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## Book Review

**Gurus of Chaos - Modern India's Money Masters**  
*Er. B. K. Deshmukh*



Karnatak Law Society's  
Institute of Management Education & Research  
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## From the Editor's Desk.....

Dear Readers,

Greetings from the IMER family!

We are pleased to present the thirteenth volume of "Tatva" to you. "Tatva is a peer reviewed journal published annually and is a platform for scholars, researchers and practitioners to share their knowledge and experience in the field of management. This issue contains ten scholarly research articles and one book review. We hope that these articles will be of great value to you.

In the global arena, the assessment and accreditation process of university / institution / programme / course has become a mandatory and dynamic for the Quality Assurance of education. The first article is an attempt made by the author to present the importance of accreditation in higher education for quality assurance. The second article analyses implications of NPAs on the financial position and stability of the BDCC Bank in Belagavi. The third article is based on the interactions and discussions held with the Self Help Groups in Betgeri, Narasapur and the surrounding rural areas, interactions with entrepreneurs and officials of The Gadag Chamber of Commerce & Industry and District Industries Center, Gadag. This article concludes the importance of Self-Help Group for women empowerment. The fourth article highlight an ideal location for establishment of a new retail outlet for Big Bazar in Belagavi area.

'Brand' at the end of the day need to add value to all the stakeholders – be it customers, employees, shareholders, society at large. In the fifth article the author presents an ambitious attempt made by an 87 Years old, generation bank to re-brand and re-position itself into a New Generation Bank. This issue carries a case study on "Brand crisis of Dhanalakshi Bank". Micro Small and Medium Enterprises (MSMEs) play a significant role in the industrial development of the Indian economy. The sixth article discusses the policy initiatives taken by MUDRABank for strengthening Micro, Small and Medium Enterprises (MSMEs).

When someone recommends a new restaurant they liked, a pair of shoes that was particularly comfortable, or a mechanic who offers honest service, they are acting as "customer evangelists." The seventh article is on Evangelism marketing, which is more commonly known as word-of mouth-marketing, and relies on customers to deliver marketing messages to other potential customers. The proposed implementation of the Goods and Service Tax in India has generated a significant amount of discussion and debate in the industry. The eighth article is on Goods and Service Tax (GST) versus current taxation system.

Marketing is the important activity of business. It can be done through various forms of media. In this regard we can say that media, marketing has major impact on consumer behaviour. Marketing and media can influence the consumer and in turn consumer can give feedback to improve the marketing process. The ninth article is on impact of media on consumer behaviour and the tenth article is on Human Resource Management (HRM) in micro and small enterprises in Warangal district. This issue carries a book review of "Gurus of Chaos –Modern India's Money Masters", written by Saurabh Mukherjea, published by Bloomsbury Publishing India Pvt Ltd.

We are thankful to all the members of our editorial board, reviewers for all their constant support and guidance in our journey towards continuous improvement. We thank all the authors for contributing research articles, case studies and book reviews. We thank all our readers for their patronage, encouragement and invaluable feedback. We take this opportunity to invite contributions from you and your colleagues through research articles, case studies and book reviews.

We wish you and your family a very happy and prosperous New Year.

**Dr. Poornima M. Charantimath**

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## Quality Assurance of Higher Educational Institutions through Accreditation – A Study

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### Abstract

*In the global arena, the assessment and accreditation process of university / institution / programme / course has become a mandatory and dynamic for the Quality Assurance of education. This is due to several factors, such as the increasing trend of the internationalization and globalization (including liberal cross-border and trans-national educational imperatives) of education, the impact of technology on the educational delivery, the increasing private participation in higher education, the increasing number of courses and student enrolments, the expansion of distance and e-learning education, the emergence of a multicultural workplace environment, etc.*

*Relevant studies have shown that there is no common agreement or criterion that can be used in the accreditation and assessment of higher education. There is a strong need for open-ended, well-structured assessment programs in order to accredit different courses. However, designing and formulating a standard and uniform accreditation process is a complex and difficult task. In this paper several issues regarding the accreditation and quality assurance of higher educational institutions are discussed considering NAAC, NBA, and ABET system of accreditation which most of the Higher Education Institutions in India presently follow.*

**Key words: Quality Assurance, Accreditation, HEIs, NAAC, NBA, ABET, Outcome based, Washington Accord**

### Introduction

Accreditation is a process in which certification of competency, authority, and credibility are presented. Accreditation is a process of quality assurance and improvement, whereby a programme in an approved Institution is critically appraised to verify that the Institution or the programme continues to meet and exceed the Norms and Standards prescribed from time to time. Accreditation provides quality assurance that the academic aims and objectives of the Institution are honestly pursued and effectively achieved by the resources currently available and that the Institution has demonstrated capabilities of ensuring effectiveness of the educational programme(s), over the validity period of accreditation.

The primary purpose of accreditation is to ensure quality control and quality assurance, commonly with reference to a certification system in the areas of education, training, testing, etc. In some countries, this function is performed by an agency of the Ministry of Education, while in several industrialized countries, it is undertaken by a confederation of voluntary agencies or professional societies. There are debates across continents as to who sets the standards for quality. The accreditation system prevailing in various countries provides a measure of educational quality. Accreditation is the principal means of quality assurance in higher education and reflects the fact that in achieving recognition, the institution or program of study is committed and open to external review to meet certain minimum specified standards and also seeks ways to enhance the quality of education.

The Accreditation generally involves three steps with specific activities.

A self-evaluation process conducted by the faculty, the administrators and the staff of the institution or academic program, resulting in a report that takes as its reference set of standards and criteria of the accrediting body; (ii) A site visit,

conducted by a team of peers, selected by the accrediting organization, which reviews the evidence, visits the premises and interviews the academic and administrative staff resulting in an assessment report, including a recommendation to the accrediting body; and (iii) Examination of the evidence and recommendation on the basis of the given set of criteria concerning quality and resulting in a final judgment and the communication of the formal decision to the institution and other constituencies, if appropriate.

### Accreditation of Higher Educational Institutions in India

Looking at the global trends, the World Bank estimates that India will become fourth largest economy in the world by 2020. Globalization has and will further open up new opportunities for India as it has the advantage of having largest growth of population falling in the working age group of 15-64 (747 million in 2010 which is estimated to increase to 882 million by 2020). The country needs to provide knowledge and skills of global standards to this huge population through education and training. Hence, there is a need for a large number of the country's existing universities and colleges to be upgraded to quality standards. To achieve and contribute to the above Vision of the country, the entire education system, especially Higher and Technical Education System have a major role to play as India progress towards becoming a knowledge economy [2].

Accreditation is compulsory for all universities / institutions / programmes in India except those created through an act of Parliament. Without accreditation, "It is emphasized that these fake institutions have no legal entity to call themselves as University/Vishwavidyalaya and to award 'degrees' which are not treated as valid for academic/ employment purposes. According to the UGC Mandatory Assessment and Accreditation of Higher Educational Institutions Regulations - 2012, all higher educational institutions, including Universities, Deemed-to-be Universities, Autonomous and Non-Autonomous Colleges, which have completed six years of existence (or have 2 batches passed out), should apply for accreditation within six months.

There are plans to provide additional funds for highly accredited institutions. This is a move to accord recognition to the quality and excellence of education imparted to students and to enable students and parents to make an informed choice.

**In India, there are two main independent external agencies who allot accreditation status to HEIs. They are**

1. National Board of Accreditation (NBA)
2. National Assessment and Accreditation Council (NAAC)

However few HEIs in India have obtained accreditation from "Accreditation Board for Engineering and Technology (ABET)".

### Need of Accreditation

Accreditation of educational Institutions/programmes is a global practice and its need has been felt by various developing and developed countries for one or more of the following purposes.

1. Funding decisions
2. State recognition of qualification/ certification of professionals
3. Accountability of Institutions to stakeholders
4. Encouraging self improvement initiatives by Institutions
5. Quality assurance of educational programme

Accreditation may be summarized as a process, based on professional judgment, for evaluating whether or not an educational Institution or programme meets specified standards of educational quality. Its primary purpose is to assure prospective students and public that graduates of an Institution, conducting various programmes, have achieved a minimum level of competence in their chosen fields of study, thus serving as a form of consumer protection. In many countries, accreditation is the legal responsibility of ministry of education or other governmental agencies

## Impact of Accreditation

The purpose and impact of accreditation goes far beyond quality assurance of University / Institution/ programme. Major impacts of accreditation system are summarized below.

1. Encourages quality improvement initiatives by University / Institution/ programme
2. Improves student enrollment both in terms of quality and quantity
3. Helps the Institution in securing necessary funds, Enhances employability of graduates
4. Facilitates transnational recognition of degrees and mobility of graduates and professionals
5. Motivates faculty to participate actively in academic and related Institutional/departmental activities
6. Helps create sound and challenging academic environment in the Institution
7. Contributes to social and economic development of the country by producing high quality manpower

## National Assessment and Accreditation Council (NAAC)

### Background

The National Assessment and Accreditation Council (NAAC) was established in 1994 as an autonomous institution of the University Grants Commission (UGC). It comes under the overall supervision of the Ministry of HRD, Government of India. The mandate of NAAC as reflected in its vision statement is in making quality assurance an integral part of the functioning of Higher Education Institutions (HEIs). It was established in response to recommendations of National Policy in Education (1986). This policy was to "address the issues of deterioration in quality of education" and the Plan of Action (POA-1992) laid out strategic plans for the policies including the establishment of an independent national accreditation body consequently, the NAAC has its headquarters at Bangalore. It has been entrusted with the responsibility of Assessment and Accreditation (A&A) of Colleges and Universities in India. NAAC has been engaged in redesigning its ongoing methodologies of Assessment and Accreditation, based on its own field of experience, its shared knowledge with other International Quality Assurance Agencies and the quality imperatives in the changing context of world-wide higher education scenario after several consultative meetings with academia and educational experts, feedback responses from various stakeholders and due approval by the competent Authorities of NAAC.

### Features of NAAC

To ensure external and internal validity and credibility, it is important to ground the QA process within a value framework, which is suitable and appropriate to the National context. The accreditation framework of NAAC is based on five core values: Contributing to National Development, Fostering Global Competencies among Students, Inculcating a Value System among Students, Promoting the Use of Technology and Quest for Excellence. NAAC assessment lays focus on the institutional developments with reference to three aspects: *Quality initiative, Quality sustenance and Quality enhancement*. The overall quality assurance framework of NAAC thus focuses on the values and desirable practices of HEIs and incorporates the core elements of quality assurance i.e. internal and external assessment for continuous improvement. The NAAC at present gives accreditation for institutions as a whole. It is applicable for Universities, Arts and Science Colleges as well as for Engineering Colleges. It is not given for individual degree programs; the rating is for an Institution / University as a whole.

### Criteria for obtaining accreditation through NAAC

The criteria-based assessment of NAAC forms the backbone of the A&A. The seven criteria represent the core functions and activities of an institution and broadly focus on the issues which have a direct impact on teaching-learning, research, community development and the holistic development of the students. The NAAC has identified the seven criteria to serve as the basis for assessment of HEIs:

The Key Aspects identified under each of the seven criteria reflect the processes and values of the HEI on which

assessment is made. The questions under each of the Key Aspects focus in particular on the outcomes, the institutional provisions which contribute to these and their impact on student learning and development.

### The Assessment Outcomes

The assessment by NAAC takes a holistic view of all the inputs, processes and outcomes of an institution and thus the HEIs are expected to demonstrate how they achieve the objectives of the core values through the data and information detailed in the self study reports (SSR). The Assessment and Accreditation outcome includes a qualitative and quantitative component. The qualitative part of the outcome is the Peer Team Report (PTR) and the quantitative part includes a Cumulative Grade Point Average (CGPA), a letter grade and a performance descriptor.

#### 1. Weightages

Taking cognizance of the diversity in institutional functioning, HEIs have been grouped under three major categories i.e. Universities, Autonomous colleges and Affiliated colleges and differential weightages are assigned for each of the seven criteria as detailed in the Table 1.

#### 2. Grading System

At the end of the accreditation process each institution will be awarded a letter grade to represent its quality level along with its performance descriptor and accreditation status that is shown in the Table 2.

NACC can help to provide standardized education throughout the country with granting uniformity to all the institutions under it. It helps all to get the best education.

## National Board Accreditation (NBA)

### Background

The New Education Policy of 1986 recognized the need for a Statutory Body at the National level responsible for overseeing the growth and quality of Technical Education in the country. Accordingly, All India Council for Technical Education (AICTE) was established by an Act of Parliament in 1987. National Board of Accreditation (NBA) was originally constituted in September 1994, in order to assess the qualitative competence of educational institutions from Diploma level to Post-Graduate level in Engineering and Technology, Management, Pharmacy, Architecture and related disciplines. NBA conducts evaluation of programs of technical institution on the basis of laid down norms. NBA became an independent body in 2010.

### Washington Accord

The NBA has become a signatory member of the Washington Accord (WA) from 1<sup>st</sup> July 2014. The Washington Accord is an international agreement among bodies responsible for accrediting engineering degree programmes. It recognises the substantial equivalency of the programme accredited by those bodies and recommends that graduates of the programmes accredited by any of the signatory bodies be recognised by the other bodies as having met the academic requirements for entry to the practice of engineering. WA is an agreement signed among six countries -- Australia, Canada, Ireland, New Zealand, UK and USA in 1989 -- to mutually recognize and accept the qualifications accredited by signatories. The Washington Accord now has 17 full signatories, namely: Australia, Canada, China, Taiwan, Hong Kong, India, Ireland, Japan, Korea, Malaysia, New Zealand, Russia, Singapore, South Africa, Sri Lanka, Turkey, UK and USA.

The WA, a robust accreditation system is being implemented by the NBA, New Delhi, with support from all the stakeholders (faculty, educational institutions, government, industries, regulators, management, students, recruiters, alumni and their parents) to ensure that the programmes serve to prepare their graduates with sound knowledge of fundamentals and to develop in them an adequate level of professional competence, such as would meet the needs of the technical profession locally as well as globally. The objective of the NBA is to assess and accredit professional programmes offered at various levels by the technical institutions on the basis of norms prescribed by the NBA.

## Scope of Accreditation

The NBA stipulates, as per its latest December 2012 (June 2015 for UG Engineering Programs) Regulations effective from April 2013, nine different criteria, with points for each, totaling 1000. The NBA works on a Two TIER accreditation, for Diploma, UG and PG Engineering Programs; TIER-I is meant for Autonomous Colleges and Universities and TIER-II is meant for Non-Autonomous Colleges affiliated to a university. Both TIER - I and TIER-II have the same nine criteria and the same total 1000 points, but have different weights or points for different criteria, as given in the Table 3. In the TIER-I system, the criteria which are based on outcome parameters have been given more weightage, a non-autonomous institution may also apply for accreditation on the basis of TIER-I system, if they feel that their curriculum is capable of attaining the desired outcomes of a programme. In the TIER-II system, the criteria which are based on output-based criteria have been given more weightage. NBA has well laid general policies which will be the guiding principles for the accreditation of programmes:

### Criteria and Parameters for obtaining accreditation through NBA

The NBA has evolved a framework of quality assurance containing a robust process ensuring highest degree of transparency and credibility – with little scope of discretion and subjectivity.

### Accreditation Criteria and Weightages

The criteria that are considered by NBA during the process of accreditation of a programme are determined by the NBA's definition of quality of programmes and its relevance to the profession concerned. Each criterion relates to a major feature of institutional activity and its effectiveness. The criteria have been formulated in terms of parameters, including quantitative measurements that have been designed for maximally objective assessment of each feature. These criteria and weightages for UG and PG programmes are shown in the Table 3.

Under TIER-I, if a program scores 750 or above out of 1000 points, with a minimum of 60% in each of the nine criteria, it is given a full accreditation for 5 years. If the score lies between 600 and 750 (without any minimum requirement), then provisional accreditation is granted for 2 years.

In TIER-II, if a program scores 750 or more out of 1000 points, with minimum 60% in six mandatory criteria (1 and 4 to 8), it is awarded a full 5 year accreditation. If it scores between 600 and 750 points, with minimum 60% in each of the six mandatory criteria (1 and 4 to 8), the program is accredited for 2 years.

### Accreditation Parameters

The parameters adopted by NBA for accreditation of programmes are based on initial capabilities, competence, skills, etc. keeping in mind the outcomes desired by the profession concerned. These parameters are called Graduate Attributes (GAs) and they vary from discipline and level to level. The present accreditation by NBA is more outcome based than output based. A dozen Graduate Attributes are defined by the NBA, in line with ABET [Accreditation Board for Engineering and Technology, USA], as expected outcomes from the graduates turned out by the program, namely;

1. Engineering knowledge:
2. Problem analysis:
3. Design/development of solutions:
4. Conduct investigations of complex problems:
5. Modern tool usage:
6. The engineer and society:
7. Environment and sustainability:
8. Ethics:
9. Individual and team work:
10. Communication:

11. Project management and finance:
12. Life-long learning:

In the present higher education scenario, it is hard to find these attributes in most of the engineering graduates. So, if programs of an institution are to be fully accredited and their graduates globally accepted, the institution should strive very hard to impart these GAs. A rigorous training is required, beginning from the very first year; periodical training for faculty also is needed in subjects and in skills [3].

## Accreditation Board for Engineering and Technology (ABET)

### Background

ABET was established in 1932 as the Engineers' Council for Professional Development (ECPD) by seven engineering societies: The American Society of Civil Engineers (ASCE), the American Institute of Mining and Metallurgical Engineers – now the American Institute of Mining, Metallurgical, and Petroleum Engineers (AIME), the American Society of Mechanical Engineers (ASME), the American Institute of Electrical Engineers – now the Institute of Electrical and Electronics Engineers (IEEE), the Society for the Promotion of Engineering Education – now the American Society for Engineering Education (ASEE), the American Institute of Chemical Engineers (AIChE), and the National Council of State Boards of Engineering Examiners – now the National Council of Examiners for Engineering and Surveying (NCEES).

ECPD changed its name to the Accreditation Board for Engineering and Technology, Inc. in 1980, and began doing business as ABET in 2005. In 1985, ABET helped establish the Computing Sciences Accreditation Board (CSAB), which is now one of ABET's largest member societies with over 300 programs, in response to a dramatic rise in interest of computer science education. ABET is the recognized U.S. accreditor of college and university programs in applied science, computing, engineering, and technology. ABET also provides leadership internationally through workshops, consultancies, memoranda of understanding, and mutual recognition agreements, such as the Washington Accord. ABET has been recognized by UGC since 1997.

### Features

ABET deals with Outcome Based Education (OBE). OBE process focuses on what students can do or the qualities they should develop after they are taught. Both programme structure and curriculum are designed to achieve those capabilities or qualities. It discourages traditional education approaches based on direct instruction of facts and standard methods. Here there are total a-k TECHNICAL Graduate Programs, PROFESSIONAL Graduate Programs and GENERAL Graduate Programs which are listed below:

1. An ability to apply knowledge of mathematics, science, and engineering.
2. An ability to design and conduct experiments, as well as to analyze and interpret data
3. An ability to design a system, component, or process to meet desired needs within realistic constraints such as economic, environmental, social, political, ethical, health and safety, manufacturability, and sustainability.
4. An ability to function on multidisciplinary teams
5. An ability to identify, formulate, and solve engineering problems.
6. An understanding of professional and ethical responsibility
7. An ability to communicate effectively
8. The broad education necessary to understand the impact of engineering solutions in a global, economic, environmental, and societal context
9. A recognition of the need for, and an ability to engage in life-long learning: Teaching students that the underlying theory is important because the technology will change, coupled with enhancing their self-learning ability.
10. A knowledge of contemporary issues: The impact of globalization, the outsourcing of both engineering and other support jobs as practiced by modern international companies.
11. An ability to use the techniques, skills, and modern engineering tools necessary for engineering practice

## Criteria to Attain Accreditation Through ABET

There are two distinct phases in the ABET accreditation process:

Assessment processes, which must be in place before a program's formal submission of a Request for Evaluation (RFE).

The 18-month accreditation process itself, which begins with a Request for Evaluation (RFE) submission.

## Conclusion

As an Education system, quality is the hallmark of excellence and effectiveness in higher education. Every higher institution should define their quality policy and articulate their commitment to achieve quality in all their activities and implement the policies energetically. It might mean the difference between survival, and success and failure. Accredited programs/institutions will become attractive to prospective employers and students as well. Accreditation is rewarded with enhancement of tuition fees. The institution becomes eligible for receiving research grants, Autonomy and for becoming a Deemed-to-be University, provided certain other conditions are also satisfied. The institution moves towards building a Brand Name; facilitates mobility of its students to migrate to other countries for higher studies and/or for jobs.

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**Table 1: Weightages given for different criteria**

| S.No. | Criteria                              | Universities | Autonomous Colleges | Affiliated colleges |
|-------|---------------------------------------|--------------|---------------------|---------------------|
| 1     | Curricular Aspects                    | 150          | 150                 | 100                 |
| 2     | Teaching-Learning and Evaluation      | 200          | 300                 | 350                 |
| 3     | Research, Consultancy and Extension   | 250          | 150                 | 150                 |
| 4     | Infrastructure and Learning Resources | 100          | 100                 | 100                 |
| 5     | Student Support and Progression       | 100          | 100                 | 100                 |
| 6     | Governance, Leadership and Management | 100          | 100                 | 100                 |
| 7     | Innovations and Best Practices        | 100          | 100                 | 100                 |
|       | Total Score                           | 1000         | 1000                | 1000                |

**Table 2: Performance descriptor and accreditation status**

| Cumulative Grade Point Average (Range) | Letter Grade | Performance Descriptor           | Interpretation of the Descriptor  |
|--|--------------|----------------------------------|---|
| 3.01 - 4.00                            | A            | Very Good (Accredited)           | High level of academic accomplishment as expected of an institution                 |
| 2.01 - 3.00                            | B            | Good (Accredited)                | Level of academic accomplishment above the minimum level expected of an institution |
| 1.51 - 2.00                            | C            | Satisfactory (Accredited)        | Minimum level of academic accomplishment expected of an institution                 |
| <= 1.50                                | D            | Un satisfactory (Not Accredited) | Level of academic accomplishment below the minimum level expected of an institution |

**Table 3: Criteria and Points (Weightages) for UG and PG programmes under NBA**

| S.No. | Criteria  | Points UG Tier I | Points UG Tier II | Points PG Tier I | Points PG Tier II |
|-------|---|------------------|-------------------|------------------|-------------------|
| 1     | Vision, Mission and Programme Educational Objectives (PEOs) | 100              | 75                | 75               | 75                |
| 2     | Programme Outcomes (POs)                                    | 225              | 150               | 250              | 225               |
| 3     | Programme Curriculum  | 125              | 125               | 75               | 75                |
| 4     | Student Performance   | 75               | 100               | 100              | 100               |
| 5     | Faculty   | 175              | 175               | 200              | 200               |
| 6     | Facilities and Technical Support                            | 75               | 125               | 75               | 75                |
| 7     | Academic Support Units and Teaching - Learning Process.     | 75               | 75                | 75               | 75                |
| 8     | Governance, Institutional Support and Financial Resources   | 75               | 75                | 75               | 100               |
| 9     | Continuous Improvement                                      | 75               | 100               | 75               | 75                |
|       | Total   | 1000             | 1000              | 1000             | 1000              |

Table 4: Comparison of NAAC, NBA and ABET bodies of accreditation

| NAAC   | NBA  | ABET  |
|--|--|---|
| Uses Minimal Model   | Uses input output as well as outcome based model   | Uses outcome based model  |
| Accredits educational Institution / university   | Accredits individual educational programs  | Accredits individual educational programs   |
| No graduate attributes in particular are defined   | 12 Graduate attributes are defined as parameters   | 11 (a-k) graduate attributes are defined  |
| 3 Different weightages for criteria for universities, autonomous and affiliated colleges                       | 2 different weightages for Tire-I (for autonomous Institutions) and Tire-II (for affiliated institutions)                                | Different criteria's for different courses / programmes and hence weightages are followed.  |
| CGPA system (A, B, C and D grades) is used to award accreditation.   | Accredited – 5 yr; Provisionally accredited – 2 yr; and Not accredited (3 ways of award)   | Next General Review (6 yr); Interim Report and Interim Visit (both 2 yr.); Report extended and Visit extended (2 or 4 yr); Show Cause (2 yr); Show cause extended (2 or 4 yr); and Not accredited |
| At the beginning institutional eligibility for quality assessment (IEQA) should be obtained by the institution | At the beginning self assessment report (SAR) should be submitted.   | At the beginning self assessment report should be submitted   |
| NAAC works under UGC (university grants commission)  | NBA works under AICTE (All India Council for technical education)  | ABET works under CHEA (Council of Higher Education Accreditation)   |
| NAAC focuses on physical infrastructure  | NBA focuses on programmes and course content and outcomes  | ABET focuses on programmes course contents and students   |
| Applicable for Universities, Arts and Science Colleges as well as for Engineering Colleges.                    | Accredit Diploma level to Post-Graduate level in Engineering and Technology, Management, Pharmacy, Architecture and related disciplines, | Accreditor of college and university programs in Applied science, Computing, Engineering, and Technology  |

## Analysis of Composition of NPA's - A Case Study of BDCC Bank, Belagavi

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### Abstract

In the present paper, an attempt has been made to analyse the composition of NPAs and the aging pattern, to find out the implications of NPAs on the financial position and stability of the bank. Since NPA problem is a burning issue in the banking field as well as in the nation's economy, the topic commands importance in the banking field, in general and to the BDCC Bank in particular. The study may bring some important points to the notice of the concerned Bank and help to find the key areas to focus and improve in the days to come.

**Key words: NPA, BDCC Bank, Financial position**

### Introduction

The introduction of NPA norms in the banks in India in the year 1991-92 as a result of the recommendations of the Narasimham Committee Report resulted into great changes in the banking field. NPA norms are considered to be the major highlights of the banking reforms which took place after the introduction of LPG in Indian Economy. The banks earlier to these reforms and NPA norms, treated the interest accrued as income without bothering about the receipt of such interest in cash. They conveniently adopted the double entry system of book-keeping and credited the loan accounts with interest due (whether it is received from the borrower or not). This actually led to increase in the loan balances on the one hand and false profit on the other. Both were dangerous and could prove fatal to the banks.

A bank's loan portfolio includes various types of loans categorized as per the RBI guidelines, term of the loans, security provided, the purpose for which they are sanctioned etc. These categories are made for various statutory and administrative purposes. Therefore when the loans are categorized as Non-Performing Assets, these classifications also continue.

