR disclosure score, i.e. '1' if the indicator is disclosed or '0' for not disclosed. After obtaining the indicator wise score, the overall level of CSR disclosure score is computed by:

$$\mathbf{Disclosure_j = \frac{\sum_{i=0}^{n} X_{ij}}{n_j}} \quad \dots (1)$$

Where, **'n_j'** is the maximum score, **'j'** is the company, **'i'** is the items and **'X_{ij}'** is the estimated score of company 'j' at period 't'. **'X_{ij}'** assumes the value '1' for the item disclosed and '0' for not disclosed.

Based on the review of extant literature, two control variables – firm size (SIZE) and financial leverage (LEV) are used as control variables (Ahamed *et al*., 2014; Cahan *et al*., 2016). In this study, SIZE is measured by the natural log of total sales and LEV is measure by debt to equity ratio.

Empirical Model

According to prior literature, many empirical studies were undertaken by employing classical linear regression model to examine the association between CSR and firm performance (Nelling and Webb, 2008; Saleh *et al*., 2011; Ahamed *et al*., 2014). Since the CSR indicators are qualitative in nature, in this study, we adopt logistic model to find the effects of CSR, which is basically a qualitative indicator, on the dependent variable. In this model the dependent variable (MBR) is transformed from continuous to dichotomous outcome variable by dividing it into two groups using a median (δ) as a threshold value. Median is used instead of mean as a threshold limit so that the estimated effects are robust against the presence of outliers. In the Logistic model (also known as logit model) the log odds of the outcome variable (MBR) is considered as the predictor of the select regressors in a linear set up. Mathematically, let π be defined as:

$\pi = P[\mathrm{MBR} \geq \delta]$, then a logit model can be written as

$$\ln\left(\frac{\pi}{1-\pi}\right) = \beta_0 + \beta_1 X_1 + \cdots + \beta_k X_k$$

Where $X_1, \ldots, X_k$ are the various independent and control variables of interest, $\beta_1, \ldots, \beta_k$ are the parameters to be estimated as the effects of the independent variables, and β_0 is a constant. The specific logit models of the study is:

$$\ln\left(\frac{\pi}{1-\pi}\right) = \beta_0 + \beta_1 \mathrm{CSR} + \beta_2\ \mathrm{LEV} + \ \beta_3 \mathrm{SIZE} \ldots (Model\ 1)$$

Results and Discussion

Descriptive Statistics

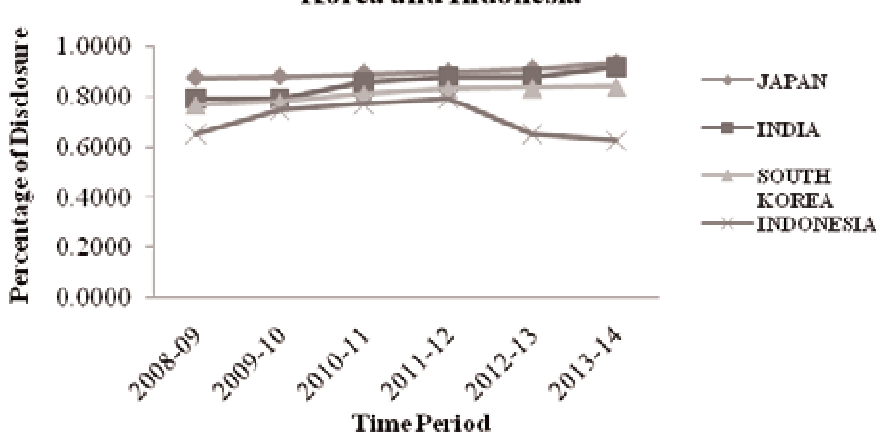
The descriptive statistics for the variables are shown in Table-1. A look into the table reveals that the highest mean value of CSR is nearly 90 percent for Japan, followed by India (85 percent) and South Korea (81 percent). The high mean values indicate that these three countries are disclosing more than 80 percent of the total CSR items specified by the GRI reporting guidelines, which is quite satisfactory. The observed high levels of disclosure further indicate that the firms from these countries are trying to satisfy the demands of their stakeholders. For these three countries, the disclosure chart in figure one also demonstrates an increasing trend in disclosing CSR related information through the study period. On the other hand, the mean value of CSR for Indonesian firms (70 percent) is the lowest. In addition, the graph also reveals that from 2008-09 to 2011-12 there is a slight increase in the disclosure trend for Indonesian firms, after that it starts decreasing. Table one, further depicts that the mean value of MBR is 13.0746 for Japanese firms, followed by India (7.0333) and South Korea (5.7705). These figures indicate that for the Japanese firms, the market value of equity is on an average more than 13 times more than their book value of equity, whereas for the Indian and South Korean firms it is more than 7 times and 5 times respectively, which is quite satisfactory. On the other hand, for Indonesian firms, the mean value of MBR (1.6812) indicates that the book value and market value are almost equal. Further, barring a few cases the observed values of standard deviation indicate that the variability of the CSR score is not very high.

Table-1: Descriptive Statistics

Country	Variables	Minimum	Maximum	Mean	Std. Deviation
India	MBR	0.3715	39.8462	7.0333	8.5208
	CSR	0.5667	1.0000	0.8533	0.1149
	SIZE	0.8713	12.5100	9.4752	1.7589
	LEV	0.0000	1.7200	0.3154	0.3667
Indonesia	MBR	0.0050	7.1430	1.6812	1.6112
	CSR	0.1750	1.0000	0.7055	0.2375
	SIZE	11.4981	16.9276	14.9152	1.2914
	LEV	0.0000	3.1770	0.8886	0.7666
Japan	MBR	6.6828	26.8556	13.0746	3.0223
	CSR	0.7800	0.9750	0.8981	0.0382
	SIZE	11.1338	18.1287	14.6698	1.1032
	LEV	0.0067	22.9095	0.7757	1.7661
South Korea	MBR	0.6106	10.6616	5.7705	2.1333
	CSR	0.5500	0.9000	0.8119	0.0649
	SIZE	13.5462	18.1105	16.0534	1.1252
	LEV	0.0121	2.5824	0.3042	0.3150

