



Since 1999

ISSN - 2250 - 1533

BIITM BUSINESS REVIEW

Volume 3

No. 2

July - December 2012

RESEARCH PAPERS

	<u>Page No.</u>
Internet Shopping and its Impact on Consumer Behaviour	5
<i>Ms. Alaka Samantaray</i>	
The darkest hour is that before the dawn - a special reference to FDI in India	14
<i>Ananya Mitra</i> <i>Shradhanjali Panda</i>	
Role of Financial Inclusion for Inclusive Growth; A study based on financial institution & Economic Development in India.	24
<i>Prof Dr. Chitta Ranjan Mishra</i>	
Contribution of Islamic Thought to Modern Economics	41
<i>Sk. Zakir Hossen</i> <i>Prof. (Dr) Malay Kumar Mohanty,</i>	
Role of SHGs in Rural Women Empowerment and Entrepreneurial Development in Odisha: Prospects and Challenges	57
<i>Minati Sahoo</i>	
A Study on Customer Perception on Service Quality in Banks	70
<i>Dr. Pinku Paul</i>	
Women Labour in Women Empowerment Era	80
<i>Dipti Rekha Mohapatra</i>	
Factors Affecting Buying Behavior of Consumers in car Industry with Special Reference to Bhubaneswar	91
<i>Ms. Seba Mohanty</i> <i>Ms. Leena P. Singh</i>	

A Bi-Annual Journal of

Biju Patnaik Institute of IT & Management Studies
(Approved by AICTE & Affiliated to Biju Patnaik University of Technology, Odisha)

www.biitm.ac.in

Chief Patron

Mr. P. K. Balabantray, Executive Director

Patron

Prof. (Er.) P. R. Pattanayak, Advisor (Academics)

Editorial Board

Dr. Pratap Kumar Tripathy, Principal	: Chief Editor
Prof. (Dr.) Ranjan Bal Professor, Commerce Department, Utkal University, Vani Vihar	: Member
Prof. (Dr.) K. B. Das, Professor & H.O.D Commerce Department, Utkal University, Vani Vihar	: Member
Prof. (Dr.) S. S. Ganesh, Professor (HR) XIM, Bhubaneswar	: Member
Dr. Lipishree Das, Lecturer (Economics) Ravenshaw University, Cuttack	: Member
Mrs. A. Choudhary, Asst. Prof. (HR)	: Editor
Mrs. Y. R. Lakshmi, Lect. (Fin)	: Associate Editor

Secretarial Support :

Mr. B.K. Sethi	: Librarian
Mr. A. K. Bhoi	: Computer Operator

About the Journal

The BIITM Business Review provides an academic forum for encouragement, compilation and dissemination of research on various aspects of management and business practices. It includes original empirical research as well as theoretical and conceptual works related to the field of management. It also publishes case studies, critical evaluation of existing business models and theories, and reviews of the latest books relevant to the corporate world.

The information and opinions expressed in the papers / articles are the sole responsibility of the respective authors and in no way reflect the opinions of the Chief Editor or the Institute.

All correspondence in relation to contribution of Articles, Comments and Suggestions may be addressed to :

Copyright :@Vol-3, No.2, 2012, BIITM, Bhubaneswar

The Editor, BIITM Business Review
Biju Patnaik Institute of IT & Management Studies
F/4, Chandaka Industrial Estate, Bhubaneswar-24
E-mail: biitmbbsr@yahoo.com

From the Chief Editor's Desk

It is a great pleasure to announce that the 3rd volume of our journal "BIITM Business Review" is being published. It contains quality articles with rich inputs on various domains of management. We extend our heartfelt thanks to all the contributors from various institutions and hope their cooperation in future also.

We are trying best to improve the quality of the journal and striving our continuous effort to achieve this goal. We hope the journal will meet its goal by providing quality inputs to students, faculty members, researchers and to academic fraternity as a whole.

The editorial board would like to extend heartfelt thanks to its Chief Patron, Mr. P. K. Balabantray, Patron, Prof. P. R. Pattanayak and Advisers for their encouragement and support for the success of this issue.

Dr. Pratap Kumar Tripathy
Chief Editor

From the Editor's Desk

It gives us immense pleasure in informing you that our journal "BIITM Business Review" has become popular and gain acceptance in a short span of time. We are proud to host articles with the ISSN number as it enhances the recognition and credibility of the articles published in the journal.

The articles in this issue are a selection from the work done by a group of researchers and practitioners on some of the important aspects of management and related fields. It is our continuous effect to bring out the versatility of the concepts in the light of providing knowledge and satisfaction to our readers.

The editor would like to heartily thank its Chief Patron Mr. P. K. Balabantray, Principal, Advisor, members of the editorial board, the authors and other well-wishers for their cooperation and encouragement in bringing out this issue.

Archana Choudhary

Editor

INDEX**RESEARCH PAPERS**

	Page No.
Internet Shopping and its Impact on Consumer Behaviour	5
<i>Ms. Alaka samantaray</i>	
The darkest hour is that before the dawn	14
- a special reference to FDI in India	
<i>Ananya Mitra</i>	
<i>Shradhanjali Panda</i>	
Role of Financial Inclusion for Inclusive Growth; A study based on financial institution & Economic Development in India.	24
<i>Prof Dr. Chitta Ranjan Mishra</i>	
Contribution of Islamic Thought to Mordern Economics	41
<i>Sk. Zakir Hossen</i>	
<i>Prof. (Dr) Malay Kumar Mohanty,</i>	
Role of SHGs in Rural Women Empowerment and Entrepreneurial Development in Odisha: Prospects and Challenges	57
<i>Minati Sahoo</i>	
A Study on Customer Perception on Service Quality in Banks	70
<i>Dr. Pinku Paul</i>	
Women Labour in Women Empowerment Era	80
<i>Dipti Rekha Mohapatra</i>	
Factors Affecting Buying Behavior of Consumers in car Industry with Special Reference to Bhubaneswar	91
<i>Ms. Seba Mohanty</i>	
<i>Ms. Leena P. Singh</i>	

INTERNET SHOPPING AND ITS IMPACT ON CONSUMER BEHAVIOUR

Ms. Alaka Samantaray*

Abstract

The main objective of this paper is to obtain quantitative evidence, describing the actuality of internet shopping in the case of the Odisha in order to explain the development of internet shopping and its impact on consumer's buying behavior. The paper builds on the relevant literature and at the same time examines consumer's behavior by questionnaires. Furthermore, the future development of internet shopping will be measured, and a deep comparison of consumer behaviour will be also analyzed. This proposed framework not only provides us with a cohesive view of online consumer behavior, but also serves as a salient guideline for researchers in this area. This paper will provides information for analyzing the research questions to conclude the status of internet shopping and its impact of consumer behaviour among consumers of Odisha.

Introduction

Consumer behavior is defined as “the study of the mental and physical activities performed by individuals or groups that result in decisions or actions associated with the purchase, use or disposal of goods and services”. The Internet and World Wide Web (WWW) have been developing rapidly in the last decade and the growth of E-commerce has also along with the fast speed of Internet development. There are many reasons for such a rapid developing of internet shopping, which mainly due to the benefits that internet provides. First of all, the internet offers different kind of convenience to consumers. Obviously, consumers do not

need go out looking for product information as the internet can help them to search from online sites, and it also helps evaluate between each sites to get the cheapest price for the desire product and also consumers can save their time to access the consumption related information. Furthermore, the internet can enhance consumer use product more efficiently and effectively than other channels to satisfy their needs. Detailed product information and improved service attracts more and more people changed their consumer behaviour from the traditional mode to more rely on the internet shopping. On the other hand, more companies have realized that the consumer behaviour transformation is unavoidable trend, and thus change their marketing strategy. Through the different search engines, consumers save time to access to the consumption related information, and which information with mixture of images, sound, and very detailed text description to help consumer learning and choosing the most suitable product. Online shopping definition is a basic understanding of online trading process, where a buyer meets directly with a provider in a virtual environment. In other way online shopping is a form of electronic commerce where consumers directly purchase goods or services from a seller or provider over the internet without any intermediary service. Since the invention of internet people have been able to do practically everything virtually. Due to the internet, online shopping has become one of the most popular ways to purchase goods without practically moving anywhere. The internet is a medium that is soaring in polarity in almost every facet of the world and is used for a myriad of reasons by individuals, governments, universities and businesses.