In which category NPAs are more or less, will guide us as to whether the recovery is possible or not. For example, if NPAs are more in Cash credit loans, it means recovery of such loans is difficult. If NPAs are more in long-term housing loan category, then it means bank has got the backing of solid security to resort to recovery, but it entails a lengthy legal process. Same way, If NPAs are more in unsecured doubtful assets category or in Loss category, the chances of recovery of loans is almost a remote possibility. Bank may have to write off these loans.

Thus the quality of the assets and the possibility of their recovery is revealed by the composition of NPAs. The analysis of composition of NPAs of a bank guides us in determining the quality of the loan portfolio, recovery chances, impact of NPAs on cost, profitability, and credibility of a bank, impact on its financial feasibility etc. That's why the study of composition of NPAs becomes important as well as relevant.

## Statement of the problem

Every bank is facing a major problem of monitoring the loans, avoiding them from slipping into NPA category. Despite all the measures taken to lend only to good and creditworthy borrowers, defaults cannot be avoided 100%. The problem starts once the loan jumps into Non-performing asset category. As it is, such loan will not produce any income to the bank, the bank has to make a provision on such loan which results into further reduction of profit. Banks with severe NPA problems are not allowed to declare dividends without the permission of the RBI. Further the asset quality will speak about the financial position of the bank and further, its capacity to honor the demands of the depositors in time. Hence banks are very keen in controlling their NPA levels and further to reduce them.

This study will try to analyse the composition of NPA loans to find out the problems involved with different categories of NPA loans, the problems and possibilities of recovery of such loans.

## Objectives of the study

1. To study the composition of NPAs purpose-wise and category-wise.
2. To study the trends in composition of NPAs of Belgaum DCC Bank
3. To study the impact of composition of NPAs on the BDCC bank's financial position

## Research methodology

Only the secondary data have been collected and used for this study. The secondary data have been collected from the BDCC Bank's Annual reports of 10 years from 2005 to 2014, and the NPA reports which are submitted by the Bank to the RBI. The absolute figures, percentages and averages are used for analysis.

## Scope of the study

The scope of the present study is limited to the Belgaum District Central Co-operative Bank Ltd, Belgaum. For the purpose of the study, we have made a detailed analysis of the composition of the NPAs of the said bank for last 10 years from 2004-05 to 2013-14. The study includes a detailed analysis of composition of Gross NPAs purpose-wise and category-wise.

## Review of literature

A review of literature on the subject reveals that some researchers have made empirical as well non-empirical study on the NPAs of different DCC banks either individually or the DCCBs of a state or of the entire country to find out the impact of such NPAs on the financial stability, profitability and cost of the banks.

1. A Dharmendran (2011) in his paper finds that the NPAs both gross and net were relatively high in all DCC banks in India. He finds that the main problem arises due to the Government policy of liberal credit to farmers and other weaker section under priority sector advances. He concludes that the overall performance of DCCBs in India is a mixed one. Their main weaknesses are heavy overdues, inefficient funds management, inadequate and untrained staff, lack of adequate supervision etc. But the researcher has not given any suggestions to the DCCBs as such.
2. Dr. B.S. Bhatia, Dr. SukhmaniWaraich and VandanaGautam (2013) find that the overall position of NPAs against loan outstanding in DCCBs of Punjab (9percent) was much better than the DCCBs on all India basis (13 percent) but the position is really grave they say, when compared with commercial banks on all India basis (1.75 percent). The researchers find that the DCC banks are not using the legal weapon for recovery. They also opine that the staff of

DCC banks lack training and expertise to deal with new and various retail loan products. The staff needs proper training and professionalism towards retail lending, they say. They also suggest that these DCC banks need advance technology for banking activities. Representation of professionals on the board is another important suggestion they make. Credit counseling for the debt trapped borrowers is another important suggestion by the authors.

3. Kawale.Pushpalata.G. and SagarPandhari N. (2014) in their paper find that the Latur DCC Bank, Latur has a decreasing trend in the Gross NPAs whereas they have provided increasingly for such NPAs, hence the Net NPA was NIL. They find that the analysis of Gross NPAs, Net NPAs and the provisions made mark satisfactory financial performance of LDCC Bank. The CRAR level is also more than the prescribed levels. And the authors have not made any suggestions, since they find the position quite satisfactory.
4. Lakshmanan.C. and Dharmendran. A. (2007) in their article said that the NPA problem is less in the Chennai Central Co-operative Bank as compared to the other CCBs in Tamil Nadu. They also focus on the impact of NPAs on Net profit, investments, legal expenses and spread of the bank. The study concludes that the effective NPA management is essential to strengthen the financial position of the bank.

The studies already done have not gone deep in to the problem of slippage of NPAs from one category to the next worst category and the impact of such slippage. They have not even brought to light the risk involved in having NPAs concentrated in a single category or component. Most of the studies have even concluded that it is the Government directed agriculture loans that is the main cause of NPA problem. But the researchers try to establish the truth far away and contrary to the general belief. We have observed and convinced that it is not the small farmers' loans which go bad pose the real problem, but it is the big borrowers who are the real culprits endangering the financial position of the banks. With this background, the present study has been to find out the causes of slippage of NPAs from one category to another category, analyse the composition of NPAs and its impact on the financial position of the bank.

## Belgaum D.C.C Bank

Started in the year 1919, the Belgaum DCC bank is now at the verge of celebrating its glorious centenary within 3 years from now. The bank has 85 branches spread all over the district of Belgaum catering to the needs of the farmers, primary agriculture co-operative societies, and other co-operatives, businesses and individuals. As on 31st March, 2014 the bank has a share capital of Rs 72.04 crores with a membership of 2,412 co-operative societies, 282 individuals and 206 associate members. The deposits of the Bank touched Rs 1710.31 crores and the loans disbursed amounted to Rs. 1525.69 crores as on 31st March, 2014. The net profit amounted to Rs 19.40 crores. The Bank has registered a remarkable growth in these 96 years and has earned a reputation in the district. Of late it has become more alert about the NPA problem and has made all efforts to tackle it. The provisions made against NPAs (Rs.102.52 crores where as the GNPA is Rs. 47.64 crores) are far above the RBI requirements, thus ensuring the profitability and financial stability.

## Analysis of the NPA's- purpose-wise

If we analyse the NPAs according to the purpose for which they are lent we will come to know about the degree of risk the bank has because of such NPA loans. We may make an interpretation as to the possibility of recovery, the problems involved in realizing the securities, the legal complications etc.

From Table No 1, we can analyse the composition of GNPA as under;

1. NPAs in loan for agriculture operations and short-term loans constituted major portion of GNPA in the first year of study. It was as high as 47.66% of Gross NPAs in 2005 followed by NPAs in C/C loans to business which stood at 32.83%. But from the second year onwards, the trend has totally changed. NPAs in SAO and short-term have shown a declining trend continuously up to 2012 when they came down to just 2% of the GNPA. In the last two years there was a slight increase in NPA to 2.36% and 4.68% in the year 2013 and 2014.

This trend in NPAs in SOA and S-T shows that the bank has made full efforts to recover the interest and installments in these 10 years. Another major contributor was the state government. Since the state government has been allowing interest waiver on short-term agriculture loans, the recovery of installment amount (principal) is becoming easy for the bank officials.

Still in the last year, the NPAs in SAO and S-T increased to 4.68% which is almost double the previous year figure of 2.36%. Bank needs to give more attention to NPA recovery in this category.

2. The second major contributor to the GNPA in the first year of study i.e. C/C loans to business has turned into the highest contributor to the total GNPA immediately from the second year onwards. From 32.83% in 2005, it increased to 64.09% in 2006, and continued to remain or increase further. In the year 2012, it reached its peak at 88.14% of the GNPA. In 2014, though it has come down to 81.70%, still has remained the highest of all the categories.

As far as the proportion of C/C loans (business) to total outstanding advances is concerned, it has been the second highest contributor to the total advances. It has remained less than 30% always. And in the last year of study, its contribution was only 22.17% to the total advances, whereas the NPAs in the same year are 81.70% of the total GNPA, which is almost disproportionate. Bank has to give lot of attention to these NPA loan accounts, since the major portion of the NPA loans belong to this category.

As the C/C loans are inherently prone to high risk, bank should take care while sanctioning new limits. As far as the existing NPAs are concerned, it is observed that 3 major borrowers contribute 99.33% of total NPAs in this category. Bank should negotiate with these borrowers and initiate a compromise so that the bank's major problem regarding NPAs will be eliminated.

3. NPA in Term-loans was 18.82% of the GNPA in the first year of study, i.e. 2005. It has continuously decreased year after year till 2013, in which year it was 4.74% of GNPA. In the year 2014, it has been on the increase at 5.58% of GNPA. In absolute figures, it stood at Rs 2.66 crores in the same year. The declining trend in NPAs in term-loans as compared to increasing trend in outstanding term-loans to total advances, shows that the bank has sufficient control over this category loans. It has strongly controlled the NPAs, at the same time new loan disbursements must have been done taking all precautions as to the purpose, security and borrower's creditworthiness have been done taking all precautions as to the purpose, security and borrower.

4. NPAs in C/C and O/D loans to individuals have shown a decreasing trend in the initial 4 years from 2005 to 2008. From 0.69% in 2005 it has come down to 0.01% of total NPAs in these years.

But in 2009, suddenly it has increased to 4.66% of GNPA. Even in absolute terms it has gone up to Rs. 4.72 crores from a mere Rs. 2.00lakh in 2008. After 2009, there has been volatility, but it has been in the range of 3.24% to 8.04% upto 2014. It was at its peak in the last year of study i.e. 8.04% of GNPA, though in absolute terms it has come down from Rs 4.79 crores in 2013 to Rs 3.83 crores in the same year (2014).

Bank should take absolute care while sanctioning new limits in this category. Since the borrowers have a common belief that these loans can be renewed every year without having the necessity to pay interest, it becomes very difficult for the bank officials to explain the new NPA norms to convince the borrowers to pay interest regularly. Hence it is better to avoid C/C and O/D limits on the security of NSCs, Insurance policies as well as on gold.

### Analysis of aging pattern of NPAs

The analysis of aging of NPA accounts will throw light on the possibility or otherwise of recovery of these loans. The analysis will also describe us the danger position of the bank. It gives an alarming message to the bank to take rigorous steps for recovery, because, the slip of accounts from one category to another will indicate the seriousness of the problem. The more frequently the loan accounts slip into next category, the more remote will be the chances of recovery of such loans.

### From Table No 2, the following analysis can be made

1. The sub-standard loans which were 30.74% of the GNPA in the first year of study, which were also the highest in that year, have shown a declining trend after 2008. Though there is an increase from 18.13% in the year 2006 to 23.63% in 2007 and 36.77% in 2008, thereafter the percentage has declined to 8.20% in 2009. Though there is some increase in the last 2 years of study, the overall trend is of declining one, which is a good sign, as far as these loans are actually recovered in cash. But if they have slipped into the next category, i.e. doubtful, then the position is still worst.  
To decide and analyse the effect of decrease in sub-standard assets, we must analyse the trend in doubtful assets category simultaneously.
2. When we analyse the doubtful assets in all three sub categories of D1, D2 and D3, we see that the absolute figures as well as the percentages have declined continuously, which is a good sign again. From 11.05%, 14.85% and 9.01% respectively in the year 2005, they have come down to 0.53%, 1.24% and 4.41% in the year 2014. But along with these numbers, when we study the unsecured portion of doubtful assets, we observe an alarming increase in the category. From 7.22% in 2005, they have shot up to 81.83% of total NPA in the year 2009 and thereafter though they are on the declining mode to come down to 64.53% in 2010, 64.76% in 2011, they have continued to remain a big worry for the bank. Though in the last year of study i.e. 2014 they have come down to 39.90%, the botheration continues because banker is left with no option, but to bring a moral pressure on the borrowers by compromise using all human skills to make the borrower agree to pay the outstanding balance. This is inevitable because the banker is in a vulnerable position due to absence of security for the loan.
3. The loss assets comprise a major portion of the Gross NPA making the position of the bank still worse. Though the absolute figures and percentages have both come down from Rs 48.65 crores (27.13%) in 2005 and Rs 48.61 crores (50.52%) in 2006 to just Rs 3.06 crores (3.35%) in 2007 and to Rs 3.03 crores (2.71%) in 2008 and Rs 2.98 crores (2.94%) in 2009, thereafter they have suddenly surged to a staggering Rs 23.82 crores (24.82%) in 2010 and have continued to remain almost the same in terms of absolute figures. Percentage -wise, they have suddenly shot up to 49.60% in 2014, which shows that there is absolutely no recovery in this category.

If we consider the unsecured portion of doubtful assets and loss assets together, we will be surprised to find that 89.5% of the total NPAs are almost non-recoverable. In both the cases, security-support is not available and possibility of recovery is zero. They are just burdening the bank's portfolio.

The management of the bank should seriously decide the fate of these loans. Because a deeper study in to such accounts shows that it is only 3 big loan accounts which are the crux of the problem. If these loans are either recovered or written off, the bank can clean up the Balance Sheet and trim the loan portfolio. If these loans are totally unrecoverable, then there is no point in continuing them as unsecured doubtful assets and loss assets. Once these loans are eliminated, the major problem is over. Anyway the bank's management has not yet made such hard decision.

We can summarize that the majority of NPA loans are in the category of unsecured doubtful and loss assets and hence are in the worst position, and need immediate and strict action without any personal bias or political interference.

### Major findings

1. It can be noticed that the bank has major problem with C/C loans to business, because the NPAs in these loans are the highest contributing 81.7% of Gross NPAs. The bank may find it very difficult to recover.
2. C/C and O/D loans to individuals stand second in terms of percentage of NPAs to GNPA (8.04%). But the bank can take drastic steps to recover these bad loans and must take proper precautions while sanctioning new loans in this category.
3. If we observe the aging pattern of the NPAs, the position of the Bank seems worst, because majority of the NPAs are in the group of unsecured doubtful and loss assets (89.5%) which means that the chances of recovery are very less.

4. The other NPA records (Top 20 defaulters) reveal the fact that only 3 big institutional borrowers are responsible for the major problem of NPA in the bank. If these 3 loans are recovered the major problem is solved.

### Suggestions

1. The bank should train the employees properly in the field of credit appraisal and NPA management and NPA recording.
2. Bank should classify the NPA accounts at the branch level itself. The present practice of calculating and recording of NPAs at Head Office level should be done away with, so that the Branch Managers can control their loan portfolio at their levels and get the early warning signals at branch level itself.
3. Bank should modernize its operations by computerizing all the banking operations and MIS so that the information about the defaulters and NPA accounts can be updated and circulated easily among the branches as well as other banks.
4. Bank should become totally professional and come out of the influence of political interference.
5. Bank should recover the 3 big loans which are in C/C loans category so that the bank will come out the problem totally. After that the bank will have less than normal level of NPAs.

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Table 1 Showing composition of NPA loans (Amount in Rs crores)

| Year | Absolute figures/<br>Percentages | NPAs in SAO &<br>S-T loans | NPAs in C/C &<br>O/D to<br>Individuals | NPAs in C/C to<br>business | NPAs in<br>term loans | Gross NPAs |
|------|----------------------------------|----------------------------|--|----------------------------|-----------------------|------------|
| 2005 | Amt                              | 85.45                      | 1.23                                   | 58.87                      | 33.75                 | 179.3      |
|      | %                                | 47.66                      | 0.69                                   | 32.83                      | 18.82                 | 100        |
| 2006 | Amt                              | 20.72                      | 0.93                                   | 61.69                      | 12.92                 | 96.26      |
|      | %                                | 21.52                      | 0.97                                   | 64.09                      | 13.42                 | 100        |
| 2007 | Amt                              | 16.49                      | 0.68                                   | 60.11                      | 13.93                 | 91.21      |
|      | %                                | 18.08                      | 0.75                                   | 65.9                       | 15.27                 | 100        |
| 2008 | Amt                              | 16.73                      | 0.02                                   | 80.94                      | 14.04                 | 111.73     |
|      | %                                | 14.98                      | 0.01                                   | 72.44                      | 12.57                 | 100        |
| 2009 | Amt                              | 8.18                       | 4.72                                   | 76.96                      | 11.37                 | 101.23     |
|      | %                                | 8.08                       | 4.66                                   | 76.02                      | 11.23                 | 100        |
| 2010 | Amt                              | 5.77                       | 3.93                                   | 76.96                      | 9.33                  | 95.99      |
|      | %                                | 6.01                       | 4.09                                   | 80.18                      | 9.72                  | 100        |
| 2011 | Amt                              | 3.64                       | 3.24                                   | 72.77                      | 5.63                  | 85.28      |
|      | %                                | 4.27                       | 3.8                                    | 85.33                      | 6.6                   | 100        |
| 2012 | Amt                              | 1.62                       | 4.11                                   | 71.26                      | 3.86                  | 80.85      |
|      | %                                | 2                          | 5.08                                   | 88.14                      | 4.78                  | 100        |
| 2013 | Amt                              | 1.91                       | 7.79                                   | 70.62                      | 3.85                  | 81.17      |
|      | %                                | 2.36                       | 5.9                                    | 87                         | 4.74                  | 100        |
| 2014 | Amt                              | 2.23                       | 3.83                                   | 38.92                      | 2.66                  | 47.64      |
|      | %                                | 4.68                       | 8.04                                   | 81.7                       | 5.58                  | 100        |

Table 2 Showing composition of NPA loans (Amount in Rs crores)

| Year | Absolute figures/<br>Percentages |       | Doubtful assets |       |       |           | Loss Assets | Gross NPAs |
|------|----------------------------------|-------|-----------------|-------|-------|-----------|-------------|------------|
|      |                                  |       | D1              | D2    | D3    | Unsecured |             |            |
| 2005 | Amt                              | 55.11 | 19.81           | 26.62 | 16.16 | 12.95     | 48.65       | 179.3      |
|      | %                                | 30.74 | 11.05           | 14.85 | 9.01  | 7.22      | 27.13       | 100        |
| 2006 | Amt                              | 17.44 | 4.7             | 5.04  | 6.73  | 13.7      | 48.61       | 96.26      |
|      | %                                | 18.13 | 4.88            | 5.24  | 6.99  | 14.24     | 50.52       | 100        |
| 2007 | Amt                              | 21.55 | 3.38            | 1.69  | 2.97  | 58.56     | 3.06        | 91.21      |
|      | %                                | 23.63 | 3.71            | 1.85  | 3.26  | 64.2      | 3.35        | 100        |
| 2008 | Amt                              | 41.08 | 2.74            | 3.19  | 3.06  | 58.63     | 3.03        | 111.73     |
|      | %                                | 36.77 | 2.45            | 2.86  | 2.74  | 52.47     | 2.71        | 100        |
| 2009 | Amt                              | 8.3   | 1.7             | 2.95  | 2.47  | 82.85     | 2.98        | 101.23     |
|      | %                                | 8.2   | 1.68            | 2.91  | 2.44  | 81.83     | 2.94        | 100        |
| 2010 | Amt                              | 6.11  | 0.8             | 1.07  | 2.25  | 61.94     | 23.82       | 95.99      |
|      | %                                | 6.37  | 0.83            | 1.11  | 2.34  | 64.53     | 24.82       | 100        |
| 2011 | Amt                              | 3.58  | 0.34            | 0.62  | 2.17  | 55.23     | 23.34       | 85.28      |
|      | %                                | 4.2   | 0.4             | 0.73  | 2.54  | 64.76     | 27.37       | 100        |
| 2012 | Amt                              | 1.96  | 0.39            | 0.26  | 1.42  | 53.49     | 23.33       | 80.85      |
|      | %                                | 2.42  | 0.48            | 0.32  | 1.76  | 66.16     | 28.86       | 100        |
| 2013 | Amt                              | 2.74  | 0.21            | 0.55  | 1.99  | 52.03     | 23.65       | 81.17      |
|      | %                                | 3.37  | 0.26            | 0.68  | 2.45  | 64.1      | 29.14       | 100        |
| 2014 | Amt                              | 2.06  | 0.25            | 0.59  | 2.1   | 19.01     | 23.63       | 47.64      |
|      | %                                | 4.32  | 0.53            | 1.24  | 4.41  | 39.9      | 49.6        | 100        |

## Self Help Group: An Effective Instrument for Women Empowerment

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### Abstract

*A life of dignity is the right of every citizen. Poverty is an obstruction to a dignified life. Self-employment is a significant step, to have sustained incomes and remove the shackles of poverty. Villages are faced with problems related to poverty, illiteracy, lack of skills, health care etc. These are problems that cannot be tackled individually, but can be better solved through group efforts. Today these groups known as Self Help Groups (SHGs) have become the vehicle of change for the poor and marginalized. They are seen as goal instruments for empowering women, developing leadership qualities among poor people, increasing school enrollments, improving health and nutrition and the use of birth control. Programmes for self-employment of the poor have been an important component of the anti-poverty programmes implemented through Government initiatives in the rural areas of India.*

*This paper is based on the interactions and discussions held with the Self Help Groups in Betgeri, Narasapur and the surrounding rural areas, interactions with entrepreneurs and officials of The Gadag Chamber of Commerce & Industry and District Industries Center, Gadag.*

**Key words: Self Help Groups, Women empowerment, Micro finance**

### Introduction

Self Help Group is a method of organizing the poor people and the marginalized to come together to solve their individual problems. They are small, economical, homogeneous, affinity groups of rural poor who are voluntarily ready to contribute to a common fund to be lent to their members as per the group decisions. The SHG method is used by the Government, NGOs and others worldwide. The concept of SHG in India was introduced in 1985 and consequently a pilot scheme was started on Self Help Bank Linkage Programme (SBLP) by NABARD in 1992. The poor collect their savings and save it in banks. In return they receive easy access to loans with a small rate of interest to start their micro-unit enterprise. The strata of rural families, handled through Self-Help Groups, are capital scarce, labour surplus, and by and large, bereft of proper knowledge as well as management skills. At the same time, it also remains a fact that barring certain location limitations, rural areas do throw ample opportunities for installation of micro enterprises by making use of untapped manpower resources, available raw material of various forms, and existing market channels. Given the financial support, together with appropriate knowledge and skill input, the poor people, in general, have the propensity to make better use of labour and capital. Thus, installation of income-generation activities and micro enterprises in the rural areas helps and promotes first-generation micro entrepreneurs with resource mobilization on their own through SHGs. They have emerged in order to help poor women to secure inputs like credit and other services. They work for group solidarity, self group awareness, social and economic empowerment of women through democratic functioning.

### Objectives of SHGs

1. To increase the income level of the destitute women.
2. To develop entrepreneurial culture and to create the self-employment concept.

3. To utilize the available resources efficiently
4. To exhibit the talent and various skills of the women entrepreneurs.
5. To build mutual trust and confidence between the bankers and the rural poor.

### Self Help Groups have the following advantages

1. They help the poor to gain economic and social empowerment.
2. They reduce the transaction cost of lenders and borrowers.
3. They encourage the poor to save. The poor become creditworthy and bankable customers and are not seen as beneficiaries.
4. Women are trained in new skills and technologies and the wage earning workers become micro entrepreneurs.
5. Increased asset creation and savings, higher employment and improved social lives of members are the benefits to the members.

### Statement of the problem

Women in India have been oppressed culturally, socially, economically and politically for centuries. They are exploited at home, in the families, in the society and in the country. In the multi ethnic and multi cultural society like that exists in India, such exploitation takes various forms. The core of the problem is that they shoulder a number of responsibilities, but they are not given adequate participatory or decision making power in the family or elsewhere. Women can gain such power, if their economic status, cultural and social status improves. Such type of improvement of the power is known as women empowerment.

### Methodology

The study exposes the facts based on interview and discussion method. The study attempts to measure the empowerment of women. It is based on the interactions and discussions held with the Self Help Groups in Betgeri, Narasapur and the surrounding rural areas, interactions with entrepreneurs and officials of The Gadag Chamber of Commerce & Industry and District Industries Center, Gadag.

### What is women empowerment ?

Empowerment is the process by which the powerless gain greater control over the Circumstances of their levels. Empowerment is a term related to power. It is the power in term of the ability to make strategic life choices viz. where to live, whether and who to marry, whether to have children, how many children to have, who has custody over children and freedom of movement and association. . In other words empowerment entails a process of change.

Women empowerment is a process in which women gain greater share of control over resources-material, human and intellectual like knowledge, information, ideas and financial resources like money and access the money and control over decision making in the home community, society. The concept of women empowerment is related to the concept of freedom. Empowerment is equipping one to improve her living condition. Women empowerment is both a process and the result of process. It is about redistribution of social power i.e. the rights, resources, opportunities, and responsibilities of individuals and social groups in relation to one another in a given society. It is aimed at creating both equality between individuals and social groups in a society. Empowerment approach recognizes the triple role of women namely production, and community management which manifests itself through the formation and organization of groups.

## Problems & Challenges faced by Women in SHGs

1. Women face social barriers as they are always seen with suspicious eyes. They have to work amidst social taboos, restrictions etc., and are not supported to undertake entrepreneurship by their own family members. Caste and religious systems dominate and hinder women SHGs from development.
2. Lack of self confidence, will-power, strong mental outlook and optimistic attitudes amongst women, always creates a constant fear in them. They just feel, they are 'women' and less efficient than men.
3. Though women are educated and have qualified knowledge, but they lack the practical exposure and hence hesitate to take risks in establishing their own ventures.
4. They lack knowledge of availability of raw materials, finance facilities, Governmental help, incentives, subsidy etc.
5. They lack property in their own names and hence banks and financial institutions hesitate to finance women based projects. Quite often, there is a considerable delay in sanctions and disbursements of loans to women SHGs.
6. They have to strive hard to sell their products in the modern competitive world and quite often, they depend on middlemen, who exploit them easily.
7. Women lack courage and self confidence in starting a new venture. They do not have access to entrepreneurial training.
8. Most of the Indian women do not have much knowledge about the latest technologies used in business and are not fully aware about the market uncertainties. Due to this problem they fail to grow along with the flow of the economy.
9. The family members and the society are reluctant to stand beside the entrepreneurial growth of SHG members. They face stiff competition from male entrepreneurs, which ultimately result in the liquidation of women SHGs.
10. The old and outdated social outlook to stop women from entering the field of entrepreneurship is one of the major reasons for their failure. They are under a social pressure which restrains them to prosper and achieve success in the field of SHG entrepreneurship.

## Review of literature

Many studies have been conducted on SHGs to evaluate on the socio-economic life of women resulting in their economic and social empowerment. Some of the important findings of these studies are as follows:

**Manimekalai and Rajeshwari (2001)** in their study of SHGs in Tamil Nadu found that SHG members who took up their own enterprise like tailoring, animal husbandry, petty shops etc. were contributing more than 50 percent of their earnings to the household.