Source: Computed by the authors

Figure 1: Disclosure chart of Japan, India, South Korea and Indonesia



Regression Results

The results of the logit model for all the countries are shown in Table-2. The outcomes of regression model reveal that the influence of CSR is significant and positively associated with MBR after adjusting the influence LEV and SIZE for Japan, South Korea, Indonesia and India. However, the influence of CSR is found to be insignificant for Indonesian firms. A closer look into the table further indicates that with one unit increase in CSR, we expect to see about 20 percent, 12 percent and 5 percent increase in the odds of being classified in the class of performing firms respectively for firms selected from Japan, India and South Korea. Various survey reports like Carrots and Sticks (2013), KPMG (2008; 2013) demonstrate that apart from many developed countries, there has been a significant increase in voluntary disclosure of non-financial information by Indian firms. Such information helps stakeholders in assessing firm performances. This is not only justified from the outcomes of Japanese firms and South Korean firms, but also from the outcomes of Indian firms. The observed outcomes of Logit model further demonstrate that the probability of enhancing the market value is relatively much higher in the developed countries as compared to developing countries of Asia. The main plausible reason may be that the developed countries have better and enough resources to deploy towards sustainable development. On the contrary, the result of the regression model shows insignificant association in the case of Indonesian firms. This insignificant influence of CSR on MBR signifies that the Indonesian firms fail to recognise the importance of CSR, which is also visible from the lowest mean value of CSR, as well as the fluctuating disclosure trend of Indonesian firms. The outcomes of Indonesian firms indicate that these firms are not able to fulfil the demand of their stakeholders, resulting in an insignificant impact on MBR, which supports the findings of McWilliams and Siegel (2000) and Aras *et al*., (2010). Thus, the alternate hypothesis (H_1) is accepted only for Japanese, Indian and South Korean firms. However, it is rejected in the case of Indonesian firms.

Table-2: Logit Regression Results of CSR and MBR

Country	Variables	Odds Ratio	Z statistic	P value	Pseudo R^2
Japan	CSR SIZE DER	1.2066 1.1136 0.5354	4.44 0.71 -2.44	0.000 0.476 0.015	0.1260
South Korea	CSR SIZE DER	1.1262 1.1285 1.0584	3.48 0.77 0.09	0.001 0.442 0.928	0.0881
Indonesia	CSR SIZE DER	1.0104 1.1867 0.7153	1.33 1.17 -1.36	0.184 0.244 0.175	0.0277
India	CSR SIZE DER	1.0573 0.9150 0.0502	3.35 -0.84 -4.14	0.001 0.399 0.000	0.1530

Notes: Dependent Variable MBR converted into binary digits. N = 216 for Japan, 156 for South Korea,126 for Indonesia and 168 for India
Source: Computed by the authors

Among the two control variables, LEV is found to be negative and significant only in the context of India and Japan. This negative influence of LEV clearly demonstrates that the profitable firms use more of their internally generated fund than the debt capital, which clearly supports the packing order theory of capital structure. On the other hand, SIZE is insignificant in all the cases may be due to the fact that there is no significant difference in the market capitalisation of the firms select for this study. Moreover, Pseudo-R^2 which is a rough estimate of the goodness of fit for the model is very low for all the cases. The plausible reason may be that the MBR is not only influenced by CSR but also by many other factors not incorporated in this study.

Concluding Remarks

The present study is a modest attempt to explore the association between CSR and firm performance in the context of Japan, South Korea, Indonesia and India. The study is based on secondary data collected from published sustainability report and annual report of listed non-financial companies from the four select countries for a period of six years from 2008-09 to 2013-14. Employing the technique of content analysis based on GRI framework, the study finds the average level of disclosure the highest for Japanese firms (nearly 90 percent), followed by India (85 percent), South Korea (81 percent) and Indonesia (70 percent). The findings of the logit model further depict that there is a significant positive association between the disclosure of CSR and firm performance only in case of Japan, South Korea and India. However in the context of Indonesian firms, the present study fails to disentangle any significant impact of CSR on firm performance. The main plausible reason for this insignificant association for Indonesian firm may be due to inconsistency in disclosing CSR information as well as low level of CSR disclosure, which is clearly visible from the disclosure chart (figure one) and lower mean value (70 percent). When there is any inconsistency in the disclosure pattern along with lower lever disclosure it may be difficult for stakeholders to assess the value-creating ability of CSR activities. The findings of the study thus, support the alternate hypothesis H_1 for all the select countries of Asia, except for Indonesia. The present study demonstrates that efficient utilisation of resources helps in better reporting, which consequently influences the firm performance positively. These findings confirm that CSR disclosure improves transparency and builds stakeholders' trust, which eventually enhances the market value of the firm. Thus the outcomes of the present study may stimulate corporate managers to perform CSR activities and communicate such activities efficiently in the form of a report to a wide group of stakeholders.

The present study has mainly evaluated only the overall CSR. However, GRI framework also provides core component of CSR such as community related information, human rights, labour, and product responsibility. Thus, the present study may be extended by analysing both the overall as well as its core components. Moreover, apart from the quantitative measure of firm performance (MBR), CSR can also be associated with qualitative (non-financial) measures of firm performances like human resource performance, marketing performance and operational performance. Consequently, the present study also lends insights to integrate both qualitative and quantitative parameters, which may add to the robustness of measuring the firm performance.