Objective of the Study

- To find out the factors influencing the consumer buying behaviour for online shopping.
- To gain a deeper understanding of online buying behaviour of consumers.
- To know the impact of consumer demographics (i.e. age, gender, income, social status, and education) level on consumers online buying behavior.

Research Methodology

A survey had been conducted by using questionnaire in order to get the data from the respondents group and used its result to analyze and draw a conclusion. Data has been collected using the personal-contact approach. All the responses measured on a five-point

Likert scale. The sampling procedure has been used for this study will be stratified random sampling. The stratification was done on the basis of geographic locations. The sample size has been taken 141 according to the best availabilities of respondents. The respondents are from odisha. It includes students, business men, service holders and other customers of different age groups. The data produced from the coded questionnaire was processed via analysis and interpretation, for the clarity of understanding. The software package SPSS was used to carry out the analysis based on the factor analysis.

Literature Review

Consumer buying process has been the focus of numerous articles in the consumer behavior, economics, and marketing literature over the past three decades (Jansen et al. 2006, Spink et al. 2006, Klein and Ford 2003, Moorthy et al. 1997, Beatty and Smith 1987, Punj and Staelin 1983). The quickness of internet as a retail channel has made it cost-efficient for store-based retailers to offer “order online pick up at store” service via their websites (Chatterjee 2010). Smith and Rupp (2003) in the study entitled “Strategic online consumer decision making leveraging the transformational power of the internet” concludes that age factor as determinant for online purchase intentions. They argued that older people who had no frequent interactions with the internet and the computer would not use the internet as a medium for purchases while young adults would. Wu (2003) conducted the study on “The relationship between consumer characteristics and attitude toward online shopping” and the study identified the consumer characteristics using four areas: consumer demographics, consumer purchasing preference, and consumer benefit perception and consumer lifestyle. Consumers’ characteristics have a significant relationship with the attitude toward online shopping; the attitude toward online shopping has a significant relationship with the online shopping rate. Kim and Park (2005) conducted the study entitled “A consumer’s shopping extension model: attitude shift toward the online store” and found that online shopping is to be perceived as convenient of the consumers, the consumer must perceive a certain amount of easiness with accessing the internet and also with carrying out the behavior with shopping online. Oppenheim, C. and Ward, L. (2006) conducted the study on “Evaluation of websites

for B2C e-commerce” and the study reveals that the current primary reason that people shop for the internet is the convenience. They found that the previous primary reason for shopping online was price which has now changed to convenience. Ankur Kumar Rastogi (2010) conducted the study on “a study on Indian online consumers and their buying behaviour” and the study attempts to analyze the features related to the buying behaviour of online shoppers.

Factor Analysis

As the first step, the suitability of the data collected for using factor analysis was thoroughly checked. Prior to running the factor analysis, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was performed.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.935
Bartlett's Test of Sphericity	Approx. Chi-Square	2688.145
	Df	153
	Sig.	.000

Inference: The KMO of sample adequacy is 93%.so it is accepted. Through Bartlett's Test of Sphericity we found that the chi-square value is significant, that's why all the variables are fit for making Factor analysis.

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	11.763	65.348	65.348	11.763	65.348	65.348	7.894	43.855	43.855
2	1.237	6.871	72.219	1.237	6.871	72.219	5.105	28.364	72.219
3	.792	4.398	76.617						
4	.732	4.067	80.684						
5	.540	3.002	83.685						
6	.449	2.495	86.180						
7	.386	2.146	88.327						
8	.349	1.941	90.267						
9	.312	1.733	92.001						
10	.281	1.562	93.562						
11	.264	1.466	95.029						
12	.209	1.161	96.189						
13	.193	1.071	97.260						
14	.146	.813	98.074						
15	.123	.686	98.759						
16	.102	.566	99.325						
17	.069	.386	99.711						
18	.052	.289	100.000						

Inference: From the above table it has been interpreted that the total variance explained by two extracted factors having Eigen value more than 1 is 72. % .

	Component	
	1	2
company profile	.571	.578
Identity	.348	.749
Security certificate	.244	.823
customer service	.699	.361
product information	.737	.411
selection	.648	.419
terms condition	.455	.571
Website	.597	.559
Cost of delivery	.896	.237
Speed of delivery	.870	.268
Simplicity	.797	.281
privacy	.190	.822
information	.657	.494
Ability to track	.846	.365
history	.846	.421
speed	.611	.630
Web site interface	.542	.656
Personalized offers	.781	.392

Inference

- a. The variables customer service, product information, selection, Website, cost of delivery, speed of delivery, Simplicity, information, ability to track, history, personalized offers are highly loaded with Factor 1 i.e. :**Technicality factor**
- b. The variables company profile, Identity, security certificate, terms condition, privacy, speed, web site interface are highly loaded with Factor 2 i.e. **Reliability factor**.

Major Findings

- This survey proves that youth people are more interested in online shopping rather than middle age or older people above 40yrs. For internet shopping educational factor also plays a vital role as because under graduate or illiterate people were still unaware of it. In case of entertainment 47.4% of people were using internet but in case of finance only 4.96%, 6.38%, 19.14% of people were using internet very often, often and occasionally taking the help of internet.
- In the modern society internet becomes a very essential things now a days. For that reason most of the family and office would like to take connection of internet in their respective places. For which 43.98% of people were able to accessing the internet from their home then 24.82% of people can access to the internet from their office/ work place. Around 18.43% of students were accessing internet from college or cyber cafés.
- In Odisha most of the people were purchasing tickets, clothes, and electronic components from online. Internet shopping is quiet easy one for which 69.50% required help for first time only and after that they never take any help for shopping online.
- Most of the people i.e. 83.68% of people use internet for information search before purchasing the products.

- Now a day's many search engines are performing a great service. Search engine like Google, Yahoo are most popular search engines in the internet.
- The people were also very conscious during online shopping i.e. 92.61% of people used to read the policies prior to making purchase. During internet shopping 59.57% of people does not feel secure and for which 51.06% of people like to pay the price on COD method, which is popularly known as Cash on delivery. Here the consumer pays the price only after receiving the products.
- In case of internet security 58.86% of people agreed that the website should improve the security by which the consumer feels secure during purchase.
- As for the delivery on time and packing of products 50.35 % of people agrees that the website should improve the above services.
- From the analysis it was found that the factor analysis of the 18 attributes is yielded of two factors explaining 72. % of total variance.
- The variables customer service, product information, selection, Website, cost of delivery, speed of delivery, Simplicity, information, ability to track, history, personalized offers are highly loaded with Factor 1 i.e. **Technicality factor**
- The variables company profile, Identity, security certificate, terms condition, privacy, speed, web site interface are highly loaded with Factor 2 i.e. **Reliability factor**

Conclusion

Now a day's access to the internet is possible in everywhere. Most of the people access internet by staying in their home. Students can access internet from their colleges or from the cyber café and employees can access to the internet from their office. In other word accessing to the internet becomes too easy for everyone, now a day. In internet shopping the most common items are like clothes, tickets, travel booking, consumer electronics, computer accessories, soft ware and health & beauty aids. These items were purchased by the people with the help of internet shopping websites. And other items like house wares, gifts, cd/dvd, pharmaceuticals, toys etc. were purchased by the people in a randomly and occasionally. Online shopping makes the consumers purchasing more convenient and efficient. People can search products online more quickly and they can find much wider product ranges than in retail shops. However there are still some disadvantages for online shopping. People can get

better service in retail shops because staff in retail shops can give advice and help. Another weak-point for online shopping is safety. There are still lots of consumers who are afraid of the safety of online payment. Internet companies take it as a responsibility to influence consumer to patronize their product. That, to a large extent determines a company's success. More so, it is significant to change consumer purchasing behaviour in a long lasting way, company attract a consumer with prices which is tuned to their interest at first purchase, the continuity of such pricing implementation keeps the consumer going with the purchase and thus be faithful and loyal. In this sense the company has influence the consumer's attitude to keep purchasing at any point in time, so it becomes the consumer behaviour.