**Reddy (2002)** in his study has reported that after the beginning of microfinance, women had better access to assets and resources and were able to tackle the issue of injustice and family violence. Thus microfinance has contributed to their empowerment.

**Pitt et al (2003)** in their findings mentioned that credit program participation leads to woman taking a greater role in household decision making, having greater access to financial and economic resources, having greater social networks, having greater bargaining power vis-à-vis their husbands and having greater freedom of mobility.

**Malhotra (2003)** in his study opined that economic, political and social resources are critical in ensuring that women are empowered but these resources cannot bring empowerment without women's individual or collective ability to utilize the resources in their own interests.

Indhumathi and Palanivelu (2013), „Women Empowerment through Self – Help Group“ reveals that the formation of SHGs has led to a number of positive features. The most important achieved aspect is that the earlier belief that the poor are unbankable and less credit worthy has been wrong. The success of any strategy of woman empowerment depends

upon the following factors: level of education, hard work, social customs, family planning, environment and collective strategies beyond the microcredit to increase the endowments of the woman enhance their exchange outcomes vis-a-vis the socio culture and political spaces are required for the women empowerment.

Parker (2013) in his article “Empowering Women through Microfinance in India” depicted that across the globe, but especially in Asia, and particularly in areas where rural population density is relatively high, microfinance can be an extremely effective poverty reduction tool. Microfinance enterprises can also potentially be very profitable undertakings as excess urban capital is redirected to credit starved rural areas. Modern microcredit is a relatively new phenomenon and as such some growing pains should be expected.

## Growth of SHGs in India

Table-1 at the end shows the growth of SHGs and rate of growth over a period of eight years. The rate of growth in 2005-06 and 2007-08 were the highest .i.e. 109.47% and 71.28% respectively. However, in case of other period the growth was declining year after year. This may be attributed due to the fact that after certain period of time the scope for formation of SHGs may be at its maturity stage.

## Role of micro finance in empowering women

Even though the terms micro credit and micro finance are interchangeably used, the term micro finance connotes broader activity. Now, there is a shift from micro credit (small loans) to micro finance, in which in addition to credit, mobilization of savings, insurance, training and support services like assistance in marketing of client's products are provided which are otherwise known as “credit plus”.

NABARD has defined micro finance as follows: “Micro finance is all about provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi urban and urban areas for enabling them to raise their standard of living”.

Empowerment of women through Micro Finance benefits individual women, their families and the community as a whole through collective action for development. Pollution of water, deforestation, inadequate public health and sanitation, ground water scarcity, falling ground water table, overexploitation of water resources are some of the problems related to environment which may be addressed through sustainable rural development which in turn is possible through SHG and micro finance.

## Prospects for the successful functioning of SHGs

1. The elimination of obstacles for women entrepreneurship requires a major change in the traditional attitudes and mindsets of people in the society rather than being limited to only creation of opportunities for women. Hence, it is imperative to design programmes that will address the attitudinal changes, training and supportive services.
2. Skill Training Programmes, right at the door-step of the SHGs, in various product / market related areas, personal and interpersonal skills, basic accounting knowledge, technical skills, latest technical know-how etc., by the District Industries Centers in association with Chamber of Commerce & Industry, NGOs and the local Banks. These training programmes have to be imparted directly to all the members rather than only the group leaders.
3. Interactions, meetings and continuous discussions with the males in the neighbourhood, will surely help in changing the mind-sets of the people towards the SHGs.
4. Awareness programmes have to be conducted by the local Panchayats in association with District Industries Centers, regarding facilities and Governmental schemes for the SHGs.
5. Successful and healthy SHGs have to be identified, recognized, awarded and they have to become role-models for other SHGs in the surrounding areas.

6. The big retail market players have to promote and help the SHGs in successful marketing of their products.
7. Steps have to be taken to change the negative attitude of the Banks towards the SHGs. The procedures have to be simplified and a single window scheme has to be adopted. Field Officers have to be appointed to coordinate with the various agencies and monitor the functioning of SHGs.
8. A separate SHG-Governmental Agency with NGOs has to be formed at the grass root levels for the betterment and improvement of SHGs.
9. Private Companies have to come forward and adopt the local SHGs as part of their Corporate Social Responsibility (CSR) initiatives.
10. Special provisions have to be made for SHGs to showcase and sell their products in Trade Fairs and Industrial Exhibitions.
11. Entrepreneurship Development Institute of India (EDII) has to set-up its branches in each District Head Quarters to promote the very basic instinct of women entrepreneurship.

## Suggestions

1. The SHG members are to be properly educated about the fruits of this co-operative type of movement.
2. The male members of the families should be made to play a supportive role.
3. The district authorities may adopt a day-to-day system to monitor the functioning of SHGs.
4. Women's ability to influence or make decisions that affect their lives and their future is considered to be one of the principal components of empowerment by most scholars. It is much less clear, however, about what types of decisions and what degree of influence can be classified as empowerment in different contexts.

## Conclusion

The first Prime Minister of India, Pandit Jawahar Lal Nehru has rightly pointed out that “to awake the people, it is the women who should be awakened first. Once she is on the move the family moves... the nation moves”. There is a need for changing the mindset of the people towards women and to give them equal rights as enshrined in the Constitution of India. SHGs have been recognized internationally as the modern tool to combat poverty and for rural development. The Central and State Governments, Non-Governmental Organizations, Banks, NABARD and various Micro Finance Institutions have taken many steps, apart from providing various types of incentives and subsidies, but still, not much, has been achieved in this regard. The basic requirement in development of Women SHG-Entrepreneurship is to make aware the women, regarding their existence, unique identification and contribution towards the economic growth and development of a Country. No doubt that the SHGs movement in India has been working in the right direction, but it is necessary to further empower women in social, economical, cultural and political areas, for the better interest of their families, the society in particular and the nation in general.

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**Table-1: Number of SHGs in India (2005-06 to 2012-13)**

| Year    | Number Of SHGs (In Lakhs) | Growth Rate (In %) |
|---------|---------------------------|--------------------|
| 2005-06 | 22.39                     | 109.47             |
| 2006-07 | 29.25                     | 30.66              |
| 2007-08 | 50.09                     | 71.28              |
| 2008-09 | 61.21                     | 22.2               |
| 2009-10 | 69.59                     | 13.6               |
| 2010-11 | 74.62                     | 7.3                |
| 2011-12 | 79.60                     | 6.7                |
| 2012-13 | 73.18                     | (-8.1)             |

**Source: Status of Micro Finance in India, 2012-13 NABARD & NABARD Reports 2005-06 to 2009-10.**

## Understanding the Effectiveness of Catchment Area in Retail Sector - An Analysis for Big Bazaar Belagavi Zone

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### Abstract

This paper attempts to highlight an ideal location for establishment of a new retail outlet which can be helpful to identify potential customer base in a geographical (Belgaum) area for existing retail outlets. The analysis is based on the principle of catchment area which is used by many organizations to locate their business taking into consideration the geographic and demographic factors of the residents of that area. The different types of catchment areas are studied which are related and relevant to their areas of operation. Analysis is conducted taking into consideration the customer related factors. Survey method is used to collect the primary data related to catchment area and the customer's opinion about the same. The main findings of this paper are that the customers prefer to shop in bulk during weekends and demand convenience of buying everything under one roof. Big Bazaar has got the advantage of being the only Hyper Market in the city and hence lures customers from extension areas.

**Key words:** Catchment area, retail outlets, demographic and geographic.

### Introduction

Catchment analysis is originally a study to identify an ideal location for establishment of a new retail outlet but it can be helpful to identify potential customer base in any geographical area for existing retail outlets. This study includes study about various geo-demographic factors like occupation, mother tongue, education standard etc. and help in understanding customer preferences, accessibility in buying, purchase intentions buying patterns and likelihood of buying for the group of products that the retailer deals with and level of competition in that area.

The final outcome of catchment area analysis provides the retailer an idea about number of customers who can visit the store and kind of products that will be in demand and the stock he need to maintain in order to meet the demand in selected location. Importance of catchment can be seen in the point that if all retail companies are offering same products and services within same price range and quality standards then we can easily say that the population within the catchment will do all its purchasing at the nearest centre. However in practicality it's not possible that different retail companies are same and people have to travel to their preferred destination for purchasing instead of their nearest one.

Differences between similar stores can affect the spending pattern in the present time, but it is important to see how changes in various demographic factors and infrastructure development in competing locations will have impact on such store in future. Catchment analysis pre-launch will ideally decide the product mix and formats of the stores, catchment analysis done from time to time will give information about what is happening and where to concentrate marketing energies to get more walk-ins.

Generally it can be considered that major retailers like department stores, furniture warehouses or food joints will be destination sites. These sites can attract people from greater distances because the items may be common purchases or they provide the opportunity such as, the number of purchases that can be made from one location. For these destination sites it is possible for consumers to travel more distance. Similarly a small neighborhood store, or a small departmental store, would have a catchment near very small area which can be no more than 1 or two kilometer distance. For retailers that offer the same or very similar products as their competitors are offering, unless there is very strong pricing differences

a customer may not be prepared to travel pass the competition, he or she may select the nearest destination. Catchment analysis is useful like any other market research in showing retailers the opportunity and the direction to be taken.

**Factors that influence consumers' decisions on where to shop include;**

1. Presence of various retailers
2. Volume, quality and product mix of retail offerings
3. Additional services and facilities
4. Leisure provision
5. Accessibility
6. Parking
7. Shopping Environment and ambience

**Catchment Analysis is important due to following factors;**

1. Prime consideration of customer's store choice, is based on nearness to home/work, linked with other domestic work
2. Strategic importance for sustainable competitive advantage. Merchandise, price, assortments can be changed but not location of a store. Competitors can't easily copy as they are precluded from locating there.
3. As more and more companies are entering in the organized retail, the choice is about a suitable location within budget is getting difficult.
4. Selecting a location forms an important P of place for a long time for adequate assurance for a success.
5. It also influences the merchandise mix and interior layout of store.

**The demographic factors being;**

1. Population
2. Income Types - Life style
3. Age Distribution
4. Household Size And Type
5. Marital Status
6. Occupation
7. Working Women

Economic stability of area can be estimated from household incomes and expenditure patterns and can be related to specification of forming the catchment area with a future bound growth.

## Retailing in India

The shape of organized retailing in India has undergone several changes over the last few years. Retailers are making a push to get to the developments, which have the first entrant advantage in a location, and are trying to get the best rental deals for longer time periods. They understand that location and viable lease rentals are two very important ingredients for their success. On the other hand, developers are rushing in to make sure that they are among the first entrants in a catchment area with good retail potential as that strategy has spelt success in the past. Also, they are keen to

have the right tenant mix in their developments in order to attract repeat visits by clients. Consumer is the ultimate reason for existing of any business. Companies can invest hugely in their projects, but it's the customers who will give them return on their investments.

## Statement of the problem

'How catchment area analysis forms an effective measure for a retail (hyper market) outlet'.

## Limitations of the study

The study is restricted to only Big Bazaar and Belagavi Corporation area and hence cannot be generalized for any other area nor for any other retail store.

The results so obtained may vary with time and the people interviewed.

## Objectives of the study

1. To find out customers frequency of visiting to big bazaar
2. To find out the usual most mode of transport of the customers.
3. To find out most frequently shopped products at Big Bazaar
4. To understand the price difference between Big Bazaar and small retailers.

## Literature review

Catchment analysis is one of the most effective tools for determining where and how to Conduct your business if you have a grasp on what type of people are most likely to purchase your products or services, you can seek out the location and the marketing plans that give you the best opportunity to reach those people. If you are trying to reach a large group of similar customers, you can study their spending trends, lifestyles, and much more. You can no longer simply choose a populous area in which to set up shop, and then hope to compete.

## Definition

Catchment is defined as the sphere of influence from which the retailer is likely to draw its customers. It is the area from where they expect to gather footfalls and run their business. Most widely used definition of various catchments is Primary, Secondary and Tertiary that attract 75%, 20% and 5% of the total visitors respectively.

The size of the catchment area is determined by the format and size of the store, population density of its catchment, the competitive intensity, and how well its proposition fits the needs of the customer base. The major determining factor for the size of the ring / area is the format - bigger formats have larger trade areas and hence a large catchment to cater as against a small retail player or the local grocery store.

Usually primary catchment spans over a couple of kilometers on all sides of the establishment, but it might not be a good definition for a sparsely populated area. In such a case, a radial distance of up to 5 kilometers might suffice the need. The measure of radial distance and time travel to define the catchments should be decided by the retailers themselves to best suit their needs and expansion plans.

## How does one carry out catchment analysis?

Retailers use catchment analysis to get a better understanding of the area that they plan to serve. It requires inputs from both secondary and primary research. Secondary resources like the municipal corporation, or IRS services can be

utilized to get an overall understanding of the areas under consideration. Information like total population, number of households, distance from the retailer, etc. is used as well. This is an important step for the next stage of the study as the insights from the secondary research will feed into the design of the primary research initiative.

Primary research involves personal face to face interviews with the residents of the areas identified in the secondary research. A qualitative approach of market immersions and consumer immersions is the key to understand their behavior and perceived category gaps in the areas. A thorough analysis of all the sub-areas in the catchment is usually advised for the study, however depending on the density and homogeneity of the areas a sporadic and well spread out study can be undertaken.

### **Type of catchment area**

With the help of catchment area analysis we can divide the total area into following four kinds of catchment areas

1. *Primary Catchment* : It is the nearest area around any retail store. As it will have maximum number customer visiting store from this area. People in this area will be having demand for all kind of product offering from specific retail store.
2. *Secondary Catchment* : This area is little far away from primary area. Generally people from this area will have less visits than primary area and will have less demand. As there can be other stores in their neighborhood. It can be within 5 kilometer radius from the store.
3. *Tertiary Catchment* : Tertiary area is more far away from the store, may be within 10 to 20 kilometer radius. Retail store will have marginal number of customers from this area. Usually selected or some loyal customers with specific demand will only visit the store.
4. *Outer Catchment*: In this area companies do not have a kind of customer presence. People from these are rarely or very less number of time visit the store.

### **Key information outputs from Catchment analysis**

It is very important to accurately undertake catchment analysis. This will give the retailers information in the lines of:

1. Population of the area, type of Families.
2. Demographics of the residents: Age, Income, Occupation, Marital Status.
3. Current shopping behavior: Who shops? From where? How often? Average Spends? How do they visit? What do they buy?
4. Understand competition differences.
5. Category gaps: Any product category the area is missing, any brands that they want to have in the surrounding.

### **What is in for retailers?**

The above mentioned information areas will then help the retailers make many important and strategic decisions, such as

1. It helps estimate the number of potential footfalls.
2. Helps plan the dedicated floor plans by categories (if catchment analysis is undertaken in the initial stages of development)
3. Parking area for cars and bikes can be better managed.
4. Determining category mix of the outlet
5. Help differentiate from the competitors

### **Lumpkin and Burnett**

In (1991), their research identified that consumers were attracted by low prices and sale offers, which astutely is adopted by retailers in any competitive market. Gu (1998) in his findings reported that discount stores are considered by consumers as an economic problem reliever. For these reasons, discount stores have emerged as a major force in retailing. Based on the store-choice model proposed by Monroe and Gultinan (1975), the supermarket choice criteria and satisfaction model proposed by Hutcheson and Moutinho (1998), the apparel retail patronage behavior model proposed by Shim and Kotsiopoulos (1992) and prior studies related to consumers' store preference and store satisfaction, a model was developed as the framework of this study. Monroe and Gultinan's model (1975) begins with the premise that consumers' characteristics such as location, demographics, role, life style, personality, economic level, and shopping orientation affect the importance of various stores and product attributes to consumers. It suggests that consumers' characteristics influence consumers' shopping orientation and their store-choice criteria.

Retailers' marketing strategies also affect consumers' shopping orientation and store-choice criteria. This argument is consistent with the results of studies by Carpenter and Nakamoto (1989) and Arnold, Handelman and Tigert (1998), who found that stores' marketing strategies could shift consumers' preferences. Monroe and Gultinan (1975) suggest that consumers' satisfaction with a store is influenced by their consumer characteristics, shopping orientation, and store and product attributes.

### **Hutcheson and Moutinho**

(1998) model explained supermarket patronage as being a result of store choice criteria, which includes quality of product and staff, provision for additional services, provision for cars, ease/speed of use, value for money, range of value, and own brand products. Westbrook (1981) studied consumers' satisfaction with store-related experiences such as store personnel, store atmosphere, merchandiser, etc. He defined consumers' satisfaction as a subjective reaction to their evaluation of store-related experiences, which resulted in store patronage behavior. Catchment Analysis is a systematic study of an arbitrarily defined marketing area around a series of known sites so that the main features of such areas can be compared to check for patterning or regularity of consumer behaviour. This technique was developed by Eric Higgs and Claudio Vita-Finzi during the late 1960s, and is vividly used in Management and to study the economy of archaeological sites. From the marketing perspective, Catchment Analysis intends to answer the basic but vital questions like from where consumers come from; what are their expectations and how to communicate. It is a time-consuming and expensive process. In developed countries, many centre managers have found that the cost-effective catchment analysis gives unrivalled return on their investment. The benefits of Catchment Analysis include target promotions and effective advertising, merchandising and logistics solutions. However, the Major benefit of catchment analysis is its ability to capture the actual shopper behaviour.

### **Study Area**

Belgaum district is located in the Northwest region of Karnataka State. Belgaum, officially known as Belagavi has a population of around 5 lakh with an area of 94 km<sup>2</sup> which houses people dispersed in variety of occupations and income level. The concept of joint and nuclear family is still seen here.

Micro and Small industries are quite many over here which provide jobs and employment opportunities to the local residents. The life style is moderate and one may find people living with Rs. 50,000 as their annual income. It is a hub to many eminent colleges and famed universities due to which many youngsters from outside are attracted for education. The population here has a dispersed life style with modest shopping habits and homely attached life style.

The concept of general retailing (Mom and Pop stores) is prevailing since ages and in some is also a family business. Interior parts of the city is famous for its wholesale shops for food grains, cooking oil and daily use products in home as well as self. People do go to these busy streets for there to-shop list to get updated, with so called the mentality of less price and varieties. With the entry of modern retail formats, the scene is not so very different. People are attracted towards this new way of shopping experience do flock in huge numbers to buy out their requirements. But with the modern generation and the capacity of multiple income in one family, has changed the way modern shopping is been done.

People are exposed to a variety of products, discounts, prices, shopping ambience etc, which are quite significant from the retailer's point of view. The need for catchment area analysis arises to know the different factors which may influence a customer for shopping into a specific location and a retail outlet. For this research, selective people from dispersed areas are considered which adds to the specification of the research.

## Research methodology

### Sampling Plan:

|                     |  |
|---------------------|--|
| Sampling Units      | : Customers of Big Bazaar (Walk in - Selective).   |
| Sample Technique    | : Convenient Sampling.   |
| Research Instrument | : Structured Questionnaire   |
| Sample Size         | : 100 - selective area.  |
| Data analysis plan  | : The data collected through questionnaires has been analyzed and interpreted in numeric and percentage. |

Primary data- To collect primary data, survey method was followed, in which a structured questionnaire was designed including both open and close ended questions to know the opinions of the customers

Secondary Research- A review of literature was studied online and several research papers were also consulted. Information pertaining to the research topic was obtained through publications, internet sources and books.

## Data analysis

Q1. How often do you visit Big Bazaar?

| Options          | No. of Respondents (Sample Size 100) | Percentage |
|------------------|--------------------------------------|------------|
| Weekly           | 20                                   | 20%        |
| Fortnightly      | 25                                   | 25%        |
| Monthly          | 27                                   | 27%        |
| Once in 3 months | 16                                   | 16%        |
| Above 3 months   | 12                                   | 12%        |
| Total            | 100                                  | 100%       |

Q2. How do you travel to Big Bazaar?

| Options         | No. of Respondents (Sample Size 100) | Percentage |
|-----------------|--------------------------------------|------------|
| Weekly          | 20                                   | 20%        |
| By auto         | 7                                    | 7%         |
| By bus          | 12                                   | 12%        |
| By two wheeler  | 44                                   | 44%        |
| By four wheeler | 37                                   | 37%        |
| Total           | 100                                  | 100%       |

Q3. Define your most visited section at Big Bazaar?

| Options         | No. of Respondents (Sample Size 100) | Percentage |
|-----------------|--------------------------------------|------------|
| Fashion         | 34                                   | 34%        |
| Home Appliances | 18                                   | 18%        |
| Food Bazaar     | 48                                   | 48%        |
| Total           | 100                                  | 100%       |

Q4. Any specific product which you only buy from Big Bazaar?

| Options                              | No. of Respondents (Sample Size 100) | Percentage |
|--------------------------------------|--------------------------------------|------------|
| Food Grains                          | 58                                   | 58%        |
| Confectionaries                      | 14                                   | 14%        |
| Electrical and Electronic Appliances | 6                                    | 6%         |
| Toiletries                           | 12                                   | 12%        |
| Clothing                             | 10                                   | 10%        |
| Total                                | 100                                  | 100%       |

Q5. Does good parking place form an important criterion for shopping?

| Options | No. of Respondents (Sample Size 100) | Percentage |
|---------|--------------------------------------|------------|
| Fashion | 34                                   | 34%        |
| Yes     | 85                                   | 85%        |
| No      | 15                                   | 15%        |
| Total   | 100                                  | 100%       |

Q6. Annual income of your family (please tick the appropriate category)

| Options             | No. of Respondents (Sample Size 100) | Percentage |
|---------------------|--------------------------------------|------------|
| Below 2,00,000      | 50                                   | 50%        |
| 2,00,000 – 4,00,000 | 31                                   | 31%        |
| Above 4,00,000      | 19                                   | 19%        |
| Total               | 100                                  | 100%       |

Q7. How much do you spend at Big Bazaar per visit?

| Options      | No. of Respondents (Sample Size 100) | Percentage |
|--------------|--------------------------------------|------------|
| 500 – 1000   | 40                                   | 40%        |
| 1000 – 2000  | 27                                   | 27%        |
| 2000 – 5000  | 19                                   | 19%        |
| 5000 – 10000 | 14                                   | 14%        |
| Total        | 100                                  | 100%       |

Q8. Which is the closet retail outlet from your location apart from Big Bazaar?

| Options           | No. of Respondents (Sample Size 100) | Percentage |
|-------------------|--------------------------------------|------------|
| Weekly            | 20                                   | 20%        |
| Reliance fresh    | 29                                   | 29%        |
| More super market | 38                                   | 38%        |
| others            | 33                                   | 33%        |
| Total             | 100                                  | 100%       |

Q9. You visit Big Bazaar mainly to buy (please select your choice)

| Options                                 | No. of Respondents (Sample Size 100) | Percentage |
|---|--------------------------------------|------------|
| Food Items                              | 38                                   | 38%        |
| Fashion wear                            | 20                                   | 20%        |
| Daily use personal health care products | 29                                   | 29%        |
| General home items                      | 13                                   | 13%        |
| Total                                   | 100                                  | 100%       |

Q10. Reason for buying at Big Bazaar. (Please select your rightful choice)

| Options            | No. of Respondents (Sample Size 100) | Percentage |
|--------------------|--------------------------------------|------------|
| Discounts          | 52                                   | 52%        |
| Bulk offers        | 20                                   | 20%        |
| All under one roof | 28                                   | 28%        |
| Total              | 100                                  | 100%       |

## Findings

As of now there is no such Hyper Market like Big Bazaar is situated in the town, therefore Big Bazaar is getting the advantage to influence customers, further people resident of these local also have good spending capacity therefore they don't hesitate to shop in malls

1. It is very clear that most of the respondents visit the store for the sake of offers and discounts which are offered in week days and weekends.
2. People prefer to shop in Big Bazaar primarily because of convenience where they can purchase their desired stuff under one roof. Other important factor is time constraint, now a day's people are ready to spend more and shop in bulk to avail discount instead of daily shopping.

3. Majority of the customers visit Big Bazaar to buy Food items and Daily use Personal Health Care products.
4. Having a good parking area is of prime importance.
5. Customers mainly buy Food items from Big Bazaar and also it is the most visited section for shopping.

## Recommendations

1. One roof convenience for shopping is what most of the customers are looking for.
2. Offers and discounts, give a way to bulk discounts. Most of the customers purchase in bulk to avoid shopping 3-4 times a week.
3. Shopping under one roof also saves time for the customers.
4. Parking area is a matter of consideration, and if looking for a new branch establishment, having a good parking lot should be given more preference.
5. Food items and Daily use Personal Health care products are the major selling categories of products. Varieties of these products may serve as a trump card for customer walk inn.

## Conclusion

Retailing is becoming an important part of one's daily life. In present time a retail store provide solution to all the needs and problem of everyone under one roof. But this is not easy because deciding a location for retail establishment to creating satisfied customer is a very long process, during this process various each factor plays an important role. Ever increasing competition makes it difficult for established store to keep their market share, for that reason established retail companies have to continuously scan their environment to keep their market share safe and looking options for further growth and development. To conclude, retail stores need to have a continuous look over its surrounding environment so as to take advantage of available opportunities and being proactive to threats. And always trying to increase customer walk-in and focus on long term relationship with customer, which finally result in customer loyalty and profitability of the organization.

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## A Case on “Brand Crisis”

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### Abstract

*The Paper examines an ambitious attempt by an 87 Years Old, Old Generation bank to re-brand and re-position itself into a New Generation Bank. The trials and tribulations it faced in the journey in a period of over five years and the resultant crisis on the organisation and its health, which unfolded in the Indian Banking scene recently is captured empirically and theoretically. It is a live case and the debilitating impact of the crisis can be seen in the organisation even today. The take away and the learning is more for anybody interested in the theme of studying 'Brand Crisis Management'.*

**Key Words: Brand Crisis, Brand Management, Brand Makeover, Brand Re-positioning. Image Makeover**

### Introduction

Management Cases are all about learning, un-learning and Re-learning. Like Alvin Toffler in his famous book says, the illiterate of this century aren't the ones who can't 'read or write' but who cannot 'Learn, Un-learn or Re-learn'. This paper examines the case of a Bank which is 87 years old. How it managed its Brand in a Business wherein the paramount factor is “Trust”? In its growth tribulations, how has it conducted itself, in the competitive sphere to re-position itself? What happened to the committed call it did to the share-holders in the year 2008-09 to Re-Brand, Re-position, Re-emerge itself under a New Management as a “New Generation Bank”?. An evaluation of its current status is worth examining and documenting. As a sequel we would also be unfolding how Brands can end up in a Crisis and lessons on “Brand Crisis Management”.