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Addressing Social and Environmental Risks through CSR - An Indian Perspective

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ABSTRACT

Corporate Social Responsibility (CSR) not only encompasses what companies do with their profits, but also how they make them. It goes beyond philanthropy and compliance to address the manner in which companies manage their economic, environmental and social impacts and their stakeholder relationships in all key spheres of influence: the workplace, the market place, the supply chain, the community and the public policy realm. CSR for a global company is related to corporate risk management through two means, one by providing intelligence about the risks associated and the other by identifying the effective means to respond to them. The paper is a conceptual attempt to outline the social and environmental issues. The paper also presents the social risk management concept and explains how CSR programs are a means to provide strategic advantage by managing social risk. Recognizing the importance of CSR as a strategic tool for sustainable development, the oil and gas sector companies across the globe have initiated focused efforts for championing CSR to gain social sanction and goodwill. The paper aims to explore the aspect of CSR as a tool to address environmental risk in hazardous sector with a focus on oil and gas sector.

Keywords*:* CSR, Social Risks, Environmental Risks, Hazardous Sector, CSR Drivers

Introduction

We live in a world where we are surrounded by issues like climate change, dying species, financial instability, terrorism, unemployment, fatal diseases, water scarcities, malnutrition, and intractable poverty. These issues lie within the society and affect the present and the future generations. Some of these issues are beyond the ability of the

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nation alone to address it. Social issues tend to develop when negative consequences are neglected over a period. Some of the social issues arise due to the depraved actions of people and organizations and can be avoided or addressed. Thus, there lies an equal responsibility of people and organizations to address these social issues in some form.

Organizations by nature of its operation have both good and bad effect on the society as well as on the environment. These effects influence talent acquisition and engagement, land acquisition, certifications, recognition and market reputation of companies. Organizations have realized that they receive a social sanction from society with an assurance that they, in return, contribute to the growth and development of the society. Long-term business success can only be achieved by organizations that recognize corporate social responsibility (CSR) as part of their core value and create a competitive advantage. Global organizations by nature and vast expanse are expected to take up CSR activities addressing the social issues in its areas of operation irrespective of the boundaries.

Sectors which have an immense negative impact on environment and society because of the very nature of its operation are referred as Hazardous Sector. They cause high level of pollution and impose significant cost on society. They cause immense damage to environment and society because of the very nature of operation. These sectors are also among the top contributors to any economy and also the leaders in the area of corporate social responsibility. One such industrial sector that makes strong claims to business ethics and / or corporate social responsibility – human rights, employee rights, stakeholder rights, environmental protection, community relations, transparency, corruption, product stewardship, principles and codes of practice – is the oil and gas sector (Frynas, 2005).

CSR Drivers in Hazardous Sector

A growing number of companies in a wide range of sectors and geographic regions have discovered concrete value and competitive advantage from taking environmental initiatives, for example, in areas such as pollution prevention, energy efficiency, environmentally oriented design, supply-chain management, waste management, water management, biodiversity management and industrial ecology. In the era of stakeholder activism, a number of factors propel organizations to behave responsibility. Sustainable business, social license to operate, innovation are few reasons for organizations embracing CSR. The prominent CSR drivers in a hazardous sector are discussed in Table-1.

Table-1: Drivers of CSR

Economic Drivers	Environmental Drivers	Social Drivers
Company image	Pressure from NGOs/CSOs	Pressure from NGOs/CSOs
Risk Management	Legal, Regulatory Drivers	Social license to operate
Stakeholder pressure	License to operate	Local Community pressure
Competitive Advantage	Stakeholder pressure	Managing Social Risk
Business Sustainability	Managing Environmental Risk	

Social protection is moving up on the development agenda. The world is increasingly becoming aware that environmental and social issues associated with business activities can create risks to themselves. The environmental and social impacts caused, or perceived to have been caused, by a business can result in consequences such as production delays, negative publicity, threats to operating licenses and unforeseen expenditures.

Social welfare in an economy depends on its ability to satisfy the needs of its members and to manage the risks threatening the well being of the same people. Outside paradise, the satisfaction of needs requires some individual – and social actions. But both the ability to act and the possibility to realize positive results are subject to uncertainty and may be threatened by risks. Societies have developed various ways to deal with these basic problems and elsewhere we attempt to analyse and compare the variety in, what we call, the *social management of risks*.

Social Risk Management (SRM) is a new conceptual framework put forward by the World Bank – that extends the traditional framework of social policies by looking into public actions to improve market-based and non-market-based (informal) instruments of social risk management. SRM consists of public interventions to assist individuals, households, and communities to better manage risk, and to provide support to the critically poor (Holzmann and Jorgensen 2000).

Environmental Risks

The word 'risk' has two distinct meanings. It can mean in one context a hazard or a danger, that is, an exposure to mischance or peril. In the other context, risk is interpreted more narrowly to mean the probability or chance of suffering an adverse consequence, or of encountering some loss. The risks involve a complex series of cause and effect relationships. They are connected from source to impact by pathways involving environmental, technological and social variables which need to be modelled and understood in a specific context.

The risks with which this paper is concerned are all in some way 'environmental'. Environmental Risk can be defined as the "actual or potential threat of adverse effects on living organisms and the environment by effluents, emissions, wastes, resource depletion, etc., arising out of an organization's activities."

Environmental risks, as defined here, share a second common feature in addition to being transmitted through environmental media. They cause harm to people who have not voluntarily or specifically chosen to suffer their consequences, and thus they require regulation on the part of some authority above that of an individual citizen – that is, they require managing. These consequences can fall on other groups in the future as well as today, as for example in the mismanagement of natural resources.

The management of risks does require resources – money, skilled manpower, and time – and is itself associated with the risks of cost, delay and inaction. Risk management is not, however, an entirely new or unfamiliar exercise. Social and economic development often leads to the introduction of new processes and products, and to the development of hazard prone areas without any consultation with risk assessors or environmental scientists. The fact that introducing and keeping CSR is "voluntary" is controversial. It is said that it can be a result of pressure from specific stakeholders, especially local communities (Visser 2010: 2). This is one of the reasons why in reformed strategy we can find a new definition, according to which CSR is "companies' responsibility for their influence on society".