References

- 1- Cho H.D., Lee H.G., and Lee S.C (2002) Impact of e-Business initiatives on firm value. *Electronic Commerce Research and Applications*, 1: 41-56
- 2- GN Punj and R. Staelin (1983). A model of consumer information search for new products. *Journal of Consumer Research*; 9: 366-380.
- 3- Han, S-R. (1996) Present and future of non-store retailing, *Proceedings of Korea Marketing, Association Spring Conference*, pp.49-59,
- 4- J. Peter, Danaher , W. Isaac, Wilson and A. Robert , Davis (2003). A Comparison of Online and Offline Consumer Brand Loyalty
- 5- Joon Moon Byeong (2004). Consumer adoption of the internet as an information search and product purchase channel: some research hypotheses, *International Journal of Marketing and Advertising*, Vol. 1, No. 1.
- 6- Joon Yoon Sung (2002). The Antecedents and Consequences of Trust in Online-Purchase Decisions, *Journal of Interactive Marketing*, Volume 16/ Number 2.
- 7- K. Lee and N. Chung (2000). Effect of virtual reality-driven shopping mall and consumer's purchase intention. *Korean Management Review*, 29 (3): 377-405
- 8- S. L., Jarvanpaa and P. A., Todd (1997). "Consumer Reactions to Electronic Shopping on the World Wide Web." *International Journal of Electronic Commerce*, 1 (2), 59-88.

***Institute Of Business and Computer Studies**

Siksha 'O' Anusandhan University, Kalinga Nagar, Ghatikia, Bhubaneswar – 751003, Orissa, alka.sray_2007@yahoo.com

THE DARKEST HOUR IS THAT BEFORE THE DAWN -A SPECIAL REFERENCE TO FDI IN INDIA

Ananya Mitra*

Shradhanjali Panda**

Abstract

After the Financial Crisis period, India is once again trying hard to maintain its growth rate and it is on the way to the developed economy of the globe. In liberalization era, FDI's role in its development cannot be ignored. It becomes a lucrative spot for foreign investors. But, rising inflation rate is a major obstacle on this path of development. So, the study aims at targeting the effect of inflation on FDI flow of India. It has used 9 years time period i.e. from 1st January, 2003 to 31st May, 2012. The time period is divided into three phases taking the Financial Crisis period in mind. Before, after and during phase of depression are taken for the study. Time series analysis is used for trend fitting to study the divergence of real variables from the trend line. Along with it correlation Coefficient, regression analysis and graphic representations are used in the study

Introduction

Current Economic scenario around the globe shows that the impact of financial crisis that started in 2008 has not removed its mark from the world financial market. The turmoil in developed economy proves it. Though it started in US yet rest of the world suffered out of it. As a result many countries including India are suffering from its after effect i.e. rising rate of inflation. For any country, the major obstacle on its way to development is its rising inflation rate. Being the 3rd largest economy in the world in Purchasing Power Parity, India is a hot

spot for FDI which is a key component for the economic development of the country. The United States is one of India's largest direct investors. From 1991 to 2004, the stock of FDI inflow has increased from USD \$11.3 million to \$344.4 million, and totaling \$4.13 billion. This is a compound rate increase of 57.5 percent annually. Indian direct investments abroad began in 1992, and Indian corporations and registered partnership firms are now allowed to invest in businesses up to 100 percent of their net worth. So, the present paper aims at focusing on the relationship between FDI flow and inflation rate. Apart from it, it tries to establish link between US inflation rate to that of India.

Objective of the Study

Having analyzed the trend of FDI flow to India and its effect on inflation and the relation between US inflation rate to that of India, the objectives of the study are as follows.

- To analyze the trend of FDI flow to India in last 2 years.
- To examine the two major macro-economic factors i.e. FDI flow and current inflation rate of India.
- To establish relation between US inflation rate to that of India.

Trend of FDI

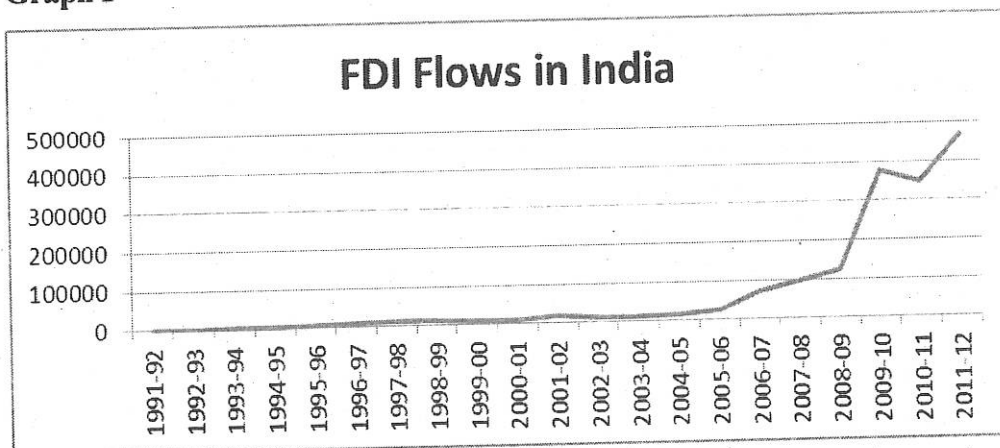
FDI in India has contributed effectively to the overall growth of the economy in the recent times. FDI inflow has an impact on India's transfer of new technology and innovative ideas; improving infrastructure, thus makes a competitive business environment. FDI policy is reviewed on an ongoing basis and measures for its further liberalization are taken.

India has been attracting foreign direct investment for a long period. The sectors like telecommunication, construction activities and computer software and hardware have been the major sectors for FDI inflows in India. The measures introduced by the government to liberalize provisions relating to FDI in 1991 lure investors from every corner of the world. As a result FDI inflows during 1991-92 to March 2010 in India increased manifold as compared to during mid-1948 to March 1990. As per the fact sheet on FDI, there was Rs 6,303.36

billion FDI equity inflows between the periods of August 1991 to January 2011. (Source: various SIA Bulletins)

The FDI inflows in India during mid-1948 were Rs 2.56 billion. It is almost double in March 1964 and increases further to Rs. 9.16 billion. India received a cumulative FDI inflow of Rs. 53.84 billion during mid-1948 to march 1990 as compared to Rs.1, 418.64 billion during August 1991 to march 2010. An annual FDI inflow indicates that FDI went up from around negligible amounts in 1991-92 to around US\$9 billion in 2006-07. It then hiked to around US\$22 billion in 2007-08, rising to around US\$37 billion by 2009-10. In fact when foreign direct investment into India had “tumbled 32 per cent to just US\$3.4 billion”, as mentioned in financial times during January to March 2011 that it emerged that net FDI flows in the month of April alone amounted to US\$3.1 billion.