### History of Dhanalakshmi bank

Dhanalakshmi Bank (as it was originally known) was started in the year 1927. It is head-quartered in Thrissur, Kerala, a place where various other banks originated. It was designated as a “Scheduled Commercial Bank” by the Reserve Bank of India in the year 1977. In the quest for growth there were smaller banks that got merged to the Dhanalakshmi Bank and it helped the Bank in expanding its branches and reach, atleast on a “Pan-Kerala” basis. Into the 90s', it opened various other branches in other states, predominantly 'Southern States'. In the history of the Bank, it never suffered a loss till 2004-05 and had always reported profit in its more than 75 years of history. In the year 2004-05, it suffered a massive loss in its “Treasury Portfolio due to volatility in the Bond prices and had to report “Mark-to-Market (MTM) losses”, which almost wiped out its net worth (DLB Annual Report, 2004-05; Profile of Banks, IBA 2008-09).

With the leeway provided by RBI in booking losses that year (RBI Circular on Conversion of securities to Held Till Maturity (HTM) Category on a one-time basis) ie., to amortise the losses (to provide for losses over a few years instead of booking it in a single year) the Bank got a lifeline and resurrected itself quickly. It concentrated on many Fee-based income businesses during that period and reported a handsome profit of Rs. 28.46 Crores in the year 2007-08 and more than doubled it to Rs. 57.45 Crores in the year 2008-09. These were rated as stupendous achievement by a small old-generation bank with a weak capital base. During all these 75 + years, it pursued banking in a traditional way, based on trust and carried all the attributes of a 'Traditional Bank'. Its Branding reflected traditional mores and its bigger clientele base were majorly

people who believed in traditional way of banking. However, Post-economic reforms, the Banking industry was getting very competitive dominated by Public Sector Banks, New Generation Banks and Foreign Banks and the Old-generation Banks were being enticed by players who wanted a larger share of the cake (including talk of mergers).

Apart from the competitive landscape of banking, Global norms (Basel II) and best practices (incl. corporate governance Norms of RBI, which restricted individual holding and group holding in Banks) forced banks to adopt change. Minimum capital restrictions by RBI made it mandatory for banks to pump capital on a repetitive fashion in this capital-intensive business. Weakly capitalised, Old-Generation Banks were finding it difficult to carry on in the banking business. Adoption of 'Hub & Spoke model' or clusters instead of the traditional branch-centric model of the old way of banking and various other process centric interventions were addictive. Ingenuous use of technology has revolutionised banking and the Bank cannot remain akin to the market realities. Change was inevitable when size of the Balance sheet of the Bank, became a decisive factor and every other regulatory and such other pronouncements insisted on sizing up to remain relevant.

Table 1 given at the end captures the Banking parameters of Dhanalakshmi Bank during the period of 2004-05 till 2008-09 i.e., just prior to the 'Brand Make over' it was attempting.

### Aspiring to be a 'New Generation Bank'

The dalliance to be a 'New Generation Bank' is articulated in the Annual Report of the Bank 2008-09. It clearly states "There comes a moment in the life of people, and organizations, when it is time to forget the past, improve the present and redesign the future" (Page 1, Annual Report 2008-09, Dhanalakshmi Bank). In the Report, the MD & CEO talks of the Bank being in the 'throes of rapid change'. He gives commitment to the shareholders "your bank will refocus its energies and attentions on enhancing customer ecstasy". The MD & CEO in the report further articulates into the strategy of repositioning the Brand when he states 'the proposed opening of 66 new branches and around 400 ATMs in the current year is merely the beginning of a process that promises to convert the Bank into a truly Pan-Indian entity and transform its brand architecture forever .....'. (Annual Report, Page 9, 2008-09).

### Brand Re-positioning

With shared assumption and ample support of the Board of the Bank, what strategies was pursued to re-position the Bank to be a new generation Bank from 2008-09 is worth close examination. It is detailed as follows:

#### Name and Logo change

As Branding involves creating visual identities to enable the Corporate to have lasting impression, it changed the "Name of the Bank" from "The Dhanalakshmi Bank" to "Dhanlaxmi Bank" in the year 2008. It was said that in its quest to be a Pan-Indian brand the Bank's brand advisers felt that as "Lakshmi" (which is the goddess of wealth / money), is pronounced and spelt in the Hindi-speaking heartland as 'Laxmi', it adopted that change to appeal to a 'Pan-Indian' market. There was a change in the word mark as well.

The Bank changed the logo, by changing the goddess lakshmi in it, to a 'figurine' (model) of lakshmi, as could be seen below. This was done to reflect modernity to the theme. The background of blue which was used in the old logo gave way to a more vibrant 'purple'. Further, banking being a 'trust-driven' business, a longer presence in the banking business only means that your brand has earned that much more 'trust' and acceptance from the customers / community. Hence, cleverly, the words 'Established 1927' was used in the new logo to harness the essential attribute to a Brand when targeting newer and unexplored markets (as many of the new branches being planned happened to be in Eastern, Northern and Western India).

Old Logo



New Logo



## Major Brand Related Changes

Various other Brand related changes were initiated across the entire Bank to change the perception about the Bank from a traditional, regional, conservative, lethargic Bank to a one which is proactive, tech savvy, responsive with a national outlook. In short, it was attempting a Brand and 'image makeover' with a Pan-Indian feel.

1. The Bank first professionalised the 'Board of Directors' under the leadership of Shri. G.N. Bajpai, the former SEBI and LIC Chairman and also an expert in Corporate Governance. It brought in persons like Shailesh V. Haribhakti, a famous Chartered Accountant from the Accounting and consulting firm Haribhakti & Co and various others in the subsequent months. This was a radical departure from a Board which was dominated by promoter-run nominees in the Board (which invariably is the case in many Old- Generation Banks).
2. The Bank created a big brand building exercise by changing all the marketing collaterals, including customer touch points like Branches, ATMs, Bank's website, Corporate Office, Regional Offices etc.
3. The signage with "Purple" background was adopted throughout the Bank in all collaterals.
4. The Bank invested heavily in technology to further its reach and wanted to change the erstwhile lacklustre "old-generation bank" looks. Huge investments across Hardware, Software, Alternate channels (incl. mobile banking), were made during the period. Many new agreements were signed with Vendors / service providers and many of them for long term.
5. In many places, it hired new premises in prominent spots with 'Parking' bays and lavishly furnished the premises.
6. Banking partnerships underwent changes. In the sphere of bank assurance, the Bank's erstwhile partner 'Metlife' was replaced with 'Bajaj Allianz Insurance', rated as a more aggressive insurer. Similarly, various other tie-ups in the area of Mutual Fund, Capital market services / Broking etc., were signed for a retail push.
7. The Media spends were very high and apart from Print media the Bank started pursuing 'visual media', social media etc.
8. The Bank invested heavily in training / re-training staff in soft-skills and created 'centralised held desks' for standardised responses.
9. New Brochures, Advertisements, Stationery, ATM Cards, Kiosks, Furniture even tea cups etc., reflected the Brand change.
10. All the stake-holders were made to partake in this mega Brand makeover. As part of empowering workforce visiting cards were distributed to even "Sub-staffs".
11. It down-played the earlier tag-line of the Bank 'Relationships forever'.
12. Very high level of talent acquisition to the extent of doubling the number of employees was resorted to, during the period 2008-09 to 2011-12. From industry-driven IBA Pay-scales, the bank moved to Cost-to-company or CTC based pay structures. Many with IIT, IIM / MBA and such other professional background were signed up at higher than industry pay structures.
13. Experts (in full rolls of the Bank) were brought in all areas be it - Brand Heads, Relationship Heads, Security Head (Retd. Colonel), Premises Head (High Profile Architect), HR/ CSR Head etc.
14. Almost all the Functional Heads of Core Departments of the Bank like Credit, Treasury, Liabilities, HR, CFO, Finance & Accounts etc., were replaced with Executives from new generation / foreign banks.
15. Many consultants across diverse areas were also appointed for various interventions / advisory.
16. As part of employee motivation, many HR initiatives including 'Balanced Score Card', ESOP etc., were implemented within a year of the Brand makeover. Many of the HR measures were supposed to enhance employee productivity based on profit generated.
17. The Bank managed a section of the unionised bank staff by sometimes splitting the ranks or by giving piece-meal carrots or by keeping them at bay to the new initiatives by a method of blow-hot and blow-cold. Old timers across levels who had alternative opinions were forced out / pink-slipped.
18. Many front-line sales staff were taken in the roles with high qualifications but no experience or very less experience.

19. To manage media and to orchestrate news, top executives of the Bank came in the media airing opinions, often. In fact, instances of a top executive of a media house being taken in active roles of the Bank also happened. Adverse publicity in the media was cleverly responded and managed in the Brand repositioning period (of at least about three years).
20. Various business tie-ups, co-branding opportunities etc., were also pursued.
21. Active CSR initiatives targeting the larger community was unleashed including donating 'Ambulances' for Thrissur Corporation etc.
22. To echo the views of the establishments, many forums were created and used. It was always made to believe that 'we are eternally in need of talent for our growth story'.

In short, there isn't much the Bank hasn't done in enhancing the "Brand" in the three years or so whereby it vigorously pursued a makeover effort. Though many of these efforts had serious economic and financial fall outs of long running nature and possibly much less 'affordability quotient' by this small bank, the New Board of the Bank then, was solidly behind the effort. In fact, the Board of the Bank had eulogised the effort in many subsequent Balance sheets when it articulates the matter to the share-holders (Annual Report 2009-10, 2010-11, Dhanlaxmi Bank). Even, the Reserve Bank of India gave an extension to the MD & CEO for another tenure, when the first three year tenure of the CEO appointment got over. Much less rat was smelt or ignored and no body dare express that the exercise is turning out to be a fiasco. The aforesaid instances were proof enough of how the 'Brand Repositioning' was seen by the stake holders and regulators.

### Brand Change not translating to numbers

The professionally planned Brand makeover, hasn't yielded commensurate results was loud and clear in the year 2012. All the pronouncement of the Brand Repositioning contributing to top-line and bottom-line growth, fell flat. The Performance parameters in a highly regulated Banking sector are always on watch quarter-over-quarter by the market forces. From a net lender in the inter-bank market, the bank became a huge borrower. News about liquidity pangs and massive window-dressing in Balance sheets etc., started floating. Though the Bank and the CEO stoutly denied the failings bad news kept flowing.

The failing financial status can be gauged from the Table 2 given at the end

The Bank was on a downward slide and came to crisis mode because of the telling impact of not being able to "Reposition" in terms of Performance. The effort wasn't successful to ramp up neither size nor performance and didn't contribute to the bottom-line and top-line growth of the Bank. Many of the Brand related interventions being of long-term in nature – be it operating expenses to be incurred repeatedly or the staff cost, it debilitated the fragile balance sheet and the reserves position as can be seen from Table 3.

The issue of operating expenses borne-out of the re-positioning effort, and the bleeding it inflicts to the Bank, quarter-over-quarter can be gauged from the Chart 1.

### Brand Crisis

The Bank which initially warded-off its failing financial position, ultimately had to come clean on its failing repositioning effort. There was accusation of misstatement in Balance sheet and recognition of income and expenditure by the Bank's Union itself (in whatever remnant form it was there). Claims against the Bank for services rendered started mounting and there wasn't appreciable growth in income. Many adverse remarks landed in the press and with the regulator RBI. RBI had to send the team for a special audit. It became a full blown crisis when the CEO resigned citing difference of opinion with the Board. The Brand repositioning effort of a Bank to convert itself from an 'Old Generation Bank' to a 'New Generation Bank' in the psyche of the public was slowly and steadily falling apart and was to a level of collapsing the Bank. The Re-positioning didn't add "Value", became clear.

#### In the salvage effort that followed, many decisions resulted

1. Many Board Members were axed. The Reconstituted Board initially gave charge to an erstwhile top executive of the Bank who was from the old order. Later his candidature was approved by the RBI as MD & CEO;

2. RBI classified the Bank as a weak, inducted its two nominees in the Board of the Bank and placed it under monthly monitoring.
3. Ruthless cost cutting followed. Many contracts signed with Vendors, Service Providers, Premises owners (for the high cost real estates hired as part of Re-positioning), Partners for the Bank etc., were re-negotiated.
4. As part of staff cost cutting many high cost executives from the Ex- CEO's team / dispensation were fired and so was the contractual sales staff. In fact, the pace of 'firing' had to be quicker than when the officials / staff came on Board. CTC pay scales were a strict no-no. The Bank went back to industry-driven IBA pay scales.
5. Bank reverted back to the 'Branch-centric' Model from the 'Hub & Spoke' Model for of delivery of services.
6. A few old timers who had quit the Bank were called back and offered positions.
7. Effort to stay float was the main priority by cutting flab and to achieve this, many resources had to be jettisoned. Cost cutting was the mantra.
8. All this had to be done in an already stressed banking scenario in the country wherein the NPA levels were seen rising. This started reverberating in the Dhanlaxmi's books as well. The Bank had to write down huge amount quarter –over –quarter. On top of it, it had to provide for the woes from the earlier legacy. For instance, Rs.1224.49 lakhs was written down for the strategic stake in a finance company called 'Destimoney Securities Pvt. Ltd', which was a decision by the earlier dispensation. Likewise many big ticket Assets had to be provided for. The bleeding continues.
9. In fact even now, in the recent quarter ended Dec' 13, the Bank has reported a net loss of Rs.119.37 Crores which is way above what it can fathom. Re- infusion of capital also resulted as it has become untenable to continue with falling Capital Adequacy.
10. It is a very live case of a 'Brand Crisis'. It is undergoing the crisis period even now. And it is in the heavily governed and administered banking industry of the country. The dalliance to be a 'new generation bank' from being an 'old generation Bank' for so long, isn't a Brand change gamble many ape for. Being successful or not being another matter. All this makes this case a vibrant one for Brand Managers to Learn / Unlearn.

### Learning from the Brand Crisis

1. There are very many a learning that is possible from this 'Brand Crisis'. Notable ones are as follows:
2. Brand' at the end of the day need to add value to all the stakeholders – be it customers, employees, shareholders, society at large. In the instant case discussed that proposition didn't come up. Even after re-positioning, it was giving all the services which any customer would have got from any other competitor bank – be it Mobile Banking services, ATM services etc. There was no 'Unique-selling Proposition' (USP) for the Bank which was not available with other market participants. Hence, when looked at from the 'Value Proposition' of an indenting customer, there was no motivation to sign up. As regards the existing clientele of the Bank before re-positioning, they had already profiled the Bank for the 'Value' it is giving and perhaps aren't a breed looking for 'customer ecstasy'. It is also true that the 'ecstasy seeking' customer didn't show up or heard the cry.
3. Brand is much beyond a 'Logo change' or a 'Word Mark' or 'Jingle in an Ad' or 'Colour combinations' or 'Tag lines'. The Equity from the Brand gets evaluated from the experience of 'added value' to a customer relationship. That didn't result in this Brand re-positioning and hence the exercise ended up in a crisis.
4. Just as a 'Brand' makeover could 'change the face of the Bank', a successful Brand should help the Corporate to 'Face the Change' as well in an environment which is germane to an industry or domain. In this case, the Banking industry is dictated by various other pulls and pressures and is in a very competitive sector which gets heavily impacted whenever economic indicators undergo change. The 'Trust' factor is paramount in Banking and players are being profiled by people repeatedly on this parameter. From this case, it could be seen that the Bank was seen wanting in that count.

5. It is also noticed that the re-positioning exercise ends up in a 'Double whammy' when objectives didn't materialise the intended results. For eg., all the media management and feeding only good news etc., though might aid in with the furtherance of the re-positioning effort, it would actually recoil as 'bad news' onto the Brand when 'Staff Firing' or 'Union Agitation / Representation to salvage the bank' etc. comes in the common domain.
6. There could be sector-wise credentials or characteristics also influencing or leading the Brands to a crisis. This is based on a premise as it was noticed that an earlier attempt by another 'Old generation Bank' namely 'Development Credit Bank (DCB)' which is headquartered in Mumbai to convert itself to a 'New Gen Bank' met with a similar ending.
7. Human talents have very high limitations has come out clearly. Personal credentials and qualifications of Board Members or CEOs or Staff are not part of 'Brand attributes' though seemingly it would appear so. Nobody should forget the fact that one of the biggest investment banks 'Lehman Brothers', when it was in crisis during the sub-prime days and ultimately collapsed, it had two Nobel-Laureates in the Board. The devil is in 'Discipline', that too in effecting a change or creating value. In the Dhanlaxmi's case, it was apparently clear that they were munching much beyond what could be chewed, that too in a shorter time-frame. This is not to suggest or advocate that calibration would have produced a better outcome. There is no evidence on that either. The Learning is, the down-side risk need to be factored when these kinds of exercise are embarked on.
8. In appealing to the young India and becoming unsuccessful at that the banks erstwhile clientele who appreciated the traditional way (including aged customers) of banking have also started losing 'Trust' and started deserting in droves as the dalliance has come at the cost of ignoring the match in hand.
9. The Phenomenon of Regulators sleeping at the wheels and springing to action in the eleventh hour could be noticed here also and to that extent is a huge 'regulatory failure'.

## Conclusion

The live case which has unfolded in the banking scene, in a matter of five to six years in the heavily fortified Banking industry of the country has many lessons for the Marketers, Bankers, Governors of Institutions, Regulators, CEOs, Executives, Managers, Management Practitioners, Students and teachers. The events unfolded, covers the Product / Brand life cycle with particular learning towards re-positioning and managing Brand crisis. Arguably, it brings with it whole lot of issues of governance in financial institutions. The regulators who are in the fringe of deciding the next set of banking licences need to understand the happenings in the entities they would be regulating. The Brand Managers have a wealth of learning on what is adding 'Value', how difficult it would be, if one were to attempt it in a jiffy.

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**Table 1. Performance of Dhanalakshmi Bank Prior to 'Brand Makeover'  
(2004-05 to 2008-09)**

| Items                               | Dhanalakshmi Bank |         |         |         |         |                          |                    |
|-------------------------------------|-------------------|---------|---------|---------|---------|--------------------------|--------------------|
|                                     | 2004-05           | 2005-06 | 2006-07 | 2007-08 | 2008-09 | (Amount in rupees crore) |                    |
|                                     |                   |         |         |         |         | Group Ave                | All Banks' Average |
|                                     |                   |         |         |         |         | 2008-09                  | 2008-09            |
| No. of offices                      | 182               | 186     | 189     | 181     | 181     | 411                      | 825                |
| No. of employees                    | 1313              | 1385    | 1385    | 1411    | 1402    | 8289                     | 12039              |
| Business per employee (in Rs. lakh) | 292.70            | 311.71  | 366.68  | 409.08  | 585.88  | 744.27                   | 750.55             |
| Profit per employee (in Rs. lakh)   | -1.65             | 0.72    | 1.18    | 2.02    | 4.10    | 6.16                     | 5.60               |
| Capital and Reserves & surplus      | 114               | 134     | 147     | 172     | 424     | 4716                     | 4708               |
| Deposits                            | 2339              | 2533    | 3088    | 3608    | 4969    | 34610                    | 51970              |
| Investments                         | 708               | 710     | 865     | 1075    | 1567    | 14440                    | 18542              |
| Advances                            | 1410              | 1594    | 1837    | 2102    | 3196    | 27084                    | 38389              |
| Interest income                     | 192               | 210     | 249     | 312     | 408     | 4004                     | 4972               |
| Other income                        | 15                | 22      | 28      | 42      | 79      | 848                      | 960                |
| Interest expended                   | 119               | 127     | 150     | 214     | 287     | 2682                     | 3366               |
| Operating expenses                  | 69                | 82      | 88      | 97      | 113     | 1027                     | 1142               |
| Cost of Funds (CoF)                 | 5.07              | 4.97    | 5.10    | 6.17    | 6.53    | 6.25                     | 6.05               |
| Return on advances adjusted to CoF  | 4.62              | 4.65    | 5.22    | 4.98    | 4.50    | 5.09                     | 4.43               |
| Wages as % to total expenses        | 20.92             | 20.04   | 18.40   | 15.28   | 15.65   | 10.79                    | 13.52              |
| Return on Assets                    | -0.83             | 0.33    | 0.47    | 0.76    | 1.21    | 1.12                     | 1.13               |
| CRAR                                | 10.16             | 9.75    | 9.77    | 9.21    | 15.38   | 15.23                    | 13.98              |
| Net NPA ratio                       | 3.92              | 2.82    | 1.75    | 0.88    | 0.88    | 1.30                     | 1.05               |

Source : Profile of Banks,2008-09 Indian Banks' Association

**Table 2. Profit and Loss Statement of Dhanlaxmi Bank 2011-12**

| (Rs. in Crores)            | Q4 FY12     | Q4 FY11     | FY12         | FY11         | Y-o-Y growth   |
|----------------------------|-------------|-------------|--------------|--------------|----------------|
| Interest income            | 347.7       | 296.2       | 1,393.7      | 906.4        | -75.1%         |
| <i>from Advances</i>       | 259.2       | 242.0       | 1,075.4      | 699.1        | -75.9%         |
| <i>from Investments</i>    | 85.7        | 53.3        | 313.6        | 201.7        | -72.7%         |
| <i>Others</i>              | 2.8         | 1.0         | 4.7          | 5.6          | -41.3%         |
| Interest expenses          | 295.4       | 205.7       | 1,146.1      | 641.3        | -74.2%         |
| <i>On Deposits</i>         | 263.4       | 186.5       | 1,015.6      | 584.2        | -74.1%         |
| <i>On Borrowings</i>       | 31.9        | 19.3        | 130.5        | 57.1         | -75.5%         |
| <b>Net Interest Income</b> | <b>52.3</b> | <b>90.4</b> | <b>247.5</b> | <b>265.1</b> | <b>(75.1%)</b> |

| (Rs. in Crores)            | Q4FY12       | Q4FY11      | FY12          | FY11        | y-o-y growth |
|----------------------------|--------------|-------------|---------------|-------------|--------------|
| Interest income            | 347.7        | 296.2       | 1393.7        | 906.4       | 54%          |
| Interest expenses          | 295.4        | 205.7       | 1146.1        | 641.3       | 79%          |
| <b>Net interest income</b> | 52.3         | 90.4        | 247.5         | 265.1       | -7%          |
| Non Interest income        | 17.7         | 46.1        | 143.6         | 146.8       | -2%          |
| Operating expenses         | 146.8        | 107.9       | 489.1         | 344.5       | 42%          |
| <i>Staff cost</i>          | 73.0         | 58.2        | 274.0         | 201.5       | 36%          |
| Provisions                 | 11.9         | 9.5         | 16.6          | 27.7        | -40%         |
| Profit before tax          | -88.6        | 19.1        | -114.5        | 39.7        | NM           |
| Provisions for tax         | -2.1         | 7.9         | 1.2           | 13.7        | -92%         |
| <b>Profit after tax</b>    | <b>-86.5</b> | <b>11.2</b> | <b>-115.6</b> | <b>26.1</b> | <b>NM</b>    |

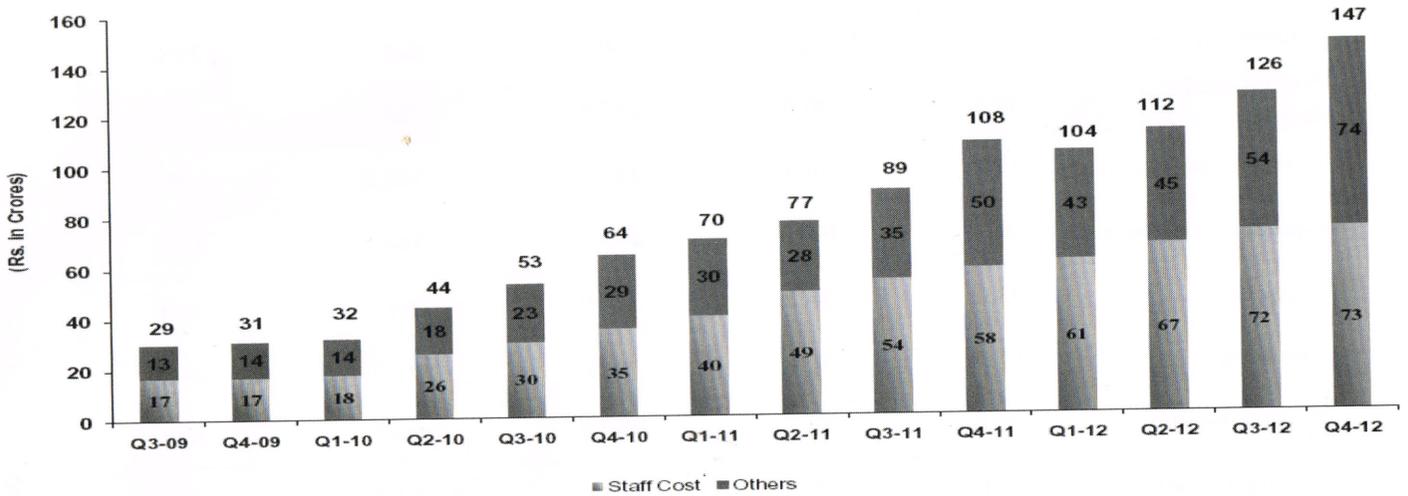
Source: Annual Report 2011-12, Dhanlaxmi Bank

**Table 3. Financials of Dhanlaxmi Bank 2011-12**

| (Rs. in Crores)     | 31-Mar-12     | 31-Dec-11     | Q-o-Q growth | 31-Mar-11     | Y-o-Y growth |
|---------------------|---------------|---------------|--------------|---------------|--------------|
| Capital             | 85            | 85            | 0.0%         | 85            | 0.0%         |
| Reserves            | 643           | 730           | -11.9%       | 760           | -15.4%       |
| Deposits            | 11,804        | 13,406        | -11.9%       | 12,530        | -5.8%        |
| Borrowings          | 1,722         | 1,209         | 42.4%        | 626           | 175.1%       |
| Other Liabilities   | 422           | 517           | -18.4%       | 268           | 57.5%        |
| <b>Total</b>        | <b>14,676</b> | <b>15,946</b> | <b>-8.0%</b> | <b>14,268</b> | <b>2.9%</b>  |
| Cash / Bank balance | 926           | 1,439         | -35.6%       | 935           | -1.0%        |
| Investments         | 4,360         | 4,326         | 0.8%         | 3,640         | 19.8%        |
| Advances            | 8,758         | 9,553         | -8.3%        | 9,065         | -3.4%        |
| Fixed assets        | 149           | 144           | 3.5%         | 134           | 11.2%        |
| Other Assets        | 484           | 484           | 0.0%         | 494           | -2.0%        |
| <b>Total</b>        | <b>14,676</b> | <b>15,946</b> | <b>-8.0%</b> | <b>14,268</b> | <b>2.9%</b>  |