The environmental impacts caused by Hazardous sector are frequently criticized by environmental groups. These impacts include:

A huge amount of water is required as it is used in ash disposal, to transport pollutants. Mining may also require groundwater levels to be lowered and there is a possibility of leeching, especially from in-situ extraction sites, affecting surrounding forest and arable land.

Vast areas of land are required for mining, as well as for the disposal of mining waste and spent shale oil. This may cause significant surface disturbance, deforestation, erosion and a reduction in traditional land uses.

An increase in air pollution may also result from the production of particulates during processing. In addition, green house gases are emitted when oil shale is converted into usable oil, as well as from shale oil fired power stations.

Finite fossils fuel resources, long term impact from ozone depletion and global warming from greenhouse gas emissions from refining and processing;

Coastal and marine ecology – impact on corals and marine biodiversity from offshore and coastal operations and tankers (spills).

Health and safety and environmental risks of major explosions, leaks or spills;

Destruction or irreversible impacts on critical environmental or social habitats (this could include rainforests, coastal and marine ecology, communities, and any protected areas wetlands, etc)

Involuntary resettlement / displacement (physical and economic) of peoples as a result of project activities

Community health and safety – spread of diseases, prostitution, increase in road accidents, managing HIV/AIDS, etc.

Impacts on vulnerable people (the poor, indigenous, women, children – the disadvantaged)

CSR Initiatives of Major Oil and Gas Public Sector Enterprises in the Thematic Area of Environmental Sustainability

Cost benefit language has often been used to excuse the damage caused in one place because it is outweighed by the overall financial benefits (Jenkins, 2006). However, in recent years the global mining industry has addressed its social and environmental responsibilities; numerous factors have contributed to this, and the extractive industry is key in debates about social and environmental sustainability (Cowell *et al*., 1999). The Corporate Social Responsibility (CSR) programmes of mining companies tend to focus on community initiatives as their impact in economic, social and environmental terms is felt greatest at the local level. The study conducted by Mishra, Singh, Sarkar. (2013) on CSR initiatives of Oil and Gas Sector in India, reveals that Organizations in such sector have undertaken initiatives in terms of reduction of CO_2 and other greenhouse gases. They are members of the United Nations Global Compact, India chapter. All major Oil and Gas sector companies are certified under the SA 8000 and ISO 14001. The study also reveals that environmental sustainability is one of the major areas of CSR. The paper emphasizes the need for better disaster management initiatives. The environmental metric used in the paper includes include pollution prevention, environmental safety, biodiversity management, climate change and natural resource management.

Table-2: CSR Spent of Major Oil and Gas Public Sector Enterprises in India in the Area of Environment Sustainability (2015-16)

Corporate	Name of CSR Activity (15-16)	Area of Activity	Locations	Budget Outlay	Budget Spent
Oil India Limited	Environment Conservation – Project on Solar Energy & Bio-Diversity	Environment Sustainability	OIL operational areas of Tinsukia, Dibrugarh & parts of Sivasagar districts of Assam	0.08 Cr.	0.08 Cr.
RIL	Rural Transformation - Information Services - “Enable access to need based locale-specific content in agriculture, marine fisheries, public health, disaster response and other areas by leveraging technology”	Cl. (i) eradicating hunger, poverty and malnutrition Cl. (iv) ensuring environmental sustainability; Cl. (x) rural development projects	Andhra Pradesh Gujarat, Maharashtra and Tamilnadu	20.12 Cr	14.00 Cr.
IOCL	MoP&NG LPG Schemes for BPL families	Environment Sustainability	Local / Other: All India	21.09 Cr.	31.62 Cr.
RIL	Rural Transformation – Reliance Foundation Bharat India Jodo – “Enhancing Rural Livelihoods”	Cl (i) eradicating hunger, poverty and malnutrition; Cl (iv) ensuring environmental sustainability; Cl. (x) rural development projects	Andhra Pradesh, Gujarat, Jharkhand, Karnataka, Madhya Pradesh Maharashtra ,Orissa Rajasthan, Tamilnadu	84.35 Cr	69.69 Cr
ONGC	Environment Protection CSR Project	Environment Sustainability	Local / Other: Punjab, Gujarat, Delhi, Uttarakhand, HP, UP, Arunachal Pradesh	3.756 Cr	2.92 Cr.
HPCL	LPG Connections to BPL Families	Environment Sustainability	Pan India	17.87 Cr.	17.87 Cr.
BPCL	BOOND - Rain water harvesting project mokhada	Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water	Other: Dist Palghar, Maharashtra	6.26 Cr.	1.28 Cr.
BPCL	BOOND - Rain water harvesting project -Kolar Ramanagara		Local: Dist - Kolar & Ramanagara, Karnataka	3,02,64,000	44,04,600

Source: Compiled by the authors

The Table-2 above shows that oil and gas sector have initiated activities in the area of environment. The scope and investments in the area of environment needs to be increased. Integrated projects on rural development with emphasis on addressing environmental and social risk are a good initiative. More such integrated, innovative and sustainable projects need to be designed and implemented. Organizations have to take more projects in the areas of Biodiversity management, Water management and conservation of natural resource. The projects can also be undertaken in a collaborative approach to increase the scalability of the projects. Companies have to realize the importance of integrating CSR with their business strategy with special emphasis on projects in CSR aimed at addressing environment risk and opportunities.

Strategizing CSR by Addressing Social Issues

Every company by the nature of its operation affects the society or nature. This is more obvious in hazardous sector as its operations are more harmful to the environment. A large number of companies work to re-contribute to the environment yet, a considerable number needs to address the society as their operation affects the society too by several means. Companies need to identify the risks arising due to nature of business and address it to the maximum extent possible. We cannot deny the fact that every business in some way affects the society. These effects can be classified majorly as Incident effects referring to the effects that are directly related to the event and disappear after a relatively short period of time. Temporary unemployment and short-term illnesses usually have only incident effects. The other major category being Lifetime effects which are related to risks that usually have a long lasting effect on a person's life. An event can first lead to incident effects, but later lifetime and/or inter-generational effects may result. The challenge lies in identifying the initiatives that can be undertaken to mitigate the hazards caused. The CSR initiatives can be introduced in a manner which either nullifies the negative effects or enhances the reputation of the company and increases its business opportunities.