Graph 1



The above graph shows the trend of FDI in India from liberalization period i.e. 1991-92 onwards. The trend shows a sudden jump of FDI from 2006 onwards. The most interesting fact is that, during the financial crisis period, India's FDI amount was above Rs1, 00,000 crores.

Research Methodology

Data

In the present study, US inflation rates, Indian inflation rates and FDI flow to the country for 9 years are used.

Time period of the study

The time span of the study is 9 years i.e. from 2003 to 2012. The entire time frame is divided into 3 phases - pre depression, depression, and post depression to study the impact of US inflation on Indian inflation rate.

Statistical tools used

In this current paper correlation coefficient is used to estimate the relationship between the inflation rate of India and US along with the relationship between Indian inflation rate and FDI inflow into India. There are several correlation coefficients, often denoted \tilde{r} or r , measuring the degree of correlation. The most common of these is the Pearson correlation coefficient, which is sensitive only to a linear relationship between two variables (which may exist even if one is a nonlinear function of the other). Along with it Time series analysis is used to fit the trend line. Apart from it histogram and graphs are used to show the pattern of both FDI flow and inflation rates during the study period.

Analysis and Interpretation

For the present paper it is tried to fit 2 variable linear regression models. The two variables are monthly inflation rate and FDI flow in India. The study period is 2 years i.e. from 1.04.2010 to 31.03.2012. The average inflation rate and FDI is calculated for the regression models and they are for the above time period are 9.472083 and 38377.5 respectively.

The two regression coefficients are calculated by using the formula:-

$$b_{yx} = \frac{\sum d_x d_y}{\sum d_x^2} \quad (1)$$

$$b_{xy} = \frac{\sum d_x d_y}{\sum d_y^2} \quad (2)$$

Here, X = amount of FDI inflow in India.

Y = represents amount of Inflation in India

d = deviation from actual mean value.

= the regression coefficient of Y on X. It represents the increment in the value of the FDI for a unit change in the value of inflation.

= the regression coefficient of X on Y. It represents the increment in the value of the Inflation for a unit change in the value of FDI.

After analyzing the data, b_{yx} turned out to be 11583.4245. That is to say-

$$Y = 11583.42x - 71340.654 \quad \text{regression equation (1)}$$

and b_{xy} is 3.5363E-05, thus the second equation is-

$$X = 3.533E-05Y + 8.11494 \quad \text{regression equation (2)}$$

From these equations by putting various expecting values of FDI and inflation rates as the independent variable in equation 1 and 2 the values of the dependent variables can be generated or forecasted.

Since both the values are positive, correlation coefficient "r" between two is also to be positive.

As

$$r = \sqrt{b_{yx} * b_{xy}} \quad \text{the calculated value is "r" = 0.640018}$$

It can be interpreted in the following manner. Positive value of correlation coefficient shows that both the variables i.e. Inflation rate and FDI flow are reciprocating to the extent of 0.640018 to each other. Though they are not perfectly positively correlated, but they have direct relationship between them. To put it simpler, a unit change in inflation rate will change the FDI inflow by 0.640018 crore amounts in the same direction.

Table 1**Correlation Coefficient values for three phases between inflation rate of India and US**

Phase	Time frame	Correlation Coefficient value
Pre-depression	1/1/03 To 31/12/07	0.19965
During depression	1/1/08 to 31/12/09	-0.33962418
Post-depression	1/1/10 to 31/5/12	-0.5779496

As it can be seen from the above table and the respective graphs (annexure) that the correlation between both economy's inflation is rate is not that strong. Before the onset of the depression phase the Correlation Coefficient was merely 0.19. That is to say there existed a direct relation, so that both the values moved in the same direction but had 19% influences. The situation is somewhat different during (-0.33962418) and post depression (-0.5779496) phase, the Correlation Coefficient is negative in both cases. This signifies that both the variable is moving in reverse direction- when one is increasing other is decreasing. This is actually a good sign because it shows that the inflation in US is not pushing the price of goods and services in the Indian market.

Conclusion

In the present study it is tried to test the inflation rates of both India and US from the year 2003 to 2012. This time period is divided into three phases keeping the Financial Crisis as the benchmark. The time periods are named as pre-recession, during-recession and post-recession respectively. The volatile inflation rate of India along with the trend of FDI inflow for 2 years time period are checked for these time periods.. To check the relationship between these two variables, 2 variable linear regression models are used. The computed correlation coefficient is 0.640018. As it is positive, the relationship is established that both the variables are moving in same direction, increasing or decreasing. Taking the results of the study it can be safely concluded that India has got a strong financial backbone and because of the strict

monetary policies implemented by RBI, it could withstand the enormous pressure of the crisis and walked out safely from the darkest hour of the night towards the light of dawn.

Reference

Ahmed, F., Arezki, R. and Funke, N. (2006), The composition of capital flows to South Africa. *Journal of International Development*, 19, 275-294.

Ahn, Y.S., Adjai, S.S. and Willett, T.D. (1998), The effect of inflation exchange rate policies on direct investment to developing countries. *International Economic Journal*. 12(1), 95-104.

Albright, S.C., Winston, W.L. and Zappe, C. (2006) *Data Analysis and Decision Making with Microsoft Excel*. 3rd ed. USA: Thomson Learning.

Barrell, R. and Pain, N. (1996), An Econometric Analysis of U.S. Foreign Direct Investment. *The Review of Economics and Statistics*, 78(2), 200-207.

Rahman, Z. and Bhattacharyya, S.K. (2003) Sources of First Mover Advantages in Emerging Markets – an Indian Perspective. *European Business Review*, 15(6), 361-371.

Zhang, H.F. (2007) *Essays on the optimal choice of exchange rate regimes*. PhD Thesis, Drexel University.

Zikmund, W.G. (2003) *Business research method*. 7th ed. USA: Thomson Learning.

Websites

www.investopedia.org

www.rbi.org.in

www.sebi.gov.in

www.wikipedia.org

Annexure**Table 1****FDI flow in India (in crores)**

Years	FDI Flows in India
1991-92	409
1992-93	1094
1993-94	2018
1994-95	4312
1995-96	6916
1996-97	9654
1997-98	13548
1998-99	12343
1999-00	10311
2000-01	10368
2001-02	18486
2002-03	13711
2003-04	11789
2004-05	14653
2005-06	24613
2006-07	70630
2007-08	98664
2008-09	123025
2009-10	377450
2010-11	348470
2011-12	468470

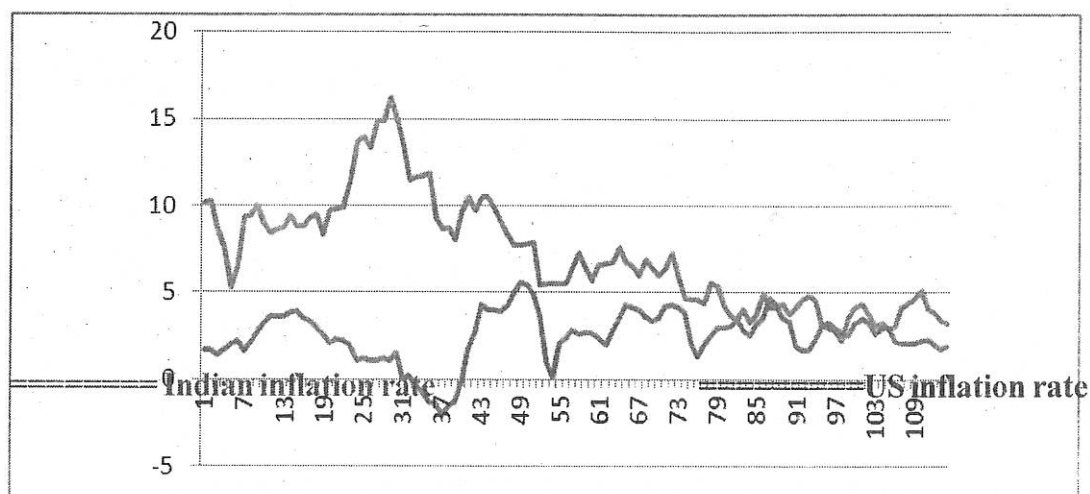
(Values in crores)