Source : Presentations, Dhanlaxmi bank website ([www.dhanbank.com](http://www.dhanbank.com))

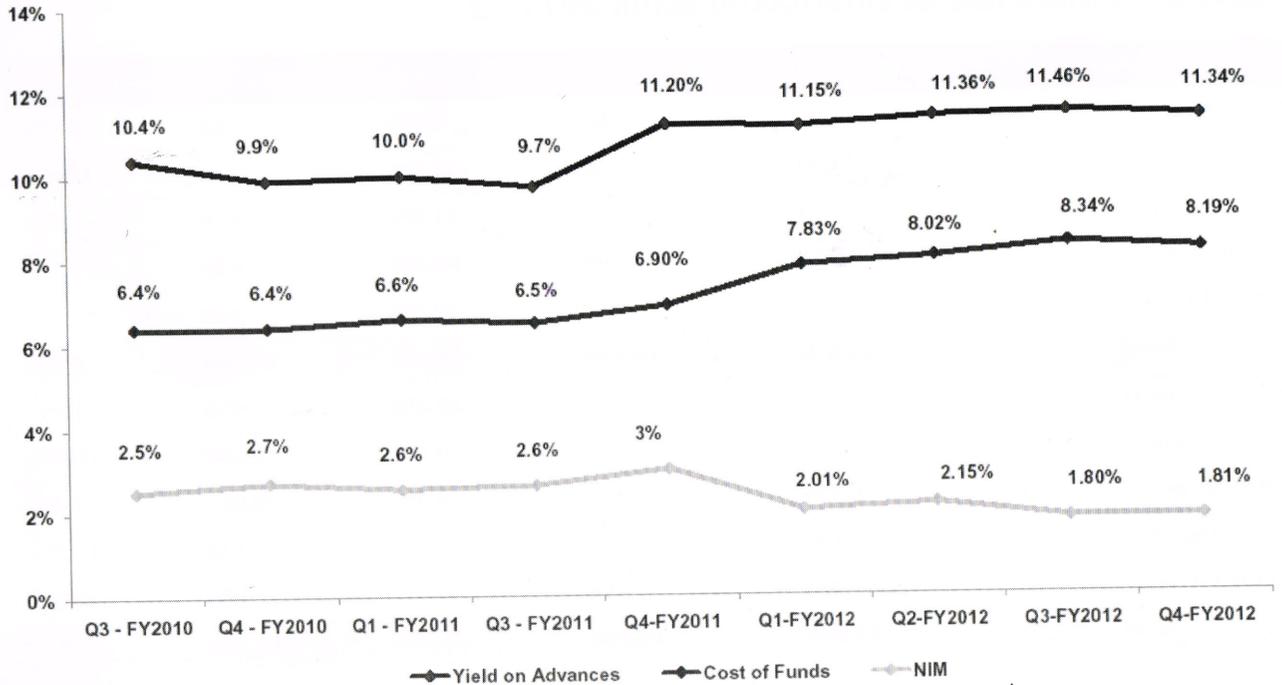
Chart 1: Trend in Operating Expenses



Source: Share holders info / Presentations, Dhanlaxmi bank website ([www.dhanbank.com](http://www.dhanbank.com))

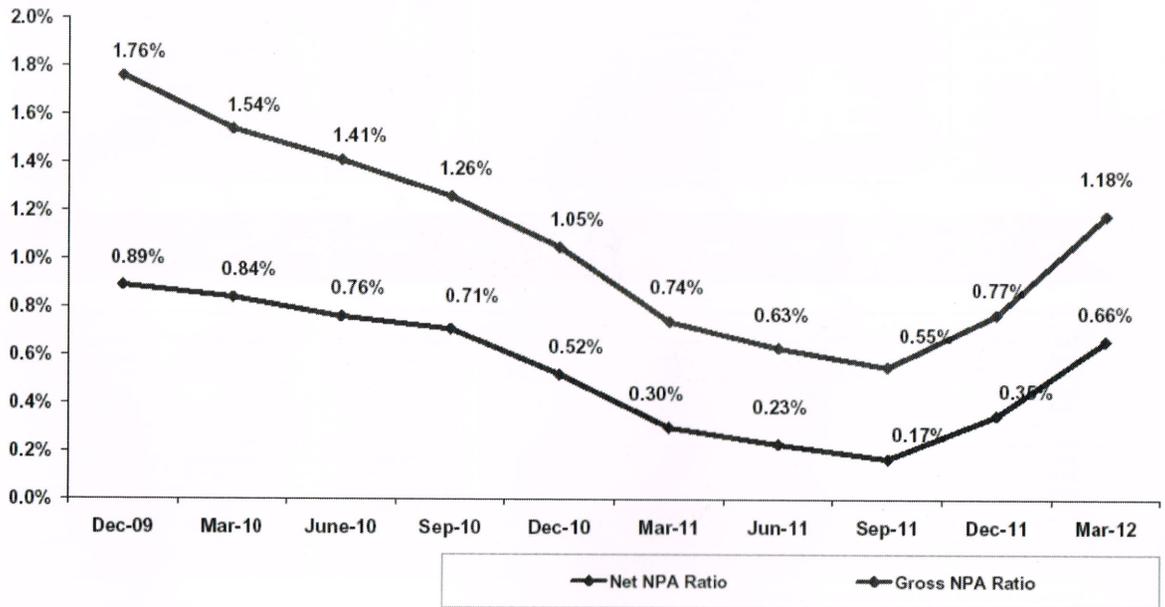
Appendix

Trend in Net Interest Margin (NIM) of the Bank



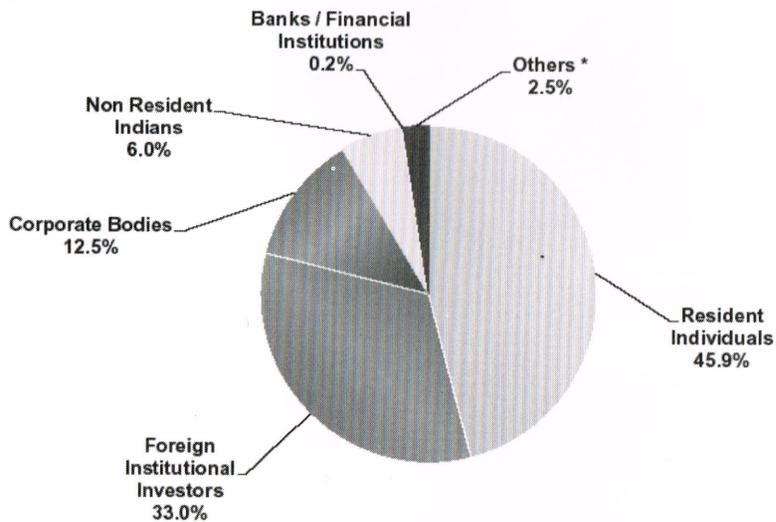
Source : Presentation on Financials 2012, Dhanlaxmi bank

### Trend in Asset Quality of the Bank (when Re-positioning was on)



Source : Presentation on Financials 2012, Dhanlaxmi bank

### Share Holding Pattern of the Bank

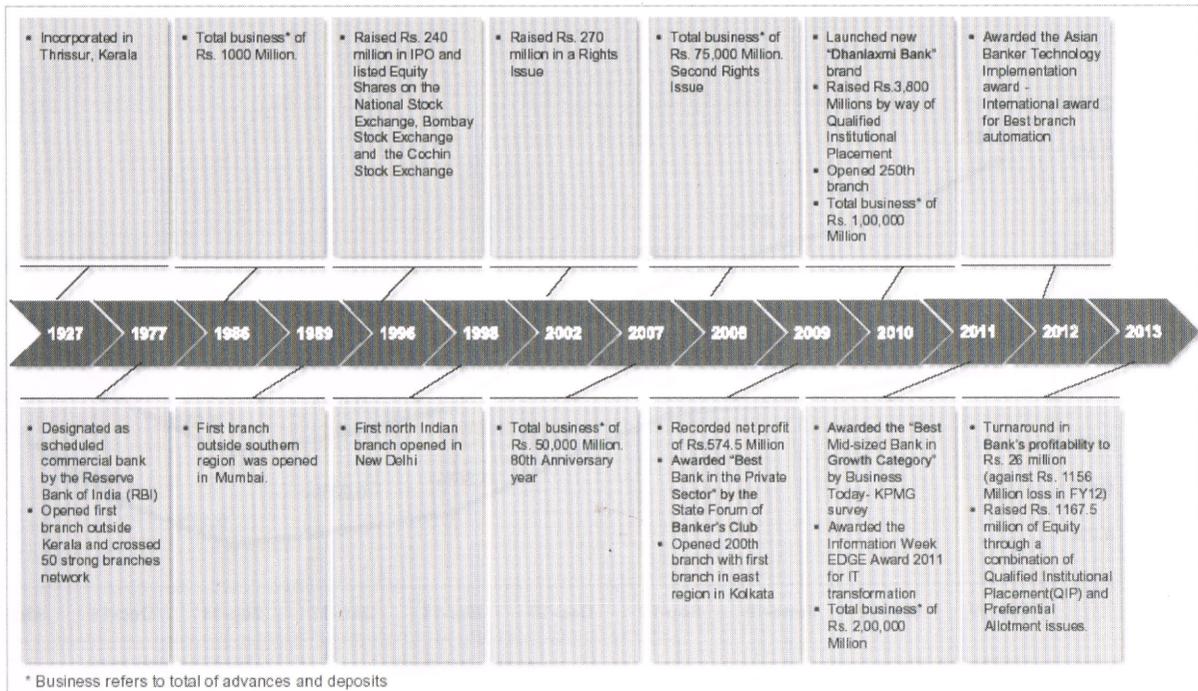


\* Includes insurance companies, Mutual funds, Trusts and Clearing members

Investment limits for FIIs / NRIs at 49% and 24% respectively  
 FIPB approval received – FDI limit at 74%

Source: Presentation of Financial Results 2011-12, Dhanlaxmi bank website (www.dhanbank.com)

### Time-line of Bank's History (when presenting to Investors)



Source: Investor Presentation – Nov 2013, Dhanlaxmi bank website ([www.dhanbank.com](http://www.dhanbank.com))

## MUDRA Bank- A Policy Initiative towards Strengthening Micro, Small and Medium Enterprises (MSMEs)

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### Abstract

*Micro Small and Medium Enterprises (MSMEs) play a significant role in the industrial development of the Indian economy. The contribution of manufacturing MSMEs to GDP is almost 7.04%, of services sector MSMEs is 30.50%, thus overall of MSMEs sector is 37.54% and that of 40% to the share of exports, and 45% share in manufacturing output. This sector generates around 100 million job opportunities over 46 million units spread across the country. But the major bottleneck that this sector is facing is lack of financial support. More than 90% of the Non Corporate Small Business Sector (NCSB) does not have access to the formal sources of finance. Hence there was an urgent need to catering to the financial needs of this sector, otherwise this sector would remain unfunded and a part of production labour force would remain unemployed. Bringing MSMEs in the mainstream will not only help in improving quality of life of these entrepreneurs but will also contribute substantially to employment generation in the economy thereby achieving higher GDP growth rate.*

*Setting up of MUDRA –Micro Unit Development and Regulatory Agency Ltd. is a policy initiative of Govt. of India for catering to the needs of the informal sector or the Non Corporate Small Business Sector (NCSB) segment and an effort towards bringing them in the mainstream. As on 11th march 2016 the total number of PMMY loans sanctioned are- 2,98,06972, Banks have so far sanctioned over Rs. 1,17,17.77 crore and the total amount disbursed is around 1,11,388.81 crore under the scheme of Pradhan Mantri MUDRA Yojana. Thus MUDRA Bank is expected to give MSMEs the much needed impetus to effectively manage and grow their business The broad objective of the paper is to highlight the role and responsibility of MUDRA Bank in financing MSMEs and to have an overview of the implementation of Pradhan Mantri MUDRA Yojana across the country till March 2016.*

**Key words: MSMEs, MUDRA Bank, Non Corporate Small Business sector (NCSB).**

### Introduction

Micro Small and Medium Enterprises (MSMEs) play a significant role in the industrial development of the Indian economy. Various industries like manufacturing, engineering, food processing, pharmaceutical, readymade garments, retail, IT and ITEs, agro and service sector are growing robustly in the Indian economy. The importance of MSMEs can be highlighted through its role in employment generation, manufacturing through less capital requirements, using local resources, being labour intensive and producing export oriented products etc.

The contribution of manufacturing MSMEs to GDP is almost 7.04%, whereas the contribution of service sector MSMEs estimated at 30.50%, and the overall share of MSMEs sector in GDP of the country during 2012-13 was 37.54%, 40% to the share of exports, and 45% share in manufacturing output (CSO data-2012-13). This sector generates around 100 million job opportunities over 46 million units spread across the country. Besides this, the sector also contributes significantly towards overcoming regional disparities by setting up manufacturing units in rural and backward areas.

But in spite of its significant contribution to the overall growth of industrialisation in the economy it is facing many challenges. The major challenges encountered by this sector are inadequate access to finance, infrastructure gaps, lack of growth orientation, lack of market development, knowledge gaps, information asymmetry, entry level technologies etc.

But the major bottleneck that this sector is facing is lack of financial support. More than 90% of the Non Corporate Small Business Sector (NCSB) does not have access to the formal sources of finance. They are largely self-financed or rely on personal finance or money lenders. Hence there was an urgent need to catering to the financial needs of this sector which in turn will provide an impetus to the economy. Otherwise this sector would remain unfunded and a part of production labour force would remain unemployed. Bringing MSMEs in the mainstream will not only help in improving quality of life of these entrepreneurs but will also contribute substantially to employment generation in the economy thereby achieving higher GDP growth rate.

Thus setting of MUDRA–Micro Unit Development and Regulatory Agency Ltd. is a policy initiative of Govt. of India for catering to the needs of the informal sector or the Non Corporate Small Business Sector (NCSB) segment and an effort towards bringing them in the mainstream. MUDRA has been established through a statutory enactment. Initially it was set up as a Non-Banking Finance Company as MUDRA LTD. as a subsidiary of SIDBI. In January 2016, cabinet has approved conversion of MUDRALTD. an NBFC into MUDRA Bank.

## Objective of the paper

The broad objective of the paper is to highlight the role and responsibility of MUDRA Bank in financing MSMEs and to have an overview of the implementation of Prime Mantri MUDRA Yojana across the country till March 2016.

## Methodology

The required secondary information is collected from published and online articles and relevant data is collected from official website of MUDRA Bank.

## An overview of MUDRA Bank

MUDRA is a policy initiative to refinance and regulate Micro Finance Institutions (MFIs) and fund small units that are typically excluded from the mainstream banking system. The idea of MUDRA Bank was envisaged in the budget of 2015-16. The main objective of MUDRA Bank is to encourage entrepreneurs and small business units to expand their capabilities and operations, to reduce over indebtedness and to provide them with formal source of credit. Businesses or entrepreneurs would include proprietorship or partnership firms such as small manufacturing units, shopkeepers, fruits or vegetable sellers, hair cutting saloon, beauty parlours, transporters, truck operators, hawkers, cooperatives or body of individuals, food service units, repair shops, machine operators, small industries, artisans, food processors, self help groups, professionals and service providers etc. in rural and urban area with financial requirements up to Rs.10 lakhs. MUDRA Bank started with an initial fund corpus of Rs.20, 000 crore and the backing of another Rs. 3,000 crore credit guarantee fund. This initiative is aimed at catering to the financial needs of about 5.77 crore small business units (NSSO survey-2013), which do not get funding from banking system. Further it will partner with state and regional level coordinators to provide finance to last mile financiers of small and micro business enterprises.

## Role and responsibility of MUDRA bank

MUDRA Bank is operating with the following principal responsibilities:

1. Stabilizing Indian's microfinance sector via inclusive participation and regulation. This will involve regulation of borrowers and lenders of microfinance.
2. Aiding agencies and Microfinance Institutions (commonly abbreviated as MFIs) by extending credit support. This will allow these MFIs and agencies to lend money to individuals, SHGs (self-help groups), retailers and other small business.

3. Maintaining a registered record of MFIs and agencies for the first time ever in history and introducing an accreditation and performance rating system. With the new rating system, last-mile borrowers will be able to evaluate the agencies or MFIs they approach for loans. Agencies and MFIs with best track records will get edge over others. This method will thus ensure that the lenders stay competitive and operate with best industry practices to stay in business. End result is simple – borrowers emerge triumphant!
4. Offering structured guidelines to borrowers to prevent business failure. These guidelines will allow business owners to take necessary corrective steps in time in order to avoid catastrophic losses that can eventually lead to defaults. On the other hand, MUDRA will also provide a set of guidelines that lenders need to follow for debt recovery in case of defaults.
5. Introduction and implementation of technological support that will help to streamline and simplify lending and borrowing of capital. These technologies will also help to monitor the proper usage of the capital that is distributed through MUDRA.
6. Developments of standard protocols that will, over time, become the last-mile business' backbone.
7. Developing a robust framework so that an efficient delivery system for last-mile credit to micro and small businesses can be developed.

## Product and offerings of MUDRA Bank

### MUDRA Bank is offering two categories of products

1. Refinance products for the micro units having loan requirement in the range of Rs. 50,000 to Rs. 10 lakh and support to MFIs for on lending etc.
2. The other products are for development support to the sector.

MUDRA Bank is providing refinance to Micro business under the scheme of Pradhan Mantri MUDRA Yojana. The funding to the units will be done on the basis of the stage of the growth. The initial products or schemes of MUDRA have been named, 'Shishu', 'Kishor' and 'Tarun' to signify the stage of growth or development and funding needs of the beneficiary micro units or entrepreneur.

More stress would be laid on ensuring that at least 60% of the credit flows to Shishu category units and the balance to Kishor and Tarun categories.

### Other products

The other products have been designed to meet requirements of different sectors or business activities as well as business or entrepreneur segments. They are as follows:

1. Sector or activity specific schemes
2. Micro credit schemes (MCS)
3. Refinance scheme for Regional Rural Banks (RRBs) and scheduled cooperative banks
4. Mahila Udyami Scheme
5. Business loans for traders and shopkeepers
6. Missing middle credit scheme
7. Equipment finance for Micro Units.

MUDRA Bank also has an innovative offering in the form of a preloaded MUDRA Card. The card offering will help provide pre-approved credit line to the members by providing a card that can be utilized to purchase raw materials and components from registered products on an online platform.

## Performance of MUDRA Bank

As on 11th march 2016 the total number of PMMY loans sanctioned are-2,98,06972,Banks have so far sanctioned over Rs. 1,17,17.77 crore and the total amount disbursed is around 1,11,388.81 crore under the scheme of Pradhan Mantri MUDRA Yojana. Table 1 highlights the total number of sanctions, total amount sanctioned and total amount disbursed under the categories of Shishu, Kishor and Tarun schemes of Pradhan Mantri MUDRA Yojana.

## Findings

From the above table it is clear that as far as the loans sanctioned and disbursed under of Pradhan Mantri MUDRA Yojana is concerned bigger states like Rajasthan, Madhya Pradesh, Karnataka, Gujarat, Kerala, Andhra Pradesh, Maharashtra, Tamil Nadu, West Bengal and Uttar Pradesh have received a larger share whereas smaller states especially states from North East have received a smaller share. But overall the scheme has a long way to go to disburse an amount of Rs. 20,000 lakh crore.

As far as the effectiveness and performance of the MUDRA Bank Yojana is concerned, it can be judged only after a certain period of time. It is really difficult to say whether or not this scheme will yield positive results. Considering the financial needs of the micro and small enterprises that have long been cut off from mainstream financial services, the Yojana can make a good impact if properly executed.

## Conclusion

MUDRA Bank is expected to give MSMEs the much needed impetus to effectively manage and grow their business and not to fall prey to the vicious circle of collateral security, exorbitant interest and loan repayment. But the biggest challenge of the bank will be reaching out to entrepreneurs in rural and backward areas. The government will have to work modalities to involve people at the grass root level and educating them about the benefit of the scheme. Assuming that the of Pradhan Mantri MUDRA Yojana is implemented effectively as envisaged, it will bring about a number of positive impacts like boosting GDP through employment and income generation thus stimulating demand and manufacturing activities in the economy.

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**Table 1. State wise data pertaining to loans sanctioned and disbursed under Pradhan Mantri MUDRA Yojana (as on 11 March 2016).**

(Amount in crores)

| SI No. | STATES            | SHISHU<br>(Loans Upto Rs. 50,000) |                   |                     | KISHORE<br>(Loans From Rs. 50,001 to Rs. 5.00 Lakh) |                   |                     | TARUN<br>(Loans from Rs. 5.00 to Rs. 10.00 Lakh) |                   |                     | TOTAL           |                   |                     |
|--------|-------------------|-----------------------------------|-------------------|---------------------|---|-------------------|---------------------|--|-------------------|---------------------|-----------------|-------------------|---------------------|
|        |                   | No of Sanctions                   | Sanctioned Amount | Disbursement Amount | No of Sanctions                                     | Sanctioned Amount | Disbursement Amount | No of Sanctions                                  | Sanctioned Amount | Disbursement Amount | No of Sanctions | Sanctioned Amount | Disbursement Amount |
| 1      | Jammu and Kashmir | 17277                             | 58.81             | 57.25               | 31635   | 696.37            | 677.37              | 4346   | 328.35            | 320.52              | 53258           | 1083.53           | 1055.14             |
| 2      | Himachal Pradesh  | 53589                             | 103.11            | 97.68               | 19259   | 461.94            | 442.88              | 4122   | 335.98            | 323.90              | 76970           | 901.03            | 864.46              |
| 3      | Uttarakhand       | 264548                            | 545.84            | 538.49              | 23168   | 548.63            | 528.55              | 4566   | 355.83            | 339.24              | 292282          | 1450.30           | 1406.28             |
| 4      | Haryana           | 575428                            | 1192.35           | 1166.52             | 32917   | 721.94            | 675.24              | 10762  | 841.28            | 789.39              | 619107          | 2755.57           | 2631.15             |
| 5      | Punjab            | 532861                            | 1099.11           | 1080.53             | 39364   | 925.60            | 893.77              | 14418  | 1129.02           | 1089.22             | 586643          | 3153.73           | 3063.52             |
| 6      | Uttar Pradesh     | 2794207                           | 5160.55           | 5030.87             | 143345  | 3061.64           | 2901.22             | 30454  | 2426.96           | 2279.28             | 2968006         | 10649.15          | 10211.37            |
| 7      | Rajasthan         | 927407                            | 1772.1            | 1727                | 58754   | 1365.4            | 1270.5              | 20109  | 1582.1            | 1485.8              | 1006270         | 4719.53           | 4483.27             |
| 8      | Gujarat           | 836987                            | 1856.7            | 1823.3              | 76839   | 1693.1            | 1640.9              | 21330  | 1594.1            | 1540                | 935156          | 5143.89           | 5004.15             |
| 9      | Madhya Pradesh    | 1934472                           | 3676.2            | 3602.5              | 76612   | 1643.1            | 1487.2              | 17154  | 1365.1            | 1257.4              | 2028238         | 6684.31           | 6347.13             |
| 10     | Bihar             | 2017690                           | 3685.6            | 3620.1              | 120871  | 2200.3            | 2047                | 10507  | 842.37            | 782.59              | 2149068         | 6728.25           | 6449.64             |
| 11     | West Bengal       | 2224944                           | 3468              | 3426.9              | 106135  | 2120.4            | 1957.2              | 18857  | 1335.4            | 1260                | 2349936         | 6923.88           | 6644.06             |
| 12     | Sikkim            | 8077                              | 13.29             | 12.65               | 1011  | 24.08             | 22.07               | 219  | 17.02             | 15.12               | 9307            | 54.39             | 49.84               |
| 13     | Arunachal Pradesh | 3385                              | 8.46              | 8.37                | 866   | 26.07             | 25.38               | 409  | 33.51             | 32.87               | 4660            | 68.04             | 66.62               |
| 14     | Assam             | 353652                            | 709.17            | 697.2               | 26989   | 567.69            | 531.8               | 4020   | 306.08            | 294.71              | 384661          | 1582.94           | 1523.71             |
| 15     | Nagaland          | 3272                              | 11.07             | 9.97                | 1312  | 36.52             | 34.5                | 389  | 29.91             | 25.28               | 4973            | 77.5              | 69.75               |
| 16     | Manipur           | 20131                             | 39.03             | 38.36               | 2748  | 57.38             | 53.93               | 323  | 23.54             | 21.92               | 23202           | 119.95            | 114.21              |
| 17     | Mizoram           | 5266                              | 19.77             | 18.8                | 1612  | 33.65             | 28.29               | 273  | 21.55             | 20.83               | 7151            | 74.97             | 67.92               |
| 18     | Tripura           | 50313                             | 118.13            | 115.95              | 6068  | 123.41            | 109.12              | 719  | 57.31             | 52.07               | 57100           | 298.85            | 277.14              |
| 19     | Meghalaya         | 14416                             | 37.54             | 36.88               | 2773  | 68.47             | 67.06               | 514  | 40.11             | 38.26               | 17703           | 146.12            | 142.2               |
| 20     | Jharkhand         | 719869                            | 1272.7            | 1243.3              | 33399   | 738.04            | 693.88              | 6254   | 490.74            | 459.71              | 759522          | 2501.45           | 2396.92             |
| 21     | Odisha            | 1910025                           | 3158.5            | 3116.9              | 47601   | 903.57            | 844.71              | 9654   | 715.09            | 635.77              | 1967280         | 4777.16           | 4597.4              |
| 22     | Chhattisgarh      | 454761                            | 943.6             | 913.1               | 24253   | 483.56            | 432.79              | 4778   | 394.34            | 369.08              | 483792          | 1821.5            | 1714.97             |
| 23     | Maharashtra       | 2771386                           | 5452.2            | 5374.4              | 135596  | 3159.2            | 2980.3              | 35596  | 2855.1            | 2697.8              | 2942578         | 11466.5           | 11052.5             |
| 24     | Andhra Pradesh    | 519857                            | 1265.6            | 1177                | 145890  | 2954.2            | 2785                | 11860  | 976.81            | 892.34              | 677607          | 5196.55           | 4854.38             |
| 25     | Goa               | 22018                             | 58.75             | 54.09               | 6935  | 150.85            | 140.91              | 1557   | 122.46            | 112.97              | 30510           | 332.06            | 307.97              |
| 26     | Karnataka         | 3421935                           | 7038.3            | 6940.7              | 242329  | 4506.8            | 4295.7              | 35868  | 2440.3            | 2269.2              | 3700132         | 13985.4           | 13505.5             |
| 27     | Telangana         | 242709                            | 580.84            | 553.7               | 88874   | 1873.6            | 1783.7              | 10611  | 817.94            | 776.75              | 342194          | 3272.34           | 3114.15             |
| 28     | Tamil Nadu        | 3881692                           | 7179              | 6688.4              | 204719  | 4630.4            | 3559.6              | 24843  | 2185.8            | 1849.1              | 4111254         | 13995.2           | 12097               |
| 29     | Kerala            | 623096                            | 1246.8            | 1215.7              | 95880   | 2003.5            | 1951.9              | 12351  | 975.15            | 928.3               | 731327          | 4225.44           | 4095.85             |

Source: www.mudra.org.in

## Evangelism Marketing – Is it the most Compelling Word of Mouth Marketing Tool?

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### Abstract

*In an overcrowded market where dozens of companies seem to sell similar goods, it is a joy to find a business that truly performs an exemplary service. Sharing shopping discoveries with a friend is like passing on secret knowledge -- only those in the know get to share in the benefits. Turning a customer into a mouthpiece for advertising is a marketing dream. As companies have grown and become more impersonal, marketers experience more challenges making meaningful connections with customers. Consumers want to buy products from businesses they can trust, and often turn to their friends for recommendations. This product "evangelism" helps businesses build their reputations and spread word of their highly regarded services. Evangelism marketing is more commonly known as word-of-mouth-marketing, and relies on customers to deliver marketing messages to other potential customers. When someone recommends a new restaurant they liked, a pair of shoes that was particularly comfortable, or a mechanic who offers honest service, they are acting as "customer evangelists." The challenge is convincing people to recommend a company in an honest and organic way. Obviously, not every company can turn their customers into evangelists. Many companies offer mediocre or predictable services that are so ordinary they are not worth taking the time to mention to others. Plus, there is no easy way to influence the conversations people have with their friends. A customer could have an amazing experience at a nail salon but not tell their friends because they have more pressing issues to attend to. Marketing professionals are developing strategies to get others talking about their products and services in a positive way. These include everything from creating online communities for customers to interact, to sponsoring events that help position a brand as part of a lifestyle. The goal of any evangelist marketing strategy is to find out how a brand fits into a customer's life and making that fit as easy as possible. The more effectively a brand satisfies a customer's needs, the more likely they are to mention it to friends and family. It's been shown that Evangelism due to personalization is giving potential and existing customers a free platform to talk about their experiences that they had with the companies.*

**Keywords: Evangelism, Customer Evangelism, Word-of-Mouth Marketing, Social Networking.**

### Introduction

**History:** Many people believe Guy Kawasaki, the former chief evangelist of Apple Computer, to be the father of evangelism marketing. In his books "The Art of the Start" and "How to Drive Your Competition Crazy" Kawasaki states that the driving force behind evangelism marketing is the fact that individuals simply want to make the world a better place. Evangelist customers spread their recommendations and recruit new customers out of pure belief, not for goods or money.