Role of Government in Addressing Social Risks

The role of Government in addressing social issues is very crucial as the government is expected to create an enabling environment for raising awareness and stimulating public debate for the existing social challenges and issues. The government alone cannot make a difference to the society and thus is expected to include more actors in society for defining policies addressing social issues and also encouraging business responsibility in dealing with the social issues. The government is also expected to build capacities of businesses, civil societies and public authorities; fund researches related to social development and engage in Public-Private Partnerships for larger social impacts. Social issues can be addressed by initiating structured and sustainable efforts in the form of CSR and the government can act as a facilitator to undertake strategic, structured and impact oriented CSR.

Role of Corporates in Addressing Social Risks

The roles of corporates in addressing social issues primarily lies on first understanding the initiatives undertaken by the government and then design CSR initiatives which are based on real needs in alignment to the government's effort. The corporate effort should not be in conflict with the government. The role of corporates is majorly to dovetail the efforts of the government either by supplementing or complimenting the efforts undertaken by government. Some initiatives that can be undertaken addressing social risks are providing opportunity for skill development, initiating new business chains to create opportunity for employment, creating awareness on various health and hygiene dimensions.

Table-3: Role of Government and Corporate in Addressing Social Risks

Social Risks	Governmental initiatives	Corporate CSR initiatives
Livelihood Risks. Involuntary displacement and resettlement of communities. Lack of skills for employment. Affect on Agriculture.	Creating an enabling environment for raising awareness and stimulating public debate on encouraging new avenues of skill development. Defining policies for addressing livelihood risks.	Provide opportunity for skill development essential for industries and also ensuring future employment. Initiating new business chains to create opportunity for employment of needy by initiating skill development activities.
Health Risks Air pollution – Existence of harmful air borne diseases like asthma etc. Water pollution – Existence of harmful water borne diseases like chronic diarrhea etc. Malnutrition, Under nutrition. Tobacco and alcohol related deaths.	Enabling quality infrastructure for health and hygiene. Stimulating policies for discouraging of products like tobacco, alcohol, drugs etc. Promoting awareness among all members in the chain for ensuring health system of the country.	Supplement and compliment the initiatives of the government. Create awareness against the causes to health related issues. Creating awareness for acceptance of usage of toilets.

Corporate Social Responsibility – Indian Scenario

The government of India has passed CSR Act / guidelines applicable to all companies operating in India which include the social, Environmental & Economic Responsibilities of Business, MCA, July, 2011 and then CSR Mandate as per the latest Companies Act, 2013. The DPE guideline on CSR and Sustainability is applicable to CPSEs in India w.r.t 1.4.14. Section 135 of the companies Act, 2013 deals with CSR provisions and Schedule VII of the Act lists out the CSR activities. Item 4 of the Schedule VII of Section 135 of the Companies Act provides ample scope for companies to work in the thematic area of environmental sustainability. Item 4 of schedule VII states,"Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water". In the given scenario, it is important to understand the present CSR activities of companies and the thematic areas pursued by them under CSR. It is pertinent to understand the emphasis given by organization in terms of environmental sustainability and the projects undertaken in the area of environmental sustainability.

According to the Indian CSR outlook report of 2016, this is a survey of 250 companies accounting for 1/3rd of the total CSR spent. The study shows that There is substantial improvement in the actual CSR spend to prescribed CSR in FY 2015-16. While it was 79% in FY 2014-15, it has increased to 92% in last financial year.

Table-4: Top 10 Companies in CSR Spent, 2015-16

Company	Prescribed CSR	Actual CSR	Actual CSR in %
Reliance Industries Ltd	557.78	651.57	117%
NTPC Ltd	349.65	491.80	141%
Oil & Natural Gas Corp Ltd	593.70	421.00	71%
Tata Consultancy Services Ltd	360.00	294.00	82%
ITC Ltd	246.76	247.50	100%
Tata Steel Ltd	150.00	213.24	142%
National Mineral Development Corporation	193.28	210.09	109%
Infosys Ltd	256.01	202.30	79%
Power Finance Corp Ltd	145.09	196.20	135%
ICICI Bank Ltd	212.00	172.00	81%

Source: NGOBOX, India CSR outlook report, 2016

The data shows that oil and gas sector which includes both public and private sector is the leader in CSR spent followed by services and banking sector in India.

Reflection on the thematic areas of CSR investment

Table-5: Thematic Areas of CSR Initiatives of Indian Companies

Thematic Area	No. of Projects	INR Cr.
Poverty Alleviation, Healthcare and WASH	876	2142
Education and Skills	1189	2073
Women Empowerment and Inclusive Development	171	167
Protection of National Heritage, art and culture	87	83
Benefits to armed forces veterans, war widows	16	7
Environmental Sustainability	345	559
Technology incubators within academic institutions	15	12
Rural sports, Paralympics and Olympic sports	88	159
PM Relief Fund and Others	44	162
Rural Development Projects	206	771
Urban Slum Development	10	7
Admin Expenses	-	437

Source: NGOBOX, India CSR outlook report, 2016

The data reflects that Education (including skilling) and Healthcare themes have been the most preferred areas of CSR projects. Environment sustainability stands as the third most preferred area of CSR projects.

Corporate Case – Addressing Livelihood Risks

Neem Project of Gujrat Narmda Valley Fertilizers and Chemicals Limited (GNFC) – In this project, GNFC Neem Oil is prepared along with Neem cakes. The material for the same is collected through local women of SHGs from around 4000 villages. Around 2200 Neem seed collection centre has been set up in 22 districts of the village. Local women were trained to collect the Neem seed which is available only during July-August. The project generated 12-15 Cr income for 1.25 lakhs women as well as created indirect employment for around 50000 rural people.