Table 2**Top ten FDI investing countries in India**

Ranking	Country Name
1	Mauritius
2	Singapore
3	United States
4	UK
5	Netherlands
6	Japan
7	Cyprus
8	Germany
9	France
10	UAE

Table 3**Monthly Inflation rate of India for the study period**

Months	Inflation Rate
April 30, 2010	13.33%
May 31, 2010	13.90%
June 30, 2010	13.72%
July 31, 2010	11.26%
Aug. 31, 2010	9.88%
Sept. 30, 2010	9.81%
Oct. 31, 2010	9.70%
Nov. 30, 2010	8.33%
Dec. 31, 2010	9.47%
Jan. 31, 2011	9.30%
Feb. 28, 2011	8.82%
March 31, 2011	8.82%
April 30, 2011	9.41%
May 31, 2011	8.72%
June 30, 2011	8.63%
July 31, 2011	8.43%
Aug. 31, 2011	8.99%
Sept. 30, 2011	10.05%
Oct. 31, 2011	9.39%
Nov. 30, 2011	9.34%
Dec. 31, 2011	6.49%
Jan. 31, 2012	5.32%
Feb. 29, 2012	7.57%
March 31, 2012	8.65%
April 30, 2012	10.22%



* United School of Business Management. She can be reached at ya.lubalu.dibya@gmail.com.

** Assistant Professor (Finance) at United School of Business Management. She can be reached at shradha313@yahoo.co.in

ROLE OF FINANCIAL INCLUSION FOR INCLUSIVE GROWTH; A STUDY BASED ON FINANCIAL INSTITUTION & ECONOMIC DEVELOPMENT IN INDIA.

Prof (Dr.) Chitta Ranjan Mishra*

Abstract

The recent global recession have further worsened the plight of consumers. The global financial crisis has highlighted the importance of consumer protection and financial literacy for the stability of the financial sector. Financial inclusion refers to ensuring access to appropriate financial products and services needed by vulnerable groups, such as weaker sections and low income groups, at an affordable cost in a fair and transparent manner from the mainstream service providers. The biggest challenge India is facing today is to ensure inclusive growth. It is important to ensure that while the Indian economy grows rapidly; all segments of society are part of this growth process, preventing any regional disparities from derailing such growth. Thus, there is an urgent need today to link all households that are excluded from formal financial service. Financial inclusion is intended to connect people to banks with consequential benefits. Ensuring that the financial system plays its due role in promoting inclusive growth is one of the biggest challenges facing the emerging economies. The developing country like India wherein a large population is deprived of the financial services which are very much essential for overall economic growth of a country. The Indian economy continues to suffer from the problems of poverty. The importance of study is to examine the economic development of the poor and low income groups with supporting financial institution. When people have low levels of financial literacy, they often make unproductive financial decisions: they spend their money in suboptimal ways, borrow

too much, save too little, and miss opportunities for investing. By communicating the knowledge, skills, and attitudes associated with sound money management, financial education can offer these individuals the means to use their scarce financial resources more effectively and to choose the financial services and products that best meet their needs.

Keyword: Financial inclusion, Economic Development, Awareness of Financial product & services, Role of financial institution,

Introduction

Financial inclusion refers to ensuring access to appropriate financial products and services needed by vulnerable groups, such as weaker sections and low income groups, at an affordable cost in an fair and transparent manner from the mainstream service providers. The biggest challenge India is facing today is to ensure inclusive growth. It is important to ensure that while the Indian economy grows rapidly; all segments of society are part of this growth process, preventing any regional disparities from derailing such growth. Thus, there is an urgent need today to link all households that are excluded from formal financial services. Financial inclusion includes access to financial products and services such as no frill bank account check in account, micro-credit, savings products, remittances & payment services, insurance, healthcare, mortgage, financial advisory services, entrepreneurial credit, and pension for old age, business correspondence and self help group branchless banking etc. Lack of access to financial services are due to several reasons such as shortage of sources of financial services in our rural areas, high information barriers and low awareness, inadequate access to formal financial institutions etc. among many others. Those who are excluded are: marginal farmers, landless labor, workers in unorganized sector, urban slum dwellers, migrants, ethnic minorities and other socially excluded groups. Indian banking system has emerged as a vibrant sector in the Indian economy. Strong regulatory mechanism, inherent strength in the economy, and progressive policy framework which supports, nurtures, and helps in growing the financial institutions. There has been amazing growth in profits in our banking industry over the last

two decades. The banking sector index has grown at a compounded annual rate of 51% since the year 2001. Many of the private sector banks had significant exposure to global financial world. Due to the global exposure private banks were adversely affected during recession. Timely interventions by RBI made it easier for banks to overcome the adverse impacts of recession. Indian banking system remained resilient during the recession. It was due to conservative approach of banks, cost cutting measures, and following the guidelines of RBI. RBI reduced statutory liquidity ratio (SLR), cash reserve ratio (CRR), Repo rate, and Reverse repo rate to increase the money supply to ease the tight liquidity position. No single bank needed government bailout during recession. Private sector banks pioneered the use of technology to provide enhanced customer services. Anywhere and anytime banking became a reality. The widespread application of internet banking had made it possible to market financial products and services on a global basis. Despite the sound and robust banking system, there are certain challenges. Indian banking is too fragmented as compared to global standards. To compete globally Indian banks need to scale up the size of their operations.

Literature Review

Banks play an important role in meeting credit need of people. More studies have attempted to analyze the role of commercial banks in financial inclusion for sustainable development. The RRBs and commercial banks in the economic development and relation with other developmental programmers. An attempt in this section has been made to review some important research studies.

Finance Minister Pranab Mukherjee (2010) said financial inclusion was a key determinant of sustainable and inclusive growth which could unlock the vast hidden potential of savings consumption and investment propensities of the poorer sections of society.

Transact the national forum for financial inclusion, (2007) financial inclusion is a state in which all people have access to appropriate, defined financial products and services in order to manage their money effectively. It is achieved by financial literacy and financial capability on

the part of the consumer and financial access on the part of product, services and advice suppliers.

Farhat Husain (1986) has made a detailed analysis of the development of Commercial banks in India in the light of reorientation of banking policy, credit planning and resource mobilization for the regional development.

Choubey, B.N. (1983) has evaluated that Commercial Banks have failed to fill the serious gap and deficiencies in farm credit, which the RRBs could manage to do. Choubey emphasized that the NABARD would be required to pay special attention to the depoliticisation of the agricultural credit and government credit agencies. He suggested that NABARD might help the agricultural and rural sector in raising their productivity at reasonable faster rate.

Shetty (1997) in his studies that the 'social banking' policies being followed by the country resulted in widening the 'geographical spread and functional reach' of commercial banks in rural area in the period that followed the nationalisation of banks.

NABARD (1999) remarked that the despite having a wide network of rural bank branches in India which implemented specific poverty alleviation programmes that sought creation of self employment opportunities through bank credit, a very large number of the poorest of the poor continued to remain outside the fold of the formal banking systems.