The word "evangelist" comes from Greek word "eu-angelos", meaning "bringer of good news". The customer bhakti or evangelism is nectar for the organization. These days, the customer-evangelism marketing has become the talk of the Internet circle; that is why a search engine specialist, Jody in 2007 commented, "Over the past few weeks and months I have heard more about evangelists and evangelism than I have in my entire life. From Technology evangelists to Enthusiast evangelists to Consumer-evangelists, everyone seems to be promoting evangelists lately."

## Basic Concept of Evangelism Marketing

Conceptually, the evangelist-customer becomes perfect and is satisfied. As a devotee, he does not crave for anything, nor regret, nor envy, nor take interest in the senses, nor to own any objects. Customer-evangelists are vocal consumers and the brand may find them from all walks of life. They share common characteristics that they flood online-offline praises, favourable remarks and experiences for the brand, brand personality, products, services, personality in channel system or ways and means of publicity.

Evangelism marketing is an advanced form of word-of-mouth marketing (WOMM) in which companies develop customers who believe so strongly in a particular product or service that they freely try to convince others to buy and use it. The customers become voluntary advocates, actively spreading the word on behalf of the company.

Evangelism marketing is sometimes confused with affiliate marketing. However, while affiliate programs provide incentives in the form of money or products, evangelist customers spread their recommendations and recruit new customers out of pure belief, not for the receipt of goods or money. Rather, the goal of the customer evangelist is simply to provide benefit to other individuals.

As they act independently, evangelist customers often become key influencers. The fact that evangelists are not paid or associated with any company makes their beliefs perceived by others as credible and trustworthy.

Evangelism comes from the three words of 'bringing good news,' and the marketing term justly draws from the religious sense, as consumers are driven by their beliefs in a product or service, which they preach in an attempt to convert others.

### What is Evangelism Marketing ?

Evangelism marketing relies on customers to recommend a business, its products and services to other potential customers in honest and organic way. Customers, who do this, act as a "customer evangelists".

But, generating such genuine and positive feedbacks and recommendations is a herculean task. Marketing professionals develop strategies to effectively satisfy customer's need, by creating online communities for customers to interact, by sponsoring events, etc. to let their customers talk about their products and services positively.

### Kinds of Evangelism Marketing

1. Evangelism marketing is applicable to any kind of product.
2. Technology evangelism is the evangelism marketing of a tool.
3. Platform Evangelism is the evangelism marketing of the opportunity to create complementary goods for a multi-sided platform, which also involves non-marketing functions such as regulation of the platform's commercial ecosystem to maximize network effects.

### Who Employs Evangelism Marketing ?

Organisation always looks forward in creating a lifelong relationship with the customers and tries to sustain it.

The study by Ben McConnell and Jackie Huba authors of *Creating Customer Evangelists: How Loyal Customers Become a Volunteer Sales force*. The study provides examples of companies who have successfully turned loyal customers into customer evangelists for their organisation.

### The study mentioned some key factors in defining consumer evangelists

1. Consumer Evangelist purchase and believe in your product or service
2. Consumer Evangelist passionately recommend you to friends, family and colleagues
3. Consumer Evangelist provide unsolicited feedback or praise
4. Consumer Evangelist forgive dips in quality, convenience or service

5. Customer Evangelist are not bought they extol your virtues freely
6. Customer Evangelist makes a point to offer glowing recommendations to family, friends and co-workers
7. Customer Evangelist gives product as a gift
8. Offers praise, criticism, and other feedback without being asked
9. Offers praise without any financial incentive
10. Participating in the brand makes the customer feel like they are part of something larger than themselves

(Source: [www.creatingcustomerevangelist.com](http://www.creatingcustomerevangelist.com))

### Customer Communities

A strong avenue for evangelists is in the form of customer communities, which bring together groups of users of a product or service to share information and discuss common issues. Some companies assist with such events, for example:

1. General Motors' Saturn division in Tennessee organizes an annual summer picnic for thousands of customers.
2. Another example is the Harley Owners Groups (HOGS), organized by Harley Davidson, which associate bikers locally and globally through quarterly and annual meetings held all over the world.
3. Starbucks Corporation, the coffee company, started an online customer community in 2008 called My Starbucks Idea, designed to collect suggestions for products or services and feedback from customers. During the first year of the program, My Starbucks Idea generated 70,000 ideas through the site and approximately 50 changes based on customer suggestions were implemented.

### Role of Social Networking in Evangelism Marketing

Role of social networking has been an effective tool for the marketers. The majority of companies have already started to hold close these social media to integrate them in their marketing and communication strategies. Now a day almost all companies have inclined in adopting this new strategy whereby they are taking advantage of a free platform and modern technology to promote brands and corporate image.

Let us look at some charts which will establish the fact that how important is the role of social networking in the life of marketers.

### Evangelism Marketing Examples

Small businesses use a variety of strategies to entice customers. While many of these marketing methods use media such as television, magazines and the Internet, the most effective marketing has always relied on word of mouth. For this method to be effective, you must convert customers into spokespeople for your products. These satisfied customers become "evangelists" for the brand and bring the "gospel" of the product to their friends and families.

#### 1. **Product Evangelists**

One of the ways that small businesses can use evangelism marketing is to become evangelists about their products themselves. In-house staffers, managers and sales people can carry their enthusiasm about the products to vendors and customers to win them over. As an example, Apple Computers was a struggling high-tech company during the 1980s. In 1983, Apple hired Guy Kawasaki as its "product evangelist." Kawasaki touted the virtues of Apple's newest computer, the Macintosh, to hardware and software developers. His successful evangelism would lead to fierce customer loyalty throughout the following decades.

#### 2. **Social Media**

Social media has also been a powerful force in evangelism marketing. Small businesses can employ Facebook, Twitter and YouTube to create a community around the love of their products. Customers can openly discuss their

likes and dislikes, which allows them to spread the message of your company's mission. Company executives at Domino's Pizza researched the data from these online communities and re-organized many of their processes. These changes showed their customers that the company listened to them, which enhanced their reputation and earned them more converts.

### 3. **Designated Shoppers**

Small retail businesses can recruit product evangelists from their own customer base. These shoppers can try out the merchandise, report on its quality and pass on the information to other prospective customers. Arizona-based used clothing retailer Buffalo Exchange recruited their own "evangelists": high school students with an interest in fashion design. The stores gave the students gift cards and asked them to dress the display mannequins in their preferred styles. The participants then influenced the fashion choices of their friends and classmates.

### 4. **Party Time**

Everybody loves a party, so small businesses can attract potential evangelists by showing them a good time. The customers then associate the product with happy feelings and pass those messages along to their friends. Discovery Education created product evangelists by engaging with educators and administrators from around the U.S. at education technology conferences. Instead of conducting a formal product demo, Discovery created a party atmosphere to get prospects excited about their catalog. When the attendees return to their schools, they spread the word about Discovery's products to their colleagues.

## **Traits of a customer evangelist**

1. Customers that regularly buy the product and believes in the brand
2. Makes a point to offer glowing recommendations to family, friends and co-workers
3. Gives the product as a gift
4. Offers praise, criticism, and other feedback without being asked
5. Dips in quality, convenience, or service are forgiven
6. Offers praise without any financial incentive
7. Participating in the brand makes the customer feel like they are part of something larger than themselves

Evangelism marketing is a tool that is available to any business in a multitude of industries. Consider a large company like Apple. Apple loyalists are some of the most recognized product evangelists in the market, sharing their experiences with emerging technology in enthusiastic ways.

Conversely, small businesses with limited marketing budgets often use evangelism marketing in place of more expensive television or print campaigns. A restaurant with delicious desserts often attracts more customers through referrals and word-of-mouth than by sending out coupons for free desserts.

Businesses love evangelism marketing because it produces a high return on investment. The amount of money generated in new sales is typically significantly higher than the money spent on marketing, since customer referrals are usually free.

Customer evangelists are repeat customers who support a brand with their money and their praise. This produces long term benefits for a company. Any business that is interested in creating a committed customer base will have something to gain from evangelism marketing.

## **How is an Evangelism Marketing Plan Developed and Implemented ?**

1. The most important aspect of any evangelist marketing plan is to establish a connection with customers. The best way to get customers talking about a brand is for businesses to start the dialog themselves. The information that comes out of these conversations can be used to create more useful products and services.

2. Before implementing an evangelism marketing plan, businesses must engage in market research with focus groups, online surveys, or other consumer information gathering strategies. The goal is to create an open, honest, and comprehensive portrait of how a brand is understood in the minds of the public. This analysis should focus on both positives and negative aspects of the brand. The popular perception of a company might be that it has great products but terrible customer service, giving companies a chance to reinforce their strengths and correct their mistakes.
3. Identifying “mainstream” customers is another important feature of an evangelism marketing strategy. If a company wants to maximize the conversation about their product or service, they must market to the broadest possible section of customers.
4. Once a company has collected as much information as possible about their customer's experiences, they have to be prepared to make changes based on that information. These changes can be relatively minor or involve major overhauls. A famous example of this is Amazon's Kindle e-reader. Amazon analyzed the tens of thousands of customer reviews posted on their website to help refine the Kindle as it went through several generations of redesigns.
5. By taking a thoughtful approach to customer feedback, they were able to turn public criticism into public praise. The Kindle is now one of the world's most widely used e-readers.

### Evangelist Marketing in Action

There is not one perfect strategy for turning customers into evangelists. Companies have experimented with a whole range of approaches to get their customers talking about products and brands. Below are a few creative examples from real companies.

**Buffalo Exchange** – The used clothing chain recruited high school students interested in fashion design to act as “trendsetters.” They were given gift cards to the store and asked to dress up mannequins in hip new styles. This simple and cheap program was a way to connect with young, fashion conscious shoppers who influence the choices of their friends.

**C & M Auto Service Inc** – This Illinois based mechanic's shop set up a customer advisory panel to solicit feedback from people who actually used the shop. The panel was able to provide information about how services were perceived. Using this information, the business was able to refine their marketing and service offerings to highlight their strengths. This made them a more useful and, by extension, recommendable company.

**Dewey's Pizza** – This small Midwestern pizza chain creates customer evangelists by turning mistakes into a cause for comment. If a customer's order is incorrect for any reason, their entire meal is free and they are given a gift certificate to use on their next visit. Many customers are so overwhelmed by the generous service that they praise the restaurant even when a mistake has been made.

**Discovery Education** – This educational publisher creates a dialog about its products by connecting with teachers and industry professionals at education technology conferences. The company rents a room, offers free food and drink, and allows conference weary visitors to unwind and mingle in a pampered atmosphere. All visitors are given free trials to some of Discovery's most popular products. By throwing a party, the company is able to offer a fun service to their customers and distinguish themselves from their more formal competitors.

Chart 1 is based on a 2012 survey that asked respondents to identify the ways that they recommend local business to friends. That data is compared to an identical survey from 2010. As the chart illustrates, face to face recommendations are by far the most popular way to give shopping advice. But as more and more of life is lived online, social media sites are becoming important outlets for recommendations.

### Benefits of Evangelism Marketing

Online market is a crowded place where numerous companies sell similar products / services. And, with the increased competition, it has become a major challenge for online marketers to make meaningful and fruitful connections with their customers. Because consumers tend to buy products from businesses they trust. Therefore, product or brand evangelism helps businesses – build their brand reputation and spread word of highly exemplary services.

Now, let's have a look at the benefits of evangelism marketing that helps businesses gain a loyal customer base.

### 1. Unbiased advertising

Customer evangelists are often the best sales representative because their opinion about a product/service is unbiased and is not associated either with a company or with its benefits. Therefore, brand evangelism becomes one of the best marketing strategy companies should follow.

### 2. A committed customer base

A happy customer or a customer evangelist provides genuine feedback to other customers in need. This helps marketers to create a trusted network of helpful and devoted customers.

### 3. Long-term promotion

Even if other brand marketing and promotion campaigns come to an end, evangelism marketing is a never ending advertising process. It empowers customers trust in a brand by encouraging positive reviews for longer course of time.

### 4. Better customers

People who are evangelists of your product are often your best sales reps too. Because their opinions are not associated with your company, prospects and prospective buyers will be less skeptical of their advice. This means that brand evangelists have a unique opportunity to convert potential customers into new evangelists, who can in turn recruit even more fans to their ranks.

### 5. Evangelists are like free advisors

Often happy to give advice just because they want to, evangelists will frequently step in to provide free “consulting” to other clients in need. This puts less of the burden on your company and your support team, and creates a trusted network of helpful, enthusiastic clients.

### 6. Case studies and testimonials

These are two great resources to have, but aren't easy to put together if you don't have a network of evangelists who are willing to speak on your behalf. Testimonials are persuasive because they feature the voice of your customers without any interference from your company, which makes them seem more honest and trustworthy. If you have a library of these resources, potential customers can do their own research and reach out to your evangelists on their own, without having to seek out your assistance before they're ready.

## Conclusion

Online customer-evangelism is a craze today in Internet sphere. Due to amplification in various promotional media, it is essential for the marketers that they encourage their old customers to behave like their sales force and public relation managers. Online evangelism marketing is one of the tools to turn the devoted customers into selfless sales force and public relation managers of the company. This article highlights the advantages of evangelism and evangelists for commercial purposes. It also throws light on types of commercial evangelists, approaches and steps of online evangelism marketing and the tools of measuring it.

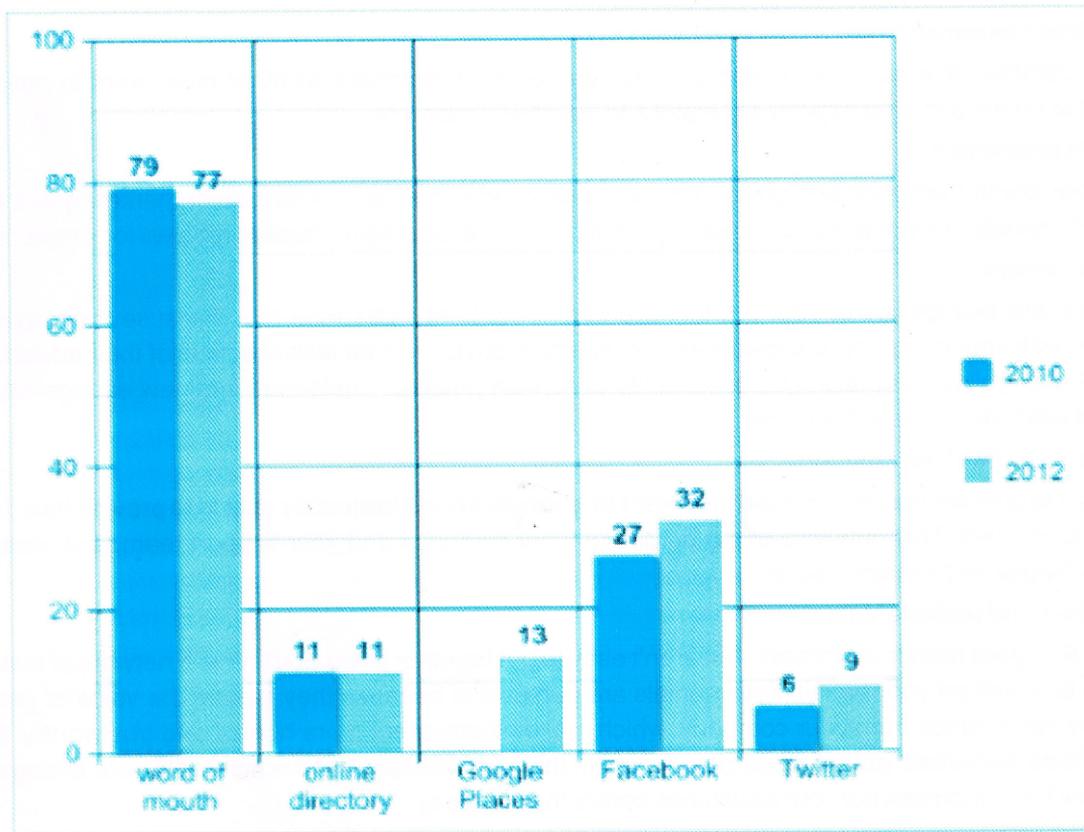
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Chart 1. Ways to recommend local business to friends



Source: (Source:<http://www.marketing-schools.org/types-of-marketing/evangelism-marketing.html>)

## Goods and Service Tax - GST versus Current Taxation System

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### Abstract

*The proposed implementation of the Goods and Service Tax in India has generated a significant amount of discussion and debate in the industry. Marking a sea change in the way tax will be levied, the GST, when introduced, will have an impact on businesses, organizations, and their operations. The current article calculates difference in the cost of product and taxes charged under both the systems of taxation and it is evident that GST is going to be beneficial for both companies and the customers. The article also highlights the differences between the current structure of taxation and the proposed tax structure under the GST model.*

**Key Words:** Good and Service tax, taxation, new tax regime, GST in India

### Introduction

Today's businesses have become externally dynamic because of the way they operate and extensive use of technology. This has resulted into execution complex transactions. Presently in India, services attract service tax, manufacturing attract excise duty, imports attract custom duty, and sale of goods attract sales tax (VAT). Service tax, excise duty and custom duty are levied by central government and the value added tax is levied by the state government.

The proposed implementation of the Goods and Service Tax in India has generated a significant amount of discussion and debate in the industry. Marking a sea change in the way tax will be levied, the GST, when introduced, will have an impact on businesses, organizations, and their operations. Simply put the GST is a comprehensive value added tax on goods and services. It is levied and collected on value addition at each stage of sale or purchase of goods or supply of services with applicable set-offs in respect of the tax paid at previous stages. The GST mechanism has no distinction between taxable goods and taxable services and they are taxed at a single rate in a supply chain of goods and services till the goods or services reach the consumer. It is basically intended as a tax on final consumption.

### Current Taxation System

The Constitution of India (COI) has given power to levy tax to central and state government under seventh schedule. The taxation in India is either charged by the state government or central government. In basic scheme of taxation in India, it is conceived that central government will levy and collect tax revenue from income tax (Exception agricultural income), Excise (Except alcoholic drinks etc), and customs while state government will get tax revenue from Local sales tax, Excise on liquor and tax on agricultural income and the municipalities will get tax revenue from Octroi and Property tax.

### What is GST ?

'G' – Goods

'S' – Services

'T' – Tax

“Goods and Services Tax is a comprehensive tax levy on manufacture, sale and consumption of goods and services at a national level. GST is tax on goods and services with value addition at each stage having comprehensive and chain set off benefits from the producers/ service provider point upto the retailer's level where only the final consumer should bear the tax.”

GST is to replace the existing multiple tax structure of Centre and state taxes is not only desirable but imperative in the emerging the economic environment. Increasingly, services are used or consumed in production and distribution of goods and vice versa. Separate taxation of goods and services often requires splitting of transaction values into value of goods and services for taxation, which leads to greater complexities, administration and compliance costs. Integration of various taxes into GST system would make it possible to give full credit for inputs taxes collected. GST, being a destination-based consumption tax based on VAT principle, would be greatly help in removing economic distortions and will help in development of a common national market. In the GST system, both Central and State taxes will be collected at the point of sale. Both components (the Central and State GST) will be charged on the manufacturing cost. This will benefit individuals as prices are likely to come down. Lower prices will lead to more consumption, thereby helping companies.

“IGST Model” will be in place for taxation of interstate transaction of Goods and Services. The scope of IGST Model is that centre would levy IGST which would be CGST on all inter State transactions of taxable goods and services with appropriate provision for consignment or stock transfer of goods and services. The GST paid on the purchase of goods and services, to be paid on the supply of goods and services. There should be no distinction between raw materials and capital goods in allowing input tax credit. The tax base should comprehensively extend over all goods and services up to final consumption point on value addition. Assessable value for all the taxes will be same. Items which are not charged under GST are Alcohol, tobacco, and petroleum products

### Present tax structure Versus GST – Tax savings under GST at various stages

#### Stage 1: Manufacturing Stage

| Particulars   | Current Tax system                       | GST                 |
|---|--|---------------------|
| Cost of raw material (including tax on purchases Rs10)    | Rs 100                                   | Rs 100              |
| Manufacturing Cost  | Rs 40                                    | Rs 40               |
| Total cost (without VAT)                                  | Rs 140                                   | Rs 140              |
| Tax at 10%  | Rs 14                                    | Rs 14               |
| Tax set off against Tax paid for purchase of raw material | Cannot set off tax paid for raw material | Rs 100              |
| Effective Tax   | Rs 14                                    | Rs (14-10) = Rs 4   |
| Total cost of product at manufacturer stage               | Rs (140+14)= Rs 154                      | Rs (140+4) = Rs 144 |

#### Stage 2: Manufacturer to Wholesaler

| Particulars                                       | Current Tax system                      | GST                  |
|---|---|----------------------|
| Wholesaler purchased product prom manufacturer at | Rs 154                                  | Rs 144               |
| Wholesaler Margin                                 | Rs 20                                   | Rs 20                |
| Total without adding tax                          | Rs 174                                  | Rs 164               |
| Tax at 10%  | Rs 17.4                                 | Rs 16.4              |
| Tax set off against tax paid to manufacturer      | Cannot set off tax paid to manufacturer | Rs 14                |
| Effective Tax                                     | Rs 17.4                                 | Rs (16.4-14)= Rs 2.4 |
| Total cost of product at Wholesaler stage         | 174+17.4= Rs191.4                       | 164+2.4=Rs166.4      |

**Stage 3: Wholesaler to Retailer**

| Particulars                                   | Current Tax system                      | GST                         |
|---|---|-----------------------------|
| Retailer purchased product from Wholesaler at | Rs 191.4                                | Rs 166.4                    |
| Retailer Margin                               | Rs 10                                   | Rs 10                       |
| Total without adding tax                      | Rs 201.4                                | Rs 176.4                    |
| Tax at 10%                                    | Rs 20.14                                | Rs 17.64                    |
| Tax set off against tax paid to manufacturer  | Cannot set off tax paid to manufacturer | Rs 14                       |
| Effective Tax                                 | Rs 20.14                                | Rs (17.64-16.4)=<br>Rs 1.24 |
| Total cost of product at Retailer stage       | 201.4+20.14=<br>Rs221.54                | 176.4+1.24=Rs177.64         |

From the above calculations it is evident that there is substantial difference in the cost of product and taxes charged under both the systems of taxation. And clearly GST is going to be beneficial for both companies and the customers.

**Advantages of GST**

1. Increased tax collections due to wide Speeds up economic of India
2. Better compliance and revenue buoyancy
3. Replacing the cascading effect (tax on tax) created by existing indirect taxes
4. Tax incidence for consumers may be fall
5. Lower transaction cost for final consumers
6. By merging all levies on goods and service into one, GST acquires a very simple and transparent character
7. Efficiency in tax administration
8. Many widen tax base
9. Improvement in cost competitiveness of goods and service and services in the international market

**Conclusion**

In less than 12 months, India is set to embrace the most significant reform in the indirect taxes. Concurrent taxation of goods and services by both Centre and state call for path breaking changes in the structure of indirect taxes existing hitherto. A joint working group from the Centre and the states is accepted to make recommendations on the model tax law and the statutory changes. Indeed a fine balance has to be achieved to maintain the fiscal autonomy of the states and yet provide uniform that such reform calls for. The direction that the government is providing the efforts to empowered committee of state finance ministers is taking a laudable, but surely that consensus seems to be building and GST structures including rates seems to be agreed amongst the states.