An impact assessment study by UNDP clarifies that the project lead to increased income, reduction in migration, enhanced decision making role of women in their families. The study also reflected that asset creation in form of livestock as well as stoves increased. The women empowerment initiated also addressed the typical issue of domestic violence in villages and reduced it by a considerable percentage.

Corporate Case – Addressing Health Risks

Anti Tobacco Initiative of Bajaj Electricals, Mumbai named "Yes to Life and No to Tobacco"

Tobacco is not just harmful to health but to environment. It causes soil pollution and fertile lands are used for tobacco cultivation by clearing trees. The Anti Tobacco policy of the company applies the 5As – Ask, Advice, Assess, Assist and Arrange. The anti tobacco drive was taken in with project partner Salaam Bombay foundation where the initiatives taken were to increase awareness, empowering school children to refuse tobacco products, building capacity for local stakeholders and engaging policy makers. The mass media outreach initiative included World No Tobacco day campaign through Mumbai Dabbawalas, World No Tobacco day campaign with Mumbai BEST transport and World No Tobacco day campaign with Mumbai Police personnel.

The outcome of the initiative was 250 Mumbai police people took a pledge against tobacco and agreed to pass on the message. 1000 dabbawalas reached the message to 1 lac population of Mumbai. Thousands of Zila Parishad schools of rural areas of Yavatmal and Wardha were made tobacco free. This is a continuous effort and the impact will be seen over a period of time.

Corporate Case – Strategizing CSR Addressing Social Issue

School Hand Wash Program of Dettol

Health and hygiene is an issue in rural India. Most rural population does not go for hand wash using soap till date. Sadly in India 1 lakh children die annually from preventable illnesses such as diarrhoea and some of those deaths could have been halted through the very simple act of hand washing with soap. Dettol took an initiative of creating awareness of hand wash using their own products. Dettol is one of the top 10 trusted brands in India which have stood for "trusted protection" and has completed 75 years in India. In order to spread the good hand washing habits amongst school children, Dettol started "School Hand wash Program" with the help of SHARP NGO. The main aim of the program was to educate students on importance of school hand wash and procedure of 6 steps of proper hand washing. The activity helped to position Dettol as the best product available for maintaining hygiene. All the students covered under this program took a pledge to wash their hands properly and to spread the message to their families and community. Posters of 6 steps of hand washing were also displayed near the wash rooms and drinking water sources. The students with 100% attendance were awarded the "Dettol 100% attendance award" All the schools were also given a First Aid kit and Dettol Hand wash Dispensers. The message has been passed to 1.1 million students across 3000 schools.

Conclusion

CSR has emerged as an important tool which companies use to fulfill their social responsibilities through their business activities. The emergence of a new form of social risks cannot be mitigated through traditional means. The ever changing environment requires innovation by companies in both sensing and understanding these risks. CSR needs to address the real needs of the society. The role of corporate lies in identifying the real needs and design CSR initiatives addressing social issues arising out of their own operations and then cater to other social issues. Molson Coors, a world-wide known beer company initiated a technology oriented initiative working against ‘Drunken driving’.

Hazardous sector needs to have a more integrated and strategic approach to mitigate environmental risk through CSR. The development of better and more sophisticated CSR programs, fed and nurtured by a more transparent, receptive approach to stakeholder engagement, represents their response to the changing expectations of governments, NGOs and neighbors over the last several decades. In the past few years it has been observed that oil and gas sector in India has made great strides towards doing business in a most sustainable and socially and environmentally responsible way. The business of exploring entails environmental cause and social challenges. Therefore, governments, NGOs and community will continue to pressurize hazardous sector to respond to the evolving environmental and social risk and hence, the only way to sustainable business is to make CSR a way of business.

The company’s responsibility lies in identifying social and environmental issues and defining the needs of the society. Identification of right partner for implementation, monitoring, evaluation and impact assessment is also integral to the success of the initiatives. The initiative of the government in the form of Companies Act, 2013 has already led the pathway for development but the challenge lies in encouraging corporates to follow the true spirit of CSR and initiate needed, sustainable and scalable efforts for future development.

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Training Calendar
List of Programmes for the Year 2017-18

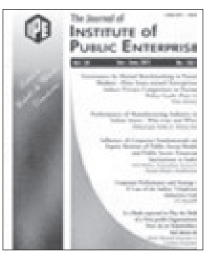
S No	Title of Programme	Dates	Coordinator(s)
August 2017			
1	Turnaround Strategies	Aug 7-8, 2017	Mr KRS Sastry
2	Workshop on "MoU: DPE Parameters of Performance Evaluation & Monitoring and Global Perspective"	Aug 18-19, 2017	Prof RK Mishra & Ms J Kiranmai
3	Project Management	Aug 22-24, 2017	Mr S Satish Kumar
4	Business Analytics for Effective Decision Making: Basics and Advances	Aug 29-31, 2017	Dr Shaheen & Dr KV Anantha Kumar
September 2017			
1	Risk Management	Sept 4-5, 2017	Mr KRS Sastry
2	Supplier Development Training / Strategic Sourcing	Sept 11-13, 2017	Mr S Satish Kumar & Mr CV Sunil Kumar
3	International Conference on "Ease of Doing Business (EoDB) in Asia : Policies and Perspectives"	Sept 14-15, 2017	Dr P Geeta, Dr Usha Nori & Dr PS Janaki Krishna
4	Reservation Policy For SCs, STs & OBCs in CG, CPSEs, SLPEs And Banks	Sept 18, 2017	Prof RK Mishra & Ms J Kiranmai
5	e-Procurement	Sept 19-20, 2017	Mr AS Kalyana Kumar
6	Project Appraisal, Financing and Management	Sept 21-22, 2017	Dr SS Murthy
7	Social Media Marketing and Web Analytics	Sept 25-27, 2017	Dr Anup Kumar
October 2017			
1	Public Finance	Oct 2-7, 2017	Dr Ch Lakshmi Kumari & Urban Action School
2	Tenders & Contract Management	Oct 3-4, 2017	Mr KRS Sastry
3	Ethical Hacking & Cyber Security	Oct 4-6, 2017	Mr A Rakesh Phanindra
4	Corporate Finance – Insights for Investors, Policy Makers and Finance Professionals	Oct 11-13, 2017	Dr A Pawan Kumar
5	Managing Corporate Social Responsibility For High Impact	Oct 16-17, 2017	Dr Shulagna Sarkar & Dr Deepti Chandra
6	Finance For Non-Finance Executives	Oct 25-27, 2017	Mr KV Ramesh
7	Board Development Programme	Oct 25-27, 2017	Mr KRS Sastry
8	Certificate Course: Advanced Leadership Programme	Oct 30-4 Nov, 2017	Mr KRS Sastry & Mr S Satish Kumar