Gundannavar, V.R. (1992) has highlighted the role of banks in implementing social banking schemes to keep pace with changing social needs. He has strongly opposed any move to reduce resources allocation to priority sectors, which will have an adverse impact on the agricultural credit. He has suggested to increase higher interest rate on commercial lending and to continue concessional rate of lending to priority sectors..

Barman, K.K. (1994) has made an analytical study on the implications of financial sector reforms on rural credit delivery system. He has found that implications are of wide spread; on interest rate of agricultural loans, lending rates, priority sector lending, reserve requirements and institutional restructuring.

Rangarajan, C. (1996) has identified three to four major factors which would have impact over the future banking operation including progressive de-regulation of interest rates, a diversified competitive market place, market determined exchange rate mechanism and

technological progress. He suggested the banks to provide credit to agriculture and allied sector as provision of credit to high-tech agriculture which is almost equal to providing credit to industry.

Vaidya, B.V. (2002) has made a comprehensive effort to highlight some of the aspects of rural development of the country under the policy of liberalisation and globalisation, including economic aspect, agricultural aspect, industrial aspect, infrastructural aspect and management aspect. From his analysis, he has drawn the conclusion that a comprehensive methodology will be necessary for rural development which is the bed-rock of development for the whole country.

Ansari (2007) in her study reveals that reaching the poorest and whose credit requirements were very small, frequent and unpredictable, was found to be difficult. Further, the emphasis was on providing credit rather than financial products and services including savings, insurance, etc. to the poor to meet their simple requirements. Therefore, need was felt for alternative policies, systems and procedures, savings and loans products, other complementary services and new delivery mechanisms, which would fulfill the requirements of the poorest.

Shylendra, (1998) spoke of SHGs as meaning small informal associations created for the purpose of enabling members to reap economic benefit out of mutual help, solidarity, and joint responsibility. The benefits include mobilization of savings and credit facilities and pursuit of group enterprise activities. The group-based approach not only enables the poor to accumulate capital by way of small savings but also helps them to get access to formal credit facilities.

To Beck & De la Torre, (2006) financial inclusion should signify access to a range of different financial services, the percentage of people in a given area with access to a bank account is the typical measuring stick for breadth of financial services.

Karmarkar, K.G.(1997) has highlighted the role of Micro financing (SHGs) on the rural credit delivery system in the state of Orissa with example of successful projects in the different parts of the state. He has suggested for active participation of banks and other development agencies to promote micro financing in large scale to accelerate the pace of rural development.

Biswal, D. and Dash, H. (1997) have attempted to study the recovery phenomenon of rural bank credit in Orissa. The banks in financing rural development are of the view that poor recovery and mounting overdues are the major huddles faced by them. They have suggested for adequate development of rural infrastructure in the state to improve the income and financial condition of rural poor which in turn will improve the recovery performance of banks in the state.

Verrashekharappa (1997) in his work on "Institutional Finance for Rural Development" has highlighted the importance of institutional finance on farm sector in a changing perceptive. Taking into account the transaction cost, utilisation of loan, repayments and overdues, he has advocated for policy implications to be implemented more cautiously to reduce the gap between bank credit and farm sector and to remove the size of landholding as collateral security against farm credit..

World Bank (2008) financial inclusion is also influenced by specific credit needs of various segment people arises for a number activities such as housing, microenterprises, agriculture difficulties in accessing formal sources of credit, the poor individuals and small savings or internal resources to invest in housing, health and education, and opportunities.

The Concept of Financial Inclusion

Banks are for people with the money hence poor are unbankables they are outside the banking and financial sector with lack of opportunities for financial products and services and increasing poverty and lack of awareness and financial illiteracy creating opportunities for unorganized banking sector s of indigenous bankers, money lenders ,chit funds and pawn brokers who often use the financial illiterate population to satisfy their own ends of wealth creation, at the economy at large it creates unequal distribution of wealth and income and other socio-economic imbalances in various parts of the country therefore there is a need for systematic organized banking system in these rural areas catering the needs of agriculturist, self help groups, low income groups and local entrepreneurs were tremendous potential with wide opportunities for banking business activity and growing into Inclusive economy and

promoting the socio-economic development for all the common individuals for achieving balanced regional development .

Scope of the Study

In this context an attempt has been made to analyze financial level of low income groups viz., the in terms of financial status of the below poverty line people. This study creates an awareness level for financial product and services, banking facilities and role of banks for low income groups of the country.

Objectives of the Study

This study has the main objectives:

- 1.-To determine the level of awareness of people in various financial products and services and more importantly quality as a factor of financial inclusion.
- 2-To study the impact of SHG bank linkage program & low income people on promotion of financial inclusion in rural and urban areas in term of access to banks, saving and loan by the SHG members.
- 3.-To study the nature of implementation of the Scheme by bank branches.
- 4-To make suggestions for improvement of the present situation which will lead to sustainable development?

Need for the Financial Inclusion

1. Physical distance: At present one bank branch caters the needs of 16000 people which is low according to the requirement of our country
2. Mutual disbelief: The poor people are not bankable; on other side they have a pessimistic view that banks and other financial institutions are not for us
3. Lack of appropriate products/services:

The common people of rural areas are not within the reach of modern financial and banking products and services offered to other parts of the economy

4. Lack of awareness, financial illiteracy;

The low income group people and many agriculturalists are not aware of benefits of banking services and facilities provided to them by initiatives of government measures.

The poor need credit, insurance, savings and pension services. But because of lack of access to these financial services from formal sector, they have to depend on informal financial sources, i.e., private money lenders. Not only are these informal sources exploitative, they provide only credit services and do not provide other financial services like savings, insurance, pensions and remittances. As a result, the poor are caught in a debt trap; they borrow at very high interest rates for all types of life-cycle needs, whether it is a business need or a personal need like sickness or accident, or a social need like marriage. If our objective is to bring these economically active poor out of the vicious cycle of poverty and help them build their own capital assets and business, we need to ensure that they get access to integrated financial services, and that too from formal financial institutions at a reasonable price. The current 'financial inclusion' policy has all the components that are required to ensure that poor get access to financial services. Most importantly, the policy does not talk about only credit service, but also about integrated financial services. It provides for "door-step" banking, which is needed by the poor. It talks about bank appointing business facilitators and banking Correspondents. It seeks to allow the poor to open "no frills" accounts. Banks are given targets and they are strictly monitored. There is the necessary political will as well as positive response from the formal financial sector, especially banks. Though targets are supposedly being achieved, it is yet to be seen that it is bringing a positive change in the life of the excluded population. Thus, while "no frills" accounts have been opened; few accounts are being meaningfully operated. Probably the gap is at the demand side; may be the needy are not ready to avail of these services in a meaningful way; because this is the first generation of the population which we are trying to link with formal financial services. They are taking time to get used to such services. They are used to deal with informal financial service providers who provide 24-hour service at their doorstep with the simplest procedures. May be, they are reluctant because they are scared to follow procedures.

Research Methodology

The study is analytical and exploratory in nature and makes use of Secondary data. The data of the study has been collected mostly from the secondary sources. The secondary data have been collected from various publications and different government and non-governmental sources. The data collected from secondary sources have been suitably edited, analyzed and interpreted according to requirement of the study. The study also tries to find out the financial instruments which are considered to be the most reliable and the source of information which is mostly used by the individuals while taking investment decisions. This Paper proposes an alternative concept, financial capability. Financial capability includes both the ability to act (knowledge, skills, confidence, and motivation) and the opportunity to act (through access to quality financial products and services). Low-income households, who face lack of financial knowledge and institutional barriers to participation in quality financial services, require both financial literacy and financial inclusion.