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Fig 1. Present Tax Structure in India

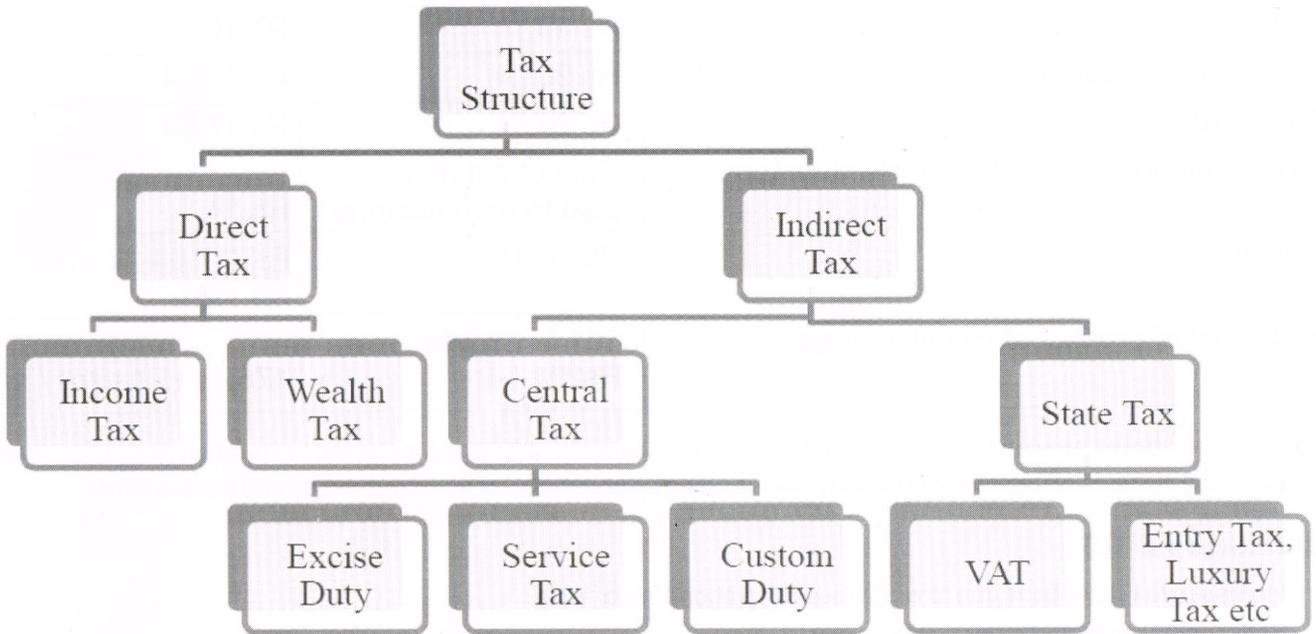
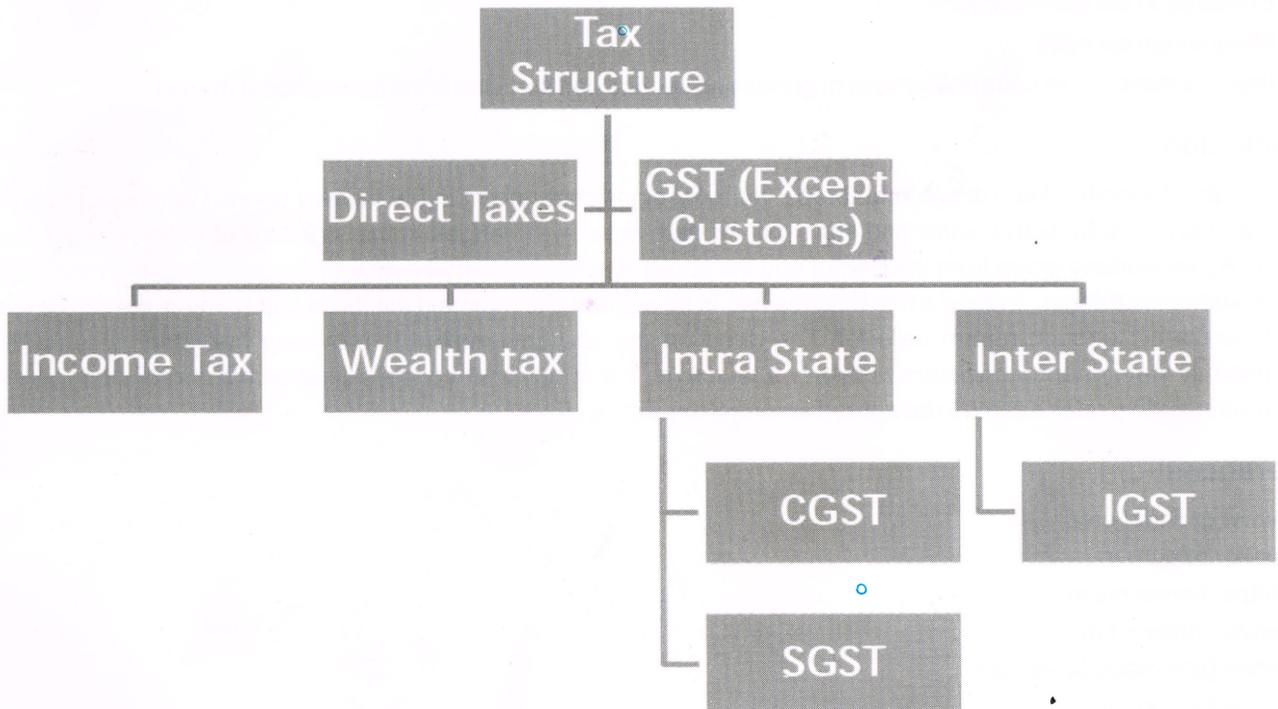


Fig 2. Proposed Structure of GST in India



## Impact of Media on Consumer Behaviour- A Study of Select Districts in Telangana State

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### Abstract

Every entrepreneur set up the business to achieve some objectives. Among the objectives profit maximization is very important. In some cases sales maximization may also be important. To achieve these objectives business has to satisfy the consumer. The consumers can be satisfied by way of supplying quality goods and services at a reasonable price. In order to satisfy them the business enterprise has to conduct several operations. They include buying of raw material, converting them into finished goods and finally to sell them to consumer. Buying of raw material and sale of finished goods are the activities of marketing. Thus, marketing is the important activity of business. It can be done through various forms of media. In this regard we can say that media, marketing has major impact on consumer behaviour. Marketing and media can influence the consumer and in turn consumer can give feedback to improve the marketing process.

**Key words: Consumer Behaviour, Marketing, Media**

### Introduction

A person who purchases goods or services for own consumption is called consumer. This may be an individual person, group, society, govt. institution, organization etc. According to Consumer Protection Act (1986), consumer can be defined as the person or association who consumes or uses goods or services. It means any person who consumes either goods or services or may be both is known as consumer. Goods may be consumable, durable, tangible or physical item. Services include hiring, adopting, using intangible things. It may be public utilities, entertainment, education, hospitality etc. In general, the consumption or use of goods and services makes the person a 'consumer'.

After, discussing the consumer there is a need to study about the consumer behaviour. It is very important in the process of marketing. The entire marketing of the organisation depends upon the consumer behaviour. The behaviour includes the level of perception and their action and reaction about the product. Many factors can influence their behaviour. Thus, in this study an attempt is made to know the meaning of consumer behaviour and impact of various factors on it.

Consumer behaviour is defined as the behaviour that consumers display in searching, purchasing, using, evaluating and disposing of goods and services. It is the act of consuming or using commodity or service. It is the behaviour of consumers which they display right from the searching of product till the disposing of that product. It is related to the decision of consumer to spend their available resources like time, money, and effort on purchase and consumption of goods and services. After understanding the meaning of consumer behaviour now we shall discuss about its definition and theoretical concept.

Consumer behaviour is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the consumers in the marketplace

and the underlying motives for those actions. The study of consumer behaviour assumes that the consumers are actors in the marketplace. Starting from the information provider, from the user to the payer and to the disposer, consumers play these roles in the decision process. This study is mainly about impact of marketing media on consumer behaviour.

## Literature Review

Many authors have defined consumer behaviour. The definitions given by few important authors are herewith. According to **Engel, Blackwell, and Mansard**, 'consumer behaviour is the actions and decision processes of people who purchase goods and services for personal consumption'. According to **Louden and Bitta**, 'consumer behaviour is the decision process and physical activity, which individuals engage in when evaluating, acquiring, using or disposing of goods and services'. **Peter D. Bennett**, ed. Dictionary of Marketing Terms, 2nd ed. 1995. "Consumer behaviour refers to the actions and decision processes of people who purchase goods and services for personal consumption." **James F. Engel, Roger D. Blackwell and Paul W. Miniard**, "Consumer Behaviour" (1990). Consumer behaviour refers to "the mental and emotional processes and the observable behaviour of consumers during searching for, purchasing and post consumption of a product or service." **The American Marketing Association** has defined consumer behaviour as, "The dynamic interaction of affect and cognition, behaviour, and the environment by which human beings conduct the exchange aspects of their lives."

The behaviour of consumer often changes based on the various factors. Therefore, it is important to know the impact of various factors on consumer behaviour.

## Impact of various factors on consumer behaviour

There are various factors influencing the changes in consumer behaviour such as social, cultural, personal, and psychological factor. The explanation of these factors is given below.

1. **Cultural Factors:** Consumer behaviour is deeply influenced by cultural factors. Basically, culture is the part of every society and is the important cause of person wants and behaviour. The influence of culture on buying behaviour varies from country to country. Therefore, marketers have to be very careful in analyzing the culture of different groups, regions or even countries. The cultural factors include Culture, Subculture, and Social class.
2. **Social Factors:** Social factors play an essential role in influencing the buying decisions of consumers. Human beings are social animals. We need people around to talk to and discuss various issues to reach to better solutions and ideas. We all live in a society and it is really important for individuals to adhere to the laws and regulations of society. Social Factors influencing consumer buying decision can be classified as Reference Groups, Immediate Family Members, Relatives, Role & status.
3. **Personal Factors:** Personal factors can also affect the consumer behaviour. Consumers have different viewpoint on product based on their personal liking, income level, taste and preferences etc. Some of the important personal factors that influence the buying behaviour are Lifestyle, Economic situation, Occupation, Age, Personality and self concept.
4. **Psychological Factors:** Psychological factors are internal to an individual and generate forces within that influence her/his purchase behaviour. There are four important psychological factors affecting the consumer buying behaviour. These are Perception, Motivation, Learning, Beliefs and attitudes.
5. **Role of media in influencing the consumer behaviour:** Media is a key factor to influence the consumer behaviour. As the study is mainly related to media and its impact on consumer behaviour, there is a need to have depth assessment of its impact on marketing process, in general, and consumer behaviour in particular.

## Media

Media means any communication through which news, entertainment, education, data, or promotional messages are disseminated. It includes every broadcasting and narrowcasting medium such as newspapers, magazines, TV, radio,

billboards, direct mail, telephone, fax, and internet etc. It is the plural of medium and can take a plural or singular verb, depending on the sense intended. It can be defined as the channel of transforming information to public. It is mass way of communication. It is communication channel through which data, promotional messages, information can be shared with one another.

**Types of media:** Media is used in several occasions for different means based on the communicational factor. There are various forms of media available for effective interaction and are majorly divided into three groups. They are Traditional Media, Broadcast Media and Modern Media.

1. **Traditional media:** A traditional media form can be anything which does the purpose of communication in the family, friends and as a whole in society. All the forms may not be popular but they help to communicate. These forms are different in different regions and communities. These can be divided into Print media and other types of traditional media (non print media like traditional music and dance, drama, painting, motifs and symbols).
2. **Broadcast media:** Broadcast media is using radio and television, including local radio and television stations, radio and television networks and cable television system. The broadcast media play an important role in any advertising campaign for market. In addition to commercial purposes, broadcasting has been used for the purpose of private recreation, non-commercial exchange of messages, experimentation, self-training, and emergency communication. There are different types of electronic broadcasting. They are **Radio, Cinema and Television**.
3. **Modern media:** Modern media is the future of advertising. More and more consumers and businesses rely on modern media to find their information. Ultimately, modern media refers to content that is easily accessible via many different forms of digital media. When related to advertising, some examples of modern media include online advertising (retargeting, banner ads, etc.), online streaming (radio and television) and social media advertising. Each of these are means in which businesses have the capability to reach consumers and other businesses with ease. There are different types of modern media. They are Blogs (weblogs, vlogs, plogs, moblogs), RSS - Real Simple Syndication, mobile media, E-Retailing and Social networking media.

## Impact of media on consumer behaviour

Media has a long term dynamic effect on consumers purchase and sales of producers. Consumers often purchase those products which have effective media or mass marketing. In today's generation, a consumer purchases a product or service, only after getting the total awareness about that product. Through the use of various media like, television, radio, traditional publications, signage, Internet, etc, consumer get that awareness of products. Therefore, media plays the predominant role both from the manufacture and the consumers view point. A firm's reason for using the media is to create awareness of a product or service. Media has effect on current and future sales of firms as consumers tend to respond to the advertisement in the long run. Producers often advertise their product through media with the intention of increasing their sales which allows the firms to gain economies of scale. It also makes their products well known in the market. Media is also necessary when introducing new products in the market. Without it, firm would find it difficult to break into market in which there are established brands.

## Opportunities

Media provides many opportunities to marketing in general and consumer behaviour in particular depending upon its type. The types of media which can influence consumer behaviour are numerous. Older media platforms, including newspapers, radio and television, are still available but have lost popularity since the advent of the Internet. Within the category of modern media, a consumer finds respected sites such as web versions of print newspapers and government websites alongside opinion-based sites such as blogs and message boards. Advertising exists on nearly all media platforms providing rapid and continuous delivery of information to the consumer, whether it is traditional, broad cast or modern media. Therefore, in our research there is need to study in depth about the impact of various types of media on consumer behaviour.

## Challenges

Though media's contribution to marketing sector is significant but it is suffering from few problems due to its lack of proper utilization, dissonance, customer satisfaction etc. Earlier many researchers and research scholars have conducted various studies regarding media, consumer behaviour and allied aspects. But it can be identified that these studies have not given much emphasis on impact of media on pre purchase, purchase, and post purchase consumer behaviour. To fill up this gap we have taken up the study "Impact of Media on Consumer Behaviour".

## Need and importance of the study

Consumer behaviour is very important to a marketer to understand the internal and external influences that impel individuals to act in certain consumption related ways. The study of consumer behaviour enables a marketer to analyze the consumer's consumption decisions and makes him aware of subtle influence that persuade the consumers to make the product choices they do. Media, on the other hand, plays an important role in influencing the consumer behaviour. It is the main connecting line between the manufacturers and the consumers. Its impact on consumer behaviour is very significant.

## Objectives of the study

The main objective of the study is to analyse the importance of media on consumer behaviour. The other objectives are as follows:

1. To assess the impact of various factors influencing on the consumer behaviour in general and media in particular.
2. To analyse the concepts and types of media.
3. To analyse the impact of media on consumer behaviour.

## Scope of the study

The scope of the study is limited to three districts of the Telangana state i.e., Hyderabad, Warangal and Karimnagar district. For the purpose of the study 400 respondents are selected. The respondents are selected on the basis of stratified random sampling technique. The status is urban, semi urban and rural. Every care is taken to get the results from the sample units which can be applied to total units in general.

## Research methodology

Achieving accuracy in any research requires in depth study regarding the subject. As the prime objective of the researcher is to find the possible result from the available problems, the research should have accuracy in terms of data collection. The research methodology of the study is based on primary data via which the most recent and accurate piece of first hand information that could be collected from all possible source. Secondary data is used to support primary data wherever needed.

## Data analytical Tools and Techniques

The data collected is classified, tabulated by using one way, two way and multi-variant tables, and graphically presented. The statistical tools like averages, percentage, standard deviation, and variance is used to analyze the data.

## About the sample

For the purpose of research we will select 400 respondents from Telangana state. Since the scope of the study is wider, we conduct the study in three districts of the state i.e., Warangal district, Hyderabad district and Karimnagar district.

To take utmost care we adopt stratified random sampling technique. The strata are urban, semi-urban and rural. They include illiterates, educated and other important aspects.

## Hypothesis

Hypothesis is a proposed explanation made on the basis of limited evidence as a starting point for further investigation. It is the tentative explanation for an observation, phenomenon, or scientific problem that can be tested by further research. In our study, following hypothesis is used to solve the problem and meet the objectives of the study:

1. Media can mainly influence the consumer behaviour.
2. The impact of electronic media is more as compare to print media on the minds of consumers.

## Limitations of the study

The following are the limitations of the study:

1. The survey is limited 400 respondents selected from Telangana state.
2. As the sample is insignificant to the total population, therefore findings cannot be generalised.
3. While selecting the respondents there may be possibility of committing an error. It may influence the interpretation and conclusions.

## Data analysis and interpretation

### 1. Impact of media on pre purchase consumer behaviour

**Table 1**  
**Coverage of commercial messages in media**

| Sl. No. | Options      | No. of Respondents | % of Respondents |
|---------|--------------|--------------------|------------------|
| 1       | Yes          | 376                | 94               |
| 2       | No           | 24                 | 6                |
|         | <b>TOTAL</b> | <b>400</b>         | <b>100</b>       |

Source: Field Survey

On examination of the Table 1, an overwhelming respondents i.e., 94 per cent of the total respondents stated that to identify the needs and wants and to have clarity about their aim they are paying a specific attention on the commercial messages of the consulted media. However, 6 per cent of the respondents stated that in general they are taking care for the commercial advertisements.

**Table 2**  
**Media used for commercial advertisement**

| Sl. No. | Options           | No. of Respondents | % of Respondents |
|---------|-------------------|--------------------|------------------|
| 1       | Traditional media | 44                 | 11               |
| 2       | Broadcast media   | 60                 | 15               |
| 3       | Modern media      | 72                 | 18               |
| 4       | All of them       | 224                | 56               |
|         | <b>TOTAL</b>      | <b>400</b>         | <b>100</b>       |

Source: Field Survey

As per the data of the Table 2 almost all equal percentage of respondents has received their messages from all the three types of media. They include traditional, broadcast and modern media. Nearly, 56 per cent of the respondents have received commercial messages from all the three media. It appears that they are very keen and showing much interest to identify their needs and wants.

**Table 3**

**Information and satisfaction regarding the alternative products**

| SI. No. | Satisfaction  | No. of Respondents | % of Respondents |
|---------|---------------|--------------------|------------------|
| 1       | Satisfied     | 286                | 71.5             |
| 2       | Not satisfied | 114                | 28.5             |
|         | <b>TOTAL</b>  | <b>400</b>         | <b>100</b>       |

**Source: Field Survey**

As per the data furnished in the Table 3, around 71.5 per cent of the respondents expressed the view that they are satisfied with the coverage of commercial messages by the media. They have also stated that they have received the required information about the availability of the product and alternative of the product in the market, with the help of media. However, 28.5 per cent of the respondents stated that they are not satisfied with the available information in the media. They stated that still there is a chance to develop the display and communication of messages in the Indian media.

**2. Impact of media on purchasing consumer behaviour:**

**Table 4**

**Type of product purchased**

| SI. No. | Type of product        | No. of Respondents | % of Respondents |
|---------|------------------------|--------------------|------------------|
| 1       | Household product      | 56                 | 14               |
| 2       | Electronic product     | 32                 | 8                |
| 3       | Health related product | 16                 | 4                |
| 4       | Any other product      | 8                  | 2                |
| 5       | All of them            | 288                | 72               |
|         | <b>TOTAL</b>           | <b>400</b>         | <b>100</b>       |

**Source: Field Survey**

On examination of the Table 4, around 72 per cent of the respondents are purchasing the household, electronics, health related products and other products. It also reveals that in the context of individual type of product the responses of the respondents are almost all same. Household product they are purchasing on monthly basis and the same criteria is followed to purchase the health related products. However, in the case of electronic goods the purchase option can be exercised on the basis of requirement.

**Table 5**

**Purchasing the product**

| SI. No. | Options      | No. of Respondents | % of Respondents |
|---------|--------------|--------------------|------------------|
| 1       | Yes          | 368                | 92               |
| 2       | No           | 32                 | 8                |
|         | <b>TOTAL</b> | <b>400</b>         | <b>100</b>       |

**Source: Field Survey**

Based on the data furnished in the Table 5, around 92 per cent of the respondents stated that they have received the required information from the commercial messages. However, remaining 8 per cent of the respondents stated that they have not initiated the process of purchasing the product only on the basis of commercial messages. They have also consulted their reference leaders for purchasing the product.

**Table 6**  
**Evaluation of the product details**

| Sl. No. | Evaluation   | No. of Respondents | % of Respondents |
|---------|--------------|--------------------|------------------|
| 1       | Yes          | 242                | 60.5             |
| 2       | No           | 158                | 39.5             |
|         | <b>TOTAL</b> | <b>400</b>         | <b>100</b>       |

Source: Field Survey

According to the data from the Table 6 nearly 60 per cent of the respondents have evaluated the product and whereas remaining approximately 40 per cent of the respondents have ignored this process while purchasing the product.

**Table 7**  
**Online purchasing the product**

| Sl. No. | Options      | No. of Respondents | % of Respondents |
|---------|--------------|--------------------|------------------|
| 1       | Yes          | 192                | 48               |
| 2       | No           | 208                | 52               |
|         | <b>TOTAL</b> | <b>400</b>         | <b>100</b>       |

Source: Field Survey

According to the data furnished in the Table 7, the respondents have clear split in the context of using the options for online purchasing the product and purchasing the product through other methods. 48 per cent of the respondents stated that they have purchased the product through online. However, remaining 52 per cent of the respondents adopted other method to have the required product. It appears that youth respondents who have technical knowledge opted for farmer method and other respondents preferred the later method to satisfy their basic requirements of the family.

#### Impact of media on post purchase consumer behaviour

**Table 8**  
**Degree of satisfaction**

| Sl. No. | Options      | No. of Respondents | % of Respondents |
|---------|--------------|--------------------|------------------|
| 1       | Satisfied    | 352                | 88               |
| 2       | Dissatisfied | 48                 | 12               |
|         | <b>TOTAL</b> | <b>400</b>         | <b>100</b>       |

Source: Field Survey

As per the analysis overwhelming respondents i.e., 88 per cent to the total consumers stated that they are satisfied with the product which they have purchased on the basis of commercial messages received with the help of media. They have stated that there is perfect correlation between the ad copy and the product delivered by the sellers. Further, they are also satisfied with the quality of the product. However, only 12 per cent of the respondents expressed dissonance about the product which they have purchased. They felt that there is a difference between the message of the vendor and the actual product.

## Conclusion

To conclude our study we can say that in the present market, organisations and consumers are two important key factors. Organisations are depending upon the consumers and consumers are looking towards them for the better distribution of the goods of a reasonable quality at economical prices. In order to establish the link between companies and the consumers, media is playing a significant role. Media explain the consumer about the existence and feature of the product. In the country like India where the level of consumer awareness is lesser, we suggest the media to play their role with high degree of integrity and honesty than they are playing now. Such a move generates better results for the organisations, media, society, consumers and finally to the whole country.

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## Human Resource Management in Micro and Small Enterprises - A Study in Warangal District

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### Abstract

*Human Resources Management (HRM) is that part of the management process, which is concerned with the management of human resources in an organisation. HRM is a process of bringing people and the organisation together with a common purpose. HRM is mainly concerned with effective management of human resources, which is the most important asset of an organisation. All aspects of enterprise activities are determined by the competence, motivation, and general effectiveness of its workforce. Of all the tasks of management, managing the human resource is the central and most important task because all depends on how well it is done. This research article analyses HRM in Micro and Small Enterprises a study carried in Warangal district and suggestions are given for effective management of Human Resources in Micro and Small Enterprises.*

### Introduction

Every nation has plenty of physical resources. They include land, water, minerals, environment etc. The development and growth of the nation depends upon its proper and optimum utilization. It is possible for the nation only if it has sufficient human resource. Human resource is not only necessary for the use of national resources but also for the transmission of traditional economies into the modern and industrial economies.

In spite of modern technology and all the systems of controls coming into widespread use, man still remains the most important factor in production process. Materials, money, machines i.e. non-human resources are useless if they are not used by competent employees and managed by efficient management. Employees of any concern may be large scale industry or small scale industry is so important assets that their value is increased by the passage of time, while the value of other resources depreciated. Hence, a distinct and specialized care should be taken in the area of manpower management.

### Human Resource Management

Different terms are used to denote human resource management. They are labour management, personnel management, human capital management, human asset management, human resource management and the like. Human resource management means employing people, developing their resources, utilizing, maintaining and compensating their services in tune with the job and organizational requirements. Human resource management in any concern is related to maintaining human relationships, which enables to derive best personal contribution for the effective working of the enterprise.

### Definition of Human Resource Management

Human resource management includes the functions such as planning, organizing, directing and controlling the manpower. It also performs the operative functions to procure, develop, maintain and utilize the labour force such

utilization is necessary for the organization. So that it can perform its functions economically and efficiently. This management also deals with the following issues.

## Need of HRM

Human resource plays a crucial role in the development process of modern economics. Though the exploitation of natural resources, availability of physical and financial resources and international aid play prominent roles in the growth of modern economies, none of these factors is more significant than efficient and committed manpower. It is in fact, said that all development comes from the human mind. Proper management of human resource enhances the dignity of employees by satisfying their social needs. By providing healthy work environment it promotes team work in the employees. It helps organizations in accomplishing its goals by creating right attitude among the employees through effective motivation. It contributes a lot in restoring the industrial harmony and healthy employer employee relations.

## Human Resource Management in Micro and Small Enterprises

Micro and small enterprises may not perform their HR functions as in the large scale enterprises. But, every business entity needs to perform the main HR functions like manpower planning, selection, training etc. of at their level.

1. **Manpower Planning:** In small-scale sector manpower planning is a group decision with regard to the responsibilities of their employees. Generally micro enterprises run with a very few number of employees which is the combination of both family members and outsiders. There is no assessment of manpower requirement, no job analysis, no job description and no job specifications but they are aware of these business policies and of the goals to be achieved.
2. **Recruitment:** Recruitment is the process of searching suitable candidates for employing them in the organizations. In large organizations they adopt various method of recruitment but micro enterprises search the candidates from their relatives, friends and family members. Even though when these enterprises appoint their employees from outside there are no formal methods of recruitment is adopted.
3. **Selection and Placement:** There are no set rules for selection and placement of employees in micro enterprises. Most of the employees of these enterprises are appointed on contract or temporary basis. In micro enterprises employees are selected from the known people to get assured honesty and loyalty. These organizations never show much concentration on the highly qualified candidates, their much concentration will be on job experience.
4. **Training and development:** After the appointment every employee has to get a basic training which means imparting knowledge in the employee about the present job for which he is appointed, and development is a process by which an employee's skills and abilities are developed by some developmental programs which help an employee to meet the future requirement of the job. The enterprises may be micro, small or medium but a basic training is must for every enterprise. Even in micro enterprises though they unable to conduct any development program, but they conduct some basic training programs within their organizations. Maximum time limit of their training program is one month.
5. **Performance Appraisal:** Performance appraisal is the process of evaluation, or measuring the performance of employees. In large scale organizations where the number of employees is more they conduct evaluation in every six months or in every one year. The report of this evaluation is used for the determination of remunerations, increments, promotions etc. It is also helpful to motivate the employees in improving their performance. But, in small and micro enterprises very few organizations have this process of evaluation.
6. **Remuneration:** Remuneration is the amount paid by the entrepreneurs to their employees in the form of wages and salaries for the efforts they made for organization. In micro enterprises the remuneration is paid to the employees both in the form of wages and salaries and few of the enterprises also follow the piece system according to their job. Through remuneration organizations motivate employees and upgrade them so as to enable them to accomplish the organizations goals.