S No	Title of Programme	Dates	Coordinator(s)
November 2017			
1	Managing Change in Organizations	Nov 1-3, 2017	Dr Anupama Sharma
2	Urbanization and Environment	Nov 5-25, 2017	Dr Ch Lakshmi Kumari & Urban Action School
3	Valuation Using Financial Models	Nov 8-10, 2017	Mr M Chandra Shekar
4	Workshop for Liaison Officers of SCs, STs and OBCs in CPSEs, SLPEs and Banks	Nov 10, 2017	Prof RK Mishra & Ms J Kiranmai
5	Enhancing Effectiveness At Workplace	Nov 15-17, 2017	Dr A Sridhar Raj
6	Understanding Foreign Currencies and Global Finance	Nov 21-22, 2017	Dr G Rajesh & Dr M Karthik
7	Essentials of Business Analytics for Effective Decision Making	Nov 28-30, 2017	Dr KV Anantha Kumar and Dr Shaheen
8	Logistics Management and Analytics	Nov 29-30, 2017	Mr CV Sunil Kumar
December 2017			
1	Applied Financial Management	Dec 4-9, 2017	Mr KRS Sastry
2	Leadership and Change Management	Dec 7-8, 2017	Mr V Anji Raju
3	e-Marketing For Competitive Advantage	Dec 13-15, 2017	Mr P Mahesh
4	Strategic Financial Management	Dec 14-15, 2017	Dr SS Murthy
5	Workshop on Corporate Governance for Senior Executives of CPSEs	Dec 17, 2017	Prof RK Mishra & Ms J Kiranmai
6	National Conference on Diversity in Management-Development of Women Executives	Dec 27-28, 2017	Mr KRS Sastry & Dr Narendranath K Menon
January 2018			
1	International Conference on Decision Making Excellence in Management Research	Jan 8-9, 2018	Mr CV Sunil Kumar
2	Cloud Computing For Business Professionals across The Globe	Jan 9-11, 2018	Mr A Rakesh Phanindra
3	Board Development Programme	Jan 22-24, 2018	Mr KRS Sastry
4	Development Planning and Policy Design Using System Dynamics	Jan 29-31, 2018	Dr Anup Kumar
February 2018			
1	National Conference on Cyber Security	Feb 8-9, 2018	Mr AS Kalyana Kumar
2	Conference on "Data Analytics, Operations Research and Internet of Things"	Feb 15-16, 2018	Dr Shaheen & Dr KV Anantha Kumar
3	Conclave of Vigilance Officers	Feb 20-21, 2018	Mr KRS Sastry
4	Working Towards Organizational Excellence	Feb 22-23, 2018	Dr S Vivek

IPE Journals

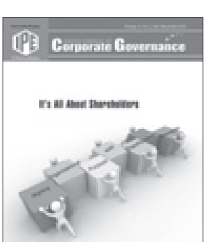
The Institute of Public Enterprise (IPE), Hyderabad is a non-profit educational society established in 1964. It is devoted to Education, Training, Research and Consultancy for business enterprises in the public and private sector. IPE is one of India's premier B-schools and is recognized as a 'Centre of Excellence' for doctoral studies by the Indian Council of Social Science Research (ICSSR), Ministry of Human Resource Development, Government of India. IPE has many premier publications which include books, journals, research publications, monographs, working papers, bulletins, etc.

The following are the bi-annual journals published by the Institute. The contributions to these journals are of a research nature and mainly come from academicians, research scholars, practitioners, policymakers and other professionals.



The Journal of Institute of Public Enterprise (ISSN 0971-1836) is the flagship journal of IPE and is devoted to publication of professional and academic research on the policy and functional facets of public sector enterprises and public systems in India and across the world. Studies on the growth, working, performance, contributions, problems and alternate models of public policy and enterprises form the core of the journal.

Journal of Economic Policy and Research (ISSN 0975-8577) provides a platform for discussion and exchange of findings across the broadest spectrum of scholarly opinion to stimulate theoretical, empirical and comparative studies in the context of economic policy and research both in India and abroad. Different aspects of economic policy and its implications on the different sectors of the economy and the country in general, are the main areas covered in this journal.



Indian Journal of Corporate Governance (ISSN 0974-6862) provides a forum for discussion and exchange of views by the policy makers, practitioners and academicians on issues of Corporate Governance. It attempts to focus on both Indian and Global Corporate Governance issues including Board Practices, Role of Independent Directors, Ethical Issues and Emerging Trends in Corporate Governance.

Journal of Marketing Vistas (ISSN 2249-9067) provides a platform to marketing professionals from academia and the corporate world to exchange information and research on emerging marketing practices and theories across industries around the globe. Articles in the journal cover diverse areas like Strategic Marketing, Promotion Management, New Product Management, Pricing Decisions, Product-Line Management, Competitive Strategy, Buyer Behavior, Marketing Research, Market Information System, International Marketing, Services Marketing, Segmentation Targeting and Positioning, Sales Force Management, Retail Management, Customer Relationship Management, and e-Marketing.