Statement of the Problem

Financial exclusion is excluding people without of affordable credit, savings, insurance assets and money and bank advices. The financial excluded section largely comprises marginal framers, landless laborers, self employed and unorganized sector enterprises, urban slum dwellers, migrants, ethnic minorities and socially excluded groups, senior sector and women. To achieve greater financial inclusion, financial services should reach the poor of socially excluded groups particularly poor people micro finance banks and other financial institution has played a vital role in filling up this gap. This study helps us to know the financial inclusion position, awareness level, towards no frills account and saving and credit behavior of the low income groups

Recent Strategies for commercial Banks

Specific focus on financial inclusion commenced in November 2005, when the Reserve Bank of India advised banks to make available a basic banking 'no-frills' account. This was accompanied by the simplification of know your customer (KYC) procedure for such accounts.

A decentralized strategy has been adopted for ensuring financial inclusion. Initially, SLBCs in each State identifies one district for 100 per cent financial inclusion and thereafter it replicates it in other districts. So far, SLBCs have reported having achieved 100 per cent financial inclusion in 68 out of the 611 districts in the country. As many as 12 million “no frills” accounts have been opened till date.

Other important strategies include strengthening of Regional Rural Banks, special programmes and interest subvention initiatives of Government, recapitalization and reform package for rural cooperative credit structure, modified prudential accounting norms for agricultural loans, measures for stepping up credit to micro, small and medium enterprises (MSME) sector and consultative approach to regulation of urban cooperative banks.

Initiatives for financial inclusion in India

The broad strategy for financial inclusion in India in recent years comprises the following elements: (i) encouraging penetration into unbanked and backward areas and encouraging agents and intermediaries such as NGOs, MFIs, CSOs and business correspondents (BCs); (ii) focusing on a decentralized strategy by using existing arrangements such as State Level Bankers’ Committee (SLBC) and district consultative committee (DCC) and strengthening local institutions such as cooperatives and RRBs; (iii) using technology for furthering financial inclusion; (iv) advising banks to open a basic banking ‘no frills’ account; (vi) emphasis on financial literacy and credit counseling; and (vii) creating synergies between the formal and informal segments.

The Role of commercial banks in financial services

The basic concept of financial services is having a saving or current account at any bank. Now-a-days the banking system has become more dynamic and there is an increasing trend in the number of depositors in bank. But financial services have not accessed to low income groups in Rural and urban areas, because they have no awareness about the financial product and services and the financial organization have not become able to provide any banking services to the poor people. So the Government of India, Reserve bank of India and NABARD

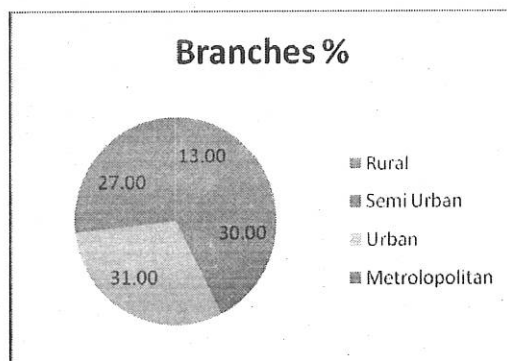
together have initiated a number of the following programs in India Like 1-Self Employment program 2-SHG-Bank linkage program 3-Post offices program 4-Village development program 5-Kissan credit card (KCC) All these programs are poverty alleviation schemes of the Government and the Reserve bank of India has initiated several measures to achieve the financial inclusion such as facilitating "No frill" account for low deposits and credit. All these programs were implemented in a proper way but success was achieved. Those successful banks, who focused on the rural and urban sector by providing financial services, now they are planning to open saving and current account which was not sufficient for financial services. Majority of the people did not know about the process of opening the accounts and could not get the passbook. In this stage actually awareness should be built first and linked to a bank by opening of accounts. The major point, opening of a bank account is meaningless for rural poor because the distance of the bank branches is a major problem and the people have not enough the money to operate deposit accounts. Financial services need to be measured not just by the number of saving accounts holders but also by the extent of awareness about the various banking services and products as well as their effective use by them. A self-help-group (SHGs) comprises 15 to 20 members. The program rekindled the basic human train of self worth of every member in a group by handling saving and internal lending, the groups nature to acquire credit worthiness for themselves and earn confidence of banks for loners by providing trust as collateral. In the other cases the SHGs should be used to get people used to banking facilities. There are other conditions like employments that generate income, access to natural resources wages employment, education and so on that help in linking people to financial institution. The last step referring to operating system of SHGs for the mobilization of saving with banks and bank lone disbursement to SHGs, repayment of lone, building up leadership and establishing linkage with banks and ultimately examining the social benefits derived by the members. Any policy or programmed for delivering financial support services to the poor aims at improving their standard of living and helping them to cross the poverty barrier. The importance of banks providing deposit and credit facilities to poor people. So banking awareness needs to be created for better financial inclusion. Financial inclusion may be successful if the priorities will be given upon the daily transaction of accounts (saving and current) and loans facilities, insurance, education loan etc. Finally it provides appropriate

financial services and increases the economic opportunities for the poor and low income people, which will lead towards positive results in social progress and economic development of our country.

Geographical Distribution

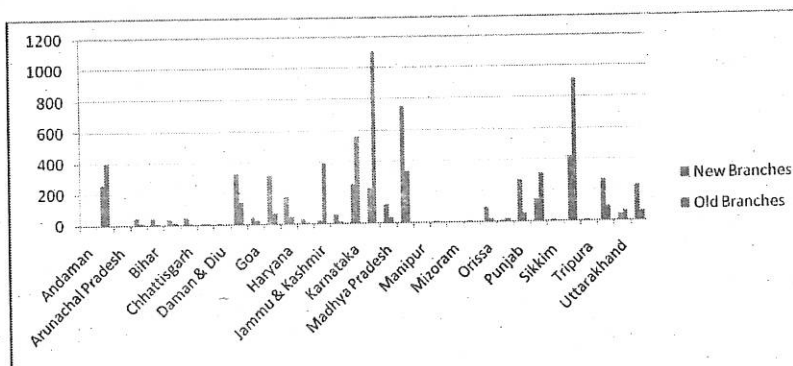
The private banks started from the metropolitan cities. After growth in metros, the private sector banks are expanding their network into urban, semi urban, and rural areas. The figure shows the network spread of private banks in different types of population group. Private Banks are not just concentrated in metros but they have started making inroads into the rural market as well. The semi urban areas have benefitted significantly from the presence of private sector banks. 30% of the branches of private banks are in semi urban areas.

FIG 1: Geographical Distribution of Private Banks



Source-Reserve Bank of India

Fig2: State wise Distribution of Private sector Banks



Source-Reserve Bank of India

Poverty Reduction through Education

Poverty reduction is one of the major objectives of economic growth. Economists recognize that even when there is robust economic growth poverty reduction may not always be fully achieved. Economic growth is necessary but not sufficient when it comes to poverty reduction. We cannot preclude the role of economic growth in creating necessary resources for social development, but, at the same time, complementary social and environmental policies are required, too. If poor people do not have access to basic education, how can they take advantage of employment and income opportunities created by economic growth? Poverty is thus a highly complex socio-economic problem that needs to be tackled concurrently in various sectors in order to untangle the Gordian knot of poverty. It is the synergy of combined efforts that produces the most sustainable results.