7. **Employer and employee relations:** As the numbers of employees are very less in micro enterprises employees work with great zeal with the feeling in mind that the interest of employer and employees is one and the same. Almost all the enterprises maintain the satisfactory relation between the employer and employees. It naturally affects the performance of the organization because mighty co-operative efforts alone can produce great results.

## Human Resource Management – Application

In order to examine the theoretical aspects of HRM with a practical approach to the micro, small and medium enterprises we have served a structured questionnaire to the respondents. The questionnaire consists of 11 questions. For each question the data is collected, presented, analyzed and interpreted. It is presented in the tables given below.

### 1. Manpower of enterprise

Achieving manpower excellence leads to organization's excellence. Manpower requirement depends upon the size of the organization as well as the proper utilization of manpower. The data regarding the manpower of the sample enterprises is presented in the Table 1.

**Table 1. Manpower of Enterprise**

| Sl. No. | Manpower | No. of Respondents | % to total |
|---------|----------|--------------------|------------|
| 1.      | Below 5  | 26                 | 17%        |
| 2.      | 5 - 7    | 57                 | 48%        |
| 3.      | 7 - 10   | 32                 | 22%        |
| 4.      | Above 10 | 35                 | 13%        |

According to the information of the above table the manpower of the 13 per cent of the enterprises are above ten, 17 per cent of the enterprises are maintaining with below five employees. 22 per cent of the enterprises are running with seven to ten employees and nearly half of the enterprises i.e. 48 per cent are managing with five to seven employees. Thus, it is clear from the table that majority of the organizations are maintaining the average strength of the manpower. Further, depends upon necessity they are taking the help of friends and relatives. The average manpower of our sample is 7.4.

### 2. Composition of manpower

As in the past days micro enterprises generally managed by the family members, but now most of the enterprises appointing the employees from outside when didn't find the required skills, abilities and interest in the family members. The information which we collected from various micro enterprises regarding the composition of manpower is presented the following table.

**Table 2. Composition of Manpower**

| Sl. No. | Composition of manpower | No. of Respondents | % to total  |
|---------|-------------------------|--------------------|-------------|
| 1.      | Family members          | 17                 | 11%         |
| 2.      | Outsiders               | 93                 | 62%         |
| 3.      | Both                    | 40                 | 27%         |
|         | <b>Total</b>            | <b>150</b>         | <b>100%</b> |

According to the above table 11 per cent of enterprises are running their business with their family members, in 27 per cent of the enterprises both family members and outsiders are working, and 62 per cent of the enterprises are running by

appointing outsiders as their employees. Composition of manpower depends upon the size of the family and the availability of required skills and abilities. Overwhelming enterprises are depending upon services of outside employees. It is because they have better talent, ability and skill over the family members.

### 3. Type of employment in enterprises

The enterprises can appoint the manpower either on permanent basis or on temporary basis. It can also appoint on the contract basis. In this regard the collected data is presented in the Table 3.

**Table 3. Type of Employment**

| Sl. No. | Type of employment | No. of Respondents | % to total  |
|---------|--------------------|--------------------|-------------|
| 1.      | Permanent          | -                  | -           |
| 2.      | Contract basis     | 78                 | 53%         |
| 3.      | Temporary          | 72                 | 47%         |
| 4.      | <b>Total</b>       | <b>150</b>         | <b>100%</b> |

The data of the table reveals that there is almost all equal division of the enterprises in the context of appointing the manpower for their enterprises. 53 per cent of the enterprises have appointed their employees on contract basis and 47 per cent have appointed on temporary basis. It is surprise that none of the enterprise have appointed the manpower on permanent basis. This may be with the intention to not to offer increments and other benefits to them.

### 4. Basis for selection of employees in micro enterprises

Minimum education is required to perform any kind of job; it may be technical or managerial. Along with education employees also need to have some work experience. Thus generally most of the employers prefer both educational qualifications and work experience.

The opinion of the respondents regarding the basis for selection is presented in the Table 4.

**Table 4. Basis for Selection**

| Sl. No. | Basis for selection        | No. of Respondents | % to total  |
|---------|----------------------------|--------------------|-------------|
| 1.      | Educational qualifications | 22                 | 15%         |
| 2.      | Job experience             | 37                 | 25%         |
| 3.      | Education and experience   | 78                 | 52%         |
| 4.      | Known and confidential     | 13                 | 8%          |
| 5.      | <b>Total</b>               | <b>150</b>         | <b>100%</b> |

As per the data of the table 52 per cent of the enterprises give emphasis to education and experience, 25 per cent of the entrepreneurs only focus on job experience this is generally in lower level jobs. 15 per cent of the enterprises appoint their employees base up on their educational qualifications, and only 8 per cent of the employers appoint their employees on known and confidential basis. Thus, it is clear that more than half of the enterprises are emphasizing on both education and experience because both the education and experience of employees is necessary for the efficient performance of the organization.

### 5. Basis for selection of manpower vis-à-vis type of enterprise

The selection basis of manpower also depends upon form of business enterprise. There are four forms of business enterprise. They are sole trading concern, partnership form, co-operative society and company form. Each form has

different basis. In our study we made an attempt to collect the data regarding the basis of selection adopted by each form of enterprise. The collected data is presented in the table no. 6.9, which is given in Table 5.

**Table 5. Basis for Selection of Manpower vis-à-vis type of Enterprise**

| Sl. No. | Basis for selection of manpower | Sole Trading       |             | Partnership        |             | Co-operative society |             | No. of respondents | % to total  |
|---------|---------------------------------|--------------------|-------------|--------------------|-------------|----------------------|-------------|--------------------|-------------|
|         |                                 | No. of respondents | % to total  | No. of respondents | % to total  | No. of respondents   | % to total  |                    |             |
| 1.      | Educational qualifications      | 16                 | 16%         | 06                 | 14%         | -                    | -           | 22                 | 15          |
| 2.      | Job experience                  | 24                 | 24%         | 09                 | 21%         | 04                   | 50%         | 37                 | 25          |
| 3.      | Education and experience        | 52                 | 52%         | 233                | 55%         | 03                   | 37%         | 78                 | 52          |
| 4.      | Known and confidential          | 08                 | 08%         | 04                 | 10%         | 01                   | 13%         | 13                 | 08          |
| 5.      | <b>Total</b>                    | <b>100</b>         | <b>100%</b> | <b>42</b>          | <b>100%</b> | <b>08</b>            | <b>100%</b> | <b>150</b>         | <b>100%</b> |

The data of the above table reveals that 52 per cent of the respondents who are running their business on sole trading basis, 55 per cent of the respondents who are running on partnership basis have adopted both education and experience of the employees as a criteria for the selection of manpower. Nearly 50 per cent of the respondents who have co-operative society have preferred job experience. Thus, it is proved that all forms of the business enterprise have preferred education and experience as the basis for selection of manpower. However in the case of co-operative society it is different where they preferred only job experience for the selection of manpower.

#### 6. Training and skill development program for employees

Organizations can rise due to the potential of their people's capacities, skills and motivation. This can be obtained by training. Every employee who join the organization need to have some basic information and knowledge about the job which he is going to perform. Thus, the training programs are conducted by the organizations to impart the knowledge of the job. In this context the data of enterprises conducting training program is presented in the Table 6.

**Table 6. Training and Skill Development Program**

| Sl. No. | Providing training | No. of Respondents | % of Respondents |
|---------|--------------------|--------------------|------------------|
| 1.      | Yes                | 117                | 78%              |
| 2.      | No                 | 33                 | 22%              |
| 3.      | Total              | 150                | 100%             |

According to the information of the above table 78 per cent of the enterprises are providing training to their employees and only 22 per cent of the enterprises are not providing any training to their employees. Thus, it is evident from the table that majority of the organizations have conducted training and development program to improve the talent and skill of the employees. They feel such training is necessary to improve the efficiency of the employees and in turn the performance of the organization.

## 7. Type of Training

Training can be provided within the organization or by sending the employees to training institutions. It depends upon the size of the organization and capability of the organization. The data which we have collected regarding the arrangement of the training is presented in Table 7.

**Table 7. Type of Training**

| Sl. No. | Type of training                   | No. of Respondents | % to total  |
|---------|------------------------------------|--------------------|-------------|
| 1.      | Arranging in the organization      | 107                | 91%         |
| 2.      | Sending them to govt. institutions | 10                 | 9%          |
| 3.      | <b>Total</b>                       | <b>117</b>         | <b>100%</b> |

According to data of the table 91 per cent of the enterprises arrange the training program within their organizations. Only 9 per cent of the enterprises are sending their employees to government training institutions. This is because by arranging the training within the organization they can save the time and can give practical training to them. Such training is also called as on the job training.

## 8. Duration of Training

Duration of the training is the time period during which an employee goes under training. It depends upon the type of training. Generally in micro enterprises training is conducted for one to four weeks. According to our collected data the duration of training of various enterprises is presented in Table 8.

**Table 8. Duration of Training**

| Sl. No. | Duration     | No. of Respondents | % to total  |
|---------|--------------|--------------------|-------------|
| 1.      | 1 week       | 34                 | 29%         |
| 2.      | 2 weeks      | 43                 | 37%         |
| 3.      | 3 weeks      | 20                 | 17%         |
| 4.      | 4 weeks      | 20                 | 17%         |
| 5.      | <b>Total</b> | <b>117</b>         | <b>100%</b> |

According to the data of the table maximum respondents i.e. 37 per cent of the respondents providing two weeks of training, 29 per cent of the enterprises conducting only one week training, and three weeks and four weeks training is conducted in the same proportion that is 17 per cent. It is clear from the data that entrepreneurs preferred to provide training to the employees for short period. It is with an intention to save their time which can be utilized for the benefit of the organization.

## 9. Method of Payment of Remuneration to Employees

Remuneration is the amount paid by the organization to employees in return of their contributions and efforts for the organizations. The method of remuneration can be determined based upon the business activity and the job performed by the employee. In general the remuneration methods adopted by the enterprises are monthly salary, Wage system and piece system. The details of remuneration methods adopted by various enterprises are given in Table 9.

**Table 9. Method of Payment of Remuneration to Employees**

| Sl. No. | Method of payment | No. of Respondents | % to total  |
|---------|-------------------|--------------------|-------------|
| 1.      | Monthly salary    | 63                 | 42%         |
| 2.      | Wage system       | 64                 | 43%         |
| 3.      | Piece system      | 23                 | 15%         |
| 4.      | <b>Total</b>      | <b>150</b>         | <b>100%</b> |

As per the information of the table 42 per cent of the enterprises are paying the remuneration on salary basis, 43 per cent are maintaining wage system in the payment, and only 15 per cent of the respondents said they are giving the remuneration according to piece system. As per the data the respondents preferred wages and salary basis in order to extract more work from the employees. Further, they express that if the payment is made on the basis of piece system we cannot expect the efficiency of the work. The workers will try to finish of the work at the earliest to get the agreed amount.

#### 10. Evaluation of Performance

To emphasize on content renewal revitalization of the organization performance evaluation of employees is needed through which the organization can measure the performance of employees and motivate them to meet their requirements. The data which we have collected about the evaluation is presented in table 10.

**Table 10. Evaluation of Performance**

| Sl. No. | Evaluation   | No. of Respondents | % to total  |
|---------|--------------|--------------------|-------------|
| 1.      | Yes          | 15                 | 10%         |
| 2.      | No           | 135                | 90%         |
| 3.      | <b>Total</b> | <b>150</b>         | <b>100%</b> |

As per the data in 90 per cent of the organizations there is no evaluation process. Only 10 per cent of the enterprises follow the methods of evaluation most are adopting a few methods of evaluation it does not mean that the 90 per cent of the enterprises are not evaluating the performance of their employees. They also evaluate but there is no proper method is adopted. As the employees are limited through observation only the entrepreneurs identify the strengths and weaknesses of the employees and can take further steps.

#### 11. Status of Employee and Employer Relation in the Unit

The success of the enterprise depends upon the joint effort of employer and employees. It is possible only when there is co - ordination and co - operation between them. And this depends upon the relation between them. Thus, in this study we have collected information about the status of relation between employer and employees. The collected data is presented in Table 11.

**Table 11. Status of Employee and Employer Relation**

| Sl. No. | Status of relation | No. of Respondents | % to total  |
|---------|--------------------|--------------------|-------------|
| 1.      | Satisfactory       | 120                | 80%         |
| 2.      | Normal             | 30                 | 20%         |
| 3.      | Unsatisfactory     | -                  | -           |
| 4.      | <b>Total</b>       | <b>150</b>         | <b>100%</b> |

The data of the table reveals that significant proportion i.e. 80 per cent of the respondents stated that they have satisfactory relation with their employees. It also reveals that 20 per cent of the respondents stated that they have normal relations with employees. Hence, we can say that all the entrepreneurs are happy with their employees working in the organizations.

## 12. Government Support for Employee Development

For the benefit of micro enterprises the government introduced various schemes. These schemes are useful for the entrepreneurs. In this context we made an attempt to know about the awareness of respondents regarding the government schemes which are meant for them. The collected data is presented in Table 12.

**Table 12. Awareness of Government Support for Employee Development**

| Sl. No. | Awareness of government support | No. of Respondents | % to total  |
|---------|---------------------------------|--------------------|-------------|
| 1.      | Yes                             | 17                 | 10%         |
| 2.      | No                              | 133                | 90%         |
| 3.      | <b>Total</b>                    | <b>150</b>         | <b>100%</b> |

According to the data available 90 per cent of the entrepreneurs are not aware of the government supportive measures which the government is providing for their benefit. Only 10 per cent of the respondents are aware of these schemes and supportive measures and getting benefits. It is clear from the data that these schemes are in operative and government is not making sincere efforts to extend their benefits to the deserving entrepreneurs.

## 13. Working of Micro Enterprises as a Source of Employment

From the study it is revealed that this sector is generating employment to many people. It is providing employment to the family members and outsiders. It is a good source of employment. Thus, we have a certain views of the respondents about this question. The collected data is presented in the Table 13.

**Table 13. Micro Enterprises are Good Source of Employment**

| Sl. No. | Micro enterprises are good source of employment | No. of Respondents | % to total  |
|---------|---|--------------------|-------------|
| 1.      | Yes   | 132                | 88%         |
| 2.      | No  | 18                 | 12%         |
| 3.      | <b>Total</b>                                    | <b>150</b>         | <b>100%</b> |

The data of the above table reveals that almost all respondents i.e. 88 per cent respondents expressed the view that this sector is a good source of employment. Only insignificant respondents that are 12 per cent of respondents expressed that these enterprises cannot be considered as source of employment. Such enterprises are being managed with help of one or two family members.

## Findings

In this article an attempt is made to discuss about human resource management in micro and small enterprises. With the information which we have about the human resource management in micro and small scale industries in Warangal district we have drawn the following inferences.

1. According to the information the manpower of the 13 per cent of the enterprises are above ten, 17 per cent of the enterprises are maintaining with below five employees. 22 per cent of the enterprises are running with seven to ten employees and nearly half of the enterprises i.e. 48 per cent are managing with five to seven employees. Thus, it is

clear from the table that majority of the organizations are maintaining the average strength of the manpower. Further, depends upon necessity they are taking the help of friends and relatives. The average manpower of our sample is 7.4.

2. As per the information 11 per cent of enterprises are running their business with their family members, in 27 per cent of the enterprises both family members and outsiders are working, and 62 per cent of the enterprises are running by appointing outsiders as their employees. Composition of manpower depends upon the size of the family and the availability of required skills and abilities. Overwhelming enterprises are depending upon services of outside employees. It is because they have better talent, ability and skill over the family members.
3. As per the data there is almost all equal division of the enterprises in the context of appointing the manpower for their enterprises. 53 per cent of the enterprises have appointed their employees on contract basis and 47 per cent have appointed on temporary basis. It is surprise that none of the enterprise have appointed the manpower on permanent basis. This may be with the intention to not to offer increments and other benefits to them.
4. According to the data 52 per cent of the respondents who are running their business on sole trading basis, 55 per cent of the respondents who are running on partnership basis have adopted both education and experience of the employees as a criteria for the selection of manpower. Nearly 50 per cent of the respondents who have co-operative society have preferred job experience. Thus, it is proved that all forms of the business enterprise have preferred education and experience as the basis for selection of manpower. However in the case of co-operative society it is different where they preferred only job experience for the selection of manpower.
5. The available data reveals that 80 per cent of the respondents have satisfactory relation with their employees. It also reveals that 20 per cent of the respondents have normal relations with employees. Hence, we can say that all the entrepreneurs are happy with their employees working in the organizations.
6. As per the data significant proportion i.e. 80 per cent of the respondents stated that they have satisfactory relation with their employees. It also reveals that 20 per cent of the respondents stated that they have normal relations with employees. Hence, we can say that all the entrepreneurs are happy with their employees working in the organizations.
7. According to the data available 90 per cent of the entrepreneurs are not aware of the government supportive measures which the government is providing for their benefit. Only 10 per cent of the respondents are aware of these schemes and supportive measures and getting benefits. It is clear from the data that these schemes are in operative and government is not making sincere efforts to extend their benefits to the deserving entrepreneurs.
8. The data reveals that almost all respondents i.e. 88 per cent respondents expressed the view that this sector is a good source of employment. Only insignificant respondents that are 12 per cent of respondents expressed that these enterprises cannot be considered as source of employment. Such enterprises are being managed with help of one or two family members.

## Suggestions

1. Appropriate recruitment process should be adopted by the organizations to appoint suitable candidates as per the organizational requirement.
2. Certain rules should be framed for selection and placement of employees in micro enterprises.
3. Training can be provided with in the organization or by sending the employees to training institutions.
4. To emphasize on content renewal revitalization of the organization performance evaluation of employees is needed.
5. The success of the enterprise depends upon the joint effort of employer and employees. It is possible only when there is co - ordination and co - operation between them. And this depends upon the relation between them. Thus, we suggest these enterprises to maintain good relationship between employer and employees.

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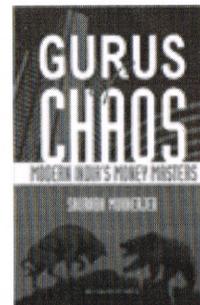
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## Gurus of Chaos Modern India's Money Masters

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### Author's Profile

Saurabh Mukherjea is CEO of the Institutional Equities business at Ambit. One of the top three analysts in India according to Asiamoney 2013, Saurabh has spent most of the past decade making sense of the chaos that surrounds the Indian stock market. A London School of Economics alumnus and CFA charter holder, Saurabh lives in Mumbai with his wife and two children.

### Basic Questions in the Investors Mind

- How do I invest in the stock market?
- Which companies should I Invest in?
- When do I buy shares? When do I sell shares?
- How do I take decisions in rising and falling markets?

### Review of the Book

As in life, so in the stock market there are no shortcuts to success. It takes years of experience and a unique bent of mind to be able to consistently profit from the stock market. Saurabh Mukherjee ranked among India's top analysts today speaks to well-known investors who have over the past two decades mastered the art of profitable long term investing. He traces their journey from being amateur investors to professional managers handling vast sums of money. He looks into their minds to know the unique philosophies that power their investment strategies. Saurabh Mukherjea uses his knowledge of the markets to write an engaging and inspiring guide to investing in India. The book is based on in-depth research using rigorous analytical and forensic accounting techniques, which has now become the guiding principle. Also author highlights how easy it is to overlook glaring faults in company's performance and how these can be easily spotted using basic number crunching tools. This book seeks to shed light on how the Gurus of chaos in Indian stock market build their portfolios and nurture their successful careers in a turbulent market.

The investment opportunities in India are so obvious that almost everyone who reads a newspaper is aware of them. Yet majority of Indian companies seem to struggle to turn these opportunities into double digit returns for their shareholders. It is a fact that over the 20 years, over 80% of listed Indian companies have failed to give returns better than the rate of inflation. Majority of companies have failed to generate even double digit shareholder returns, the remaining minority have given healthy returns better than or equal to GDP growth rate.

In the first chapter author talks about accounting manoeuvres followed in companies in utilities, infrastructure and real estate. Many fund managers used to buy stock in such companies even they understood window dressed companies accounts. However a small minority of investors decided to steer clear of these sectors. The levelheadedness practiced over multiple decades in an emerging market characterized by misleading accounts, multifaceted corruption and low liquid (India is least liquid of world's fifteen largest stock markets) is the province of few individuals. This book reveals their

psyche, their careers and their evolution as successful long term investors. The author highlights a fact that making money in stock market has very little to-do with greed or with wanting to be superrich. Middle class character traits such as strong work ethic, humility, curiosity will be of immense use. The book focuses on how some of the most successful long-term investors in India have trained their minds relentlessly over the last 20 years so as to be able to consistently outperform the index. The first chapter contains interview with Sanjay Bhattacharya who was instrumental in building the powerhouse that HDFC Asset Management is today. His investment philosophy is greatly influenced by Ben Graham's emphasis on margin of safety. He believes in Growth at reasonable price (GARP) approach works in India in most situations. It is also clear that no one approach works in India to a greater extent than in most markets. Value investing led him to Infosys stock in early 1990s.

Chapter two deals on relentless research. Peter Lynch writes, what distinguishes investment winners is the willingness to dig deeper, search more widely and keep an open mind to all ideas. The first thing a fundamentally oriented long term investor asks is, does the company have a sustainable competitive advantages which gives it an edge over its rivals? It can come from two sources-distinctive capabilities or strategic assets. The author gives Financial Analysis to assess competitive advantage. A company with such advantages should have stable or rising operating margins over a ten year period one should concentrate on quality of financial statements (Cash conversion ratio, Loans and advances etc.), promoter's competence and integrity. The chapter contains interview with Mr. Alroy Lobo, chief strategist and Global Head of equities at Kotak Mahindra Asset Management Company. His investment philosophy (Valuation of stocks, independence of research and thought process, selling philosophy etc.) is given.

Chapter Three deals with simple rules for successful investing. General public think that stock market is a casino, those with inside information have an edge. This is unfortunate because not only does this deter millions of individuals from investing their savings in stocks, it also draws young professionals to the stock market for all wrong reasons i.e. desire to get rich quick. Successful long term investors use other techniques to make money. They use simple but powerful set of rules to make money in the stock market. The author gives rules for buying-

Rule-1 only buy a stock if you understand the business model.

Rule-2 only invest in companies which can generate cash flows and high return on Capital Employed (ROCE) for long periods of time.

Rule-3 Buy these companies when they are available at prices which build margin of safety.

This school of investing says that not only should you buy stocks when they are trading in the market below their intrinsic or fair value, you should also seek a heavy discount to that value. Value investors seem to interpret this as at least a 10% discount to fair value for high quality companies (like Maruti Suzuki) and as much as 50% discount for more speculative investments (Ex-Crompton Greaves). The chapter contains interview of Investment Guru Akash Prakash, Founder & CEO Amana Capital a Singapore based FII. Akash Prakash has spent six years as portfolio Manager for GIC-The Government of Singapore Investment Corporation where he managed US, Pan Asian and Indian investment Portfolios. It also contains interview with Mr. Sankran Naren who is the CIO of ICICI Prudential Mutual Fund. Mr. Naren educated at IIT (Chennai) and IIM (Kolkata), started investing money during his school days. He identified a stock (Laxmi Machine Works) and invested in it. The stock subsequently went up to 30 fold in period between 1989 and 1994. He provides a valuable information about Lehman bust in 2008 and aftermath. He also deals with certain thumb rules.

Fourth chapter deals with Contrarian Mind. In this author speaks about two types of brains, reflex brains and reflexive brain. The reflex brain which helps us deal with external stimuli and react instinctively in the most effective manner possible and more thoughtful reflective brain which helps us think, analyze, calculate and make intelligent often complex decisions. Prashant Jain says, my way of avoiding falling prey to market noise- something that I follow at all times - is to think, ask questions and think again. Keep doing that. Sanjoy Bhattacharya believes in different definition of risk. Risk is best defined as not knowing what you are doing. This is Buffe's definition of risk.

One of the common ways brokers convince investors to buy stock saying everybody is buying, prices are going up fast. Successful investors are able to avoid these emotions by simply not being bothered about what others are doing. A contrarian mind protects successful investors from the fate awaiting the rest of the herd. A contrarian mind, because it is

not tempted by the desire to join the herd, is therefore able to profit at the expense of average investor. Successful long term investors are as human as rest of us. However what they have mastered i.e. how to deal with fear and greed. The investment philosophy of Mr. Shashi Reddy who is working in First State Investments , the consolidated asset management business owned by Commonwealth Bank of Australia.

Author offers himself as a case study narrating his experiences in investing. The major challenge is psychological aspects of investing which are harder to understand. The author finds a similarity between psychological profiles of Gurus. They say that best time to invest is when no one else is doing so. Author himself invested half of his savings in small-mid cap equity funds in August 2013 .When Sensex was around 18000. In august 2014 Sensex was at 26000, up over 40%. His investments are up nearly 100%. Now as a contrarian when everybody is buying author wants to book profits by selling the funds.

The fifth topic deals with Guru in you. There is an interview with Anonymous Guru, who was until recently the chief Investment Officer of India's most prestigious mutual fund houses. As we live in the real world of demanding day jobs and even more demanding families. So how can we become successful long term investors? Author gives certain tips for common investors which will be very useful. Entering stock market without such a set of rules is like setting sail without compass. In a country like India people who gravitate towards stock market are relatively well qualified. Because these guys are intelligent, they think that they can do much better than the broader market. Hence they tend to take a lot of shortcuts which they feel will probably convert their ideas into money quickly. As per the Guru the game as far as investment is concerned stick to a few basic tenets and follow those with patience. His philosophy - This business rewards someone who is patient rather than someone who needs a quick fix.

## Conclusion

The book tries to answer the basic questions in the investors mind. It also guides the eager investors by revealing the techniques, philosophies of experienced Gurus for building and managing successful portfolios for investment in the stock market.

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