Journal of International Economics (ISSN 0976-0792) aims to publish articles / research papers / case studies in all the areas of International Economics like Trade theories and models, Comparative Economics, Trade Policy, Patterns and trade relations, Balance of Payments, Exchange Rate Mechanisms and Foreign exchange, Trade Organizations / Bodies / Blocs, International Capital Flows, Multilateral Treaties, Multinational Corporations, International Monetary Systems and Relations, International Labour Mobility, etc.

Journal of Governance & Public Policy (ISSN 2231-0924) provides a forum for discussion and exchange of ideas on governance (local to global) and the making and implementation of public policy (including foreign policy) issues. It mainly covers areas related to India and South Asia, though governance and public policy issues in other parts of the world are also discussed. The scope of the journal extends to topical issues like corruption, transparency, accountability, delivery of goods & services, Public Private Participation and new public management, etc.

IPE Journal of Management (ISSN 2249-9040) aims to provide a platform for researchers, practitioners, policy-makers, academicians and professionals from diverse domains of management to share innovative research achievements and practical experiences in the development and emerging trends in management science and decision-making. The focus areas include HRM, Financial Management, Operational Practices, Organizational Structures, Corporate Strategies & Practices and issues of Corporate Social Responsibility.

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"A good company delivers excellent products and services, and a great company does all that and strives to make the world a better place."

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There is a growing realization that long-term business success can only be achieved by companies that recognize corporate social responsibility (CSR) as part of the process of wealth creation and as providing a competitive advantage. The conference aims at discussing CSR in the existing perspective and future outlook with focus on lighting up the challenges and the best practices in CSR.

Conference Objectives

- To discuss the existing practices and future prospects of Corporate Social Responsibility in a globalized economy.
- To highlight the 'Best Practices in CSR' in the context of business sustainability.
- To discuss implementation models and structures that can be used in all sectors of industry.
- To explore ways of aligning CSR to the business agenda for sustainability.
- To create awareness of the latest thinking on CSR and governance issues as a driver of change, innovation and sustainable profit.

Discussion Themes at the conference (Yet not limited to…)

- Perspectives of CSR in the Global Economy
- CSR and Sustainability
- Governing CSR
- Evaluation, Monitoring and Documenting CSR practices
- Accounting for value: Measuring and managing social investment
- Social Auditing Integrating CSR with Business Policy
- Cascading the CSR strategy
- Creating impact and ensuring sustainability of community based programmes
- Partnership – Engaging Stakeholders
- Ethical issues in CSR
- Leading Sustainability Change
- Benchmarking CSR practices
- Turning CSR into Corporate Social Innovation (CSI)
- Case Studies on Best practices in CSR (Private and Public sector)
- Making CSR mandatory
- CSR: Sectoral perspective
- Empowering the next generation: Engaging youth in CSR
- Entrepreneurship opportunities within CSR Participation
- Best practices in CSR

Participation

The conference is a platform for intellectual deliberations related to the area of Corporate Social Responsibility is open to:

- Businesses – Corporate and Small & Medium Enterprises (SMEs)
- Company Chairmen, Directors and Practicing Managers
- NGOs
- Consultants
- Academicians, Research Scholars and Management students,
- Government Policymakers

Call for Papers: Submission guidelines

All submissions must be in MS Word form in around 3500 - 7000 words, text typed in Times New Roman in 12 font size with heading in 14 font size. It should be printed on A4 size white paper. Each paper should include Title page that should contain title of the paper, name(s), affiliation(s), complete mailing address, telephone and fax number, and e-mail ID. All papers should use Harvard style of referencing only.

Please visit website for detailed guidelines for authors. Only those papers that adhere to the author's guidelines will be considered *for review.* **All papers are to be submitted by electronic mail to: *gcsrcongress@ipeindia.org***

Conference Schedule

The conference will be held in the City of Hyderabad, India at Institute of Public Enterprise. The program will be divided into technical sessions. Each session shall be chaired by an expert from academia/ industry. Each author will be given 10 minutes to present which will be followed by discussion for about five minutes.

Important Dates

15th November, 2017	:	Last date for submission of full papers
30th November, 2017	:	Confirmation of paper acceptance
20th December, 2017	:	Last date for registration & submission of power point presentation
15th January, 2018	:	Communication of final schedule
1st - 2nd February, 2018	:	Conference

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IPE strongly believes that HR development including education is crucial for economic growth. As part of its long-term education programme, the Institute runs an AICTE-approved PG Diploma in Business Management, which is also recognised as equivalent to MBA by the Association of Indian Universities (AIU). Added to it, the Institute offers MBA in Public Enterprise for practicing managers in collaboration with Osmania University. With the changing needs of the industry, the Institute also runs sector-specific PGDM programmes in Retail & Marketing, Banking, Insurance and Financial Services, Biotechnology and International Business, as well as an Executive PGDM programme.

The Institute has a strong research wing with a number of research scholars, sponsored by ICSSR and IPE, working on topics of current interest. Its PhD programme is one of the largest in social sciences. Research, both basic and applied, is the forte of the Institute and helps it in its training and educational activities. IPE's research studies are extensively used by the Committee on Public Undertakings (COPU), other Legislative and Government Committees, the Economic Advisory Council to the Prime Minister, several Ministries of the Government of India, Planning Commission, Standing Committee on Public Enterprises (SCOPE) and several Finance & Pay Commissions.

Apart from IPE Journal of Management, IPE also publishes six other journals titled:

- The Journal of Institute of Public Enterprise
- Journal of Economic Policy and Research
- Journal of Marketing Vistas
- Journal of Governance & Public Policy
- Indian Journal of Corporate Governance
- Journal of International Economics

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