Summary & Recommendations of the Study

Financial Inclusion Plan is the single largest programme in the history of banking, for directly covering the households below the poverty line with at least the minimum banking services. Many households are happy about the banks approaching them at their doorstep for offering the savings services. The community participation in the FIP was unprecedented. The Banks felt that the branches can easily cover the assessed gap of coverage of households at 30% in a span of one year and went ahead to cover all the households requiring "No-Frills" Accounts, rather than covering in phases. However, when it came to servicing the accounts, they started

experiencing staff constraints. They now feel that they should have gone ahead opening the accounts in a phased manner. The existing strength of the branches has remained constant with no immediate plans for strengthening the branches. In view of the above background, the following recommendations are suggested for more effective implementation of the programme .

- The Financial programme implementation by banks / stakeholders – The detailed internalization of the programme by various stakeholders was lacking which has resulted in ambiguity in not only undertaking the process of opening of accounts but also successful implementation of the programme. This has also resulted in lack of proper implementation of the programme. Though banks took the initiative to open “No Frills” Accounts at the doorstep of the households, thereafter there has been no further contact even for distribution of passbooks. While the banks expected the account holders to visit branches to collect the passbooks, the households expected the banks to supply the passbooks at their doorstep just as other formalities were attended to. Further, to remove any kind of ambiguity, the policy instructions from RBI to banks and banks to branches can be more explicit rather than suggestive, keeping in view the details of various phases of Financial Inclusion Plan.
- Help of the State Govt. - Under FIP , State Government does not have any direct role. Since rural development is a state subject, a detailed job role including its responsibilities with other stakeholders can be considered. The extension services of the GP should take care of Financial Education and support and encourage BPL households to participate in the FIP.
- Importance on Financial Education - Financial education should be an integral part of FIP. Various media should be utilized for wide publicity of FIP. The branches should display posters giving the salient features of the product and the clientele it is meant for Zilla Panchayat, and Village Panchayat should extensively participate in giving publicity to the FIP. Publicity on television and newspapers should form part of financial education. Extension services of the Zilla Parishad should include propagation of FIP among the unreached BPL households. Interest should be generated among

the unreachd BPL households about the "No Frills" Accounts in such a way that they should voluntarily approach banks for the product. The Village Panchayats should be sensitized to FIP. Identification of intermediaries and their sensitization should form part of capacity building under FIP. Capacity building programmes should be formulated to create awareness among all the stakeholders. The nodal agency of FIP should develop contents of various training programmes at different levels.

- Check at various levels of financial sector - It was observed that due to lack of proper supervision and follow-up at various levels the effectiveness and success of the programme has been directly affected. The instructions from the controlling offices to the branches were given without a proper follow-up to assess the progress and performance of the branches. Further, the branches in turn after assigning the responsibility of the opening the "No Frills" accounts to the respective NGOs have not followed-up to check their progress and the mode of operation. A proper schedule to assess the progress of the programme at various levels would have not only given the desired results but also reduced any kind of wrong practices being undertaken by the NGOs.
- Various financial Security Services - The exposure of various social security services like Health insurance, Health Insurance scheme, lic of India, requiring the beneficiary to contribute to the premium amount can be considered. If such a premium is collected and routed compulsorily through 'No Frill' Accounts it will enlarge the coverage of disadvantaged sections to banking apart from reducing the cost of collection of premium. This may enable the banks in providing credit facilities to account holders. Availability of such a social security cover for account holder makes the financing of such persons less risky.

References

- 1- Bandyopadhyay, Kaushik Ranjan (2007) : Poverty Alleviation and Pro-Poor Growth in India, New Delhi: Asian Institute of Transport Development.
- 2- Beck, T., Demirguc - Kunt, A. & Levine, R. (2007) "Finance, Inequality and the poor", Journal of Banking and Finance, 28, 423-442.

- 3- Chakrabarti, Rajesh.: The Indian Microfinance Experience – Accomplishments and Challenges, Gurgaon: Indian Development Foundation.
- 4- Chakrabarty, K C. 10 August (2009) : Banking – key driver for inclusive growth, Chennai: “Clarity through Debate” series.
- 5- Chandan Kumar Goyal, (2008), “Financial inclusion in the North Eastern Region of India with Special Reference to Assam”, The ICFAI Journal of Applied Finance, Vol. 14, No. 12.
- 6- Dieckmann, Rimar (2007) : Microfinance: An Emerging Investment Opportunity, Germany: Deutsche Bank Research.
- 7- Dr.Rakesh Mohan, (2006) : “Economic Growth, Financial Deepening and Financial Inclusion”, Deputy Governor of the RBI at the Annual Bankers’ Conference, Hyderabad, ovember, 3.
- 8- Dweep, I., Rakesh Mohan (2006) : Annual Bankers’ Conference, “Economic Growth, Financial Deepening and Financial Inclusion”, Hyderabad, November.
- 9- Ghorude, K.N. (2009). “Micro Finance for Financial Inclusion and Sustainable Rural Development”, Southern Economist, Vol. 48, No.1, PP.47 – 50.
- 10- Habito, Cielito (2009) : Patterns of Inclusive Growth in Developing Asia: Insights from an Enhanced Growth-Poverty Elasticity Analysis, Tokyo: IDBI Working Papers Series, No. 145.
- 11- Kelles, Vitanan A. (2003) : The Role of ICT in Poverty Reduction, pp. 82-94 .
- 12- Majumdar, NA.(2007): “Inclusive Growth: Development Perspectives in Indian Economy”, New Delhi: Academic Foundation.
- 13- Manoharan, B. (2005). “A study on commercial banks in India – An overview”, Indian Journal of Marketing, Vol. 45, No.1
- 14- Meier, Gerald M. (2008) : Leading Issues in Economic Development, New York: Oxford Uni. Press.

- 15- Mitra Rona, (2006), "Financial Inclusion: Meeting the Challenge", People's Democracy, April 22 and 29, available at 222.pd.cpim.org.18.
- 16- Muthiah Manoharan, P., and Krishnaveni Muthiah. (2010). "Financial Inclusion in the Indian Rural Area Context – A Micro level Study" Research Highlights, Vol. 20, No.2, PP.71 – 74.
- 17- Narayan, S.: India s (2009). Economy: Constraint to Economic Growth, Asian Journal of Public Affairs, 1(1), 8-11
- 18- Narendra. M (2011). "Financial Inclusion Gains Urgency", The Hindu Survey of Indian Industry.
- 19- Raj Kapila, and Uma Kapila, (Eds.) (2008). "Inclusive Growth: The Role of Banks in Emerging Economies", Economic Developments in India, Academia Foundation.
- 20- Sendhilvelan, M., and Karthikeyan, K., (2006) „No Frills Account: A Basic Drive for Financial Inclusion", Southern Economist, Vol. 45, PP.13 – 14.
- 21- Subhash Narayan, (2011). "Fund to Boost Financial Inclusion in the Works" <http://news.in.msn.com/business/article.aspx?cp-documentid=4833211>
- 22- Usha Thorat (2007). Financial Inclusion - the Indian Experience. Financial Inclusion Conference. London. BIS Review.

* (HOD-MBA)

NM Institute of Engineering and Technology

(APPROVED BY AICTE & AFFILIATED TO BPUT)

E-MAIL-chitta.mishra@yahoo.co.in

CONTRIBUTION OF ISLAMIC THOUGHT TO MODERN ECONOMICS

Sk. Zakir Hossen*

Prof. (Dr) Malay Kumar Mohanty**

Abstract

Islamic economics has been having a revival over the last few decades. However, it is still in a preliminary stage of development. In contrast with this, conventional economics has become a well-developed and sophisticated discipline after going through a long and rigorous process of development over more than a century. Is a new discipline in economics needed? If so, what is Islamic economics, how does it differ from conventional economics, and what contributions has it made over the centuries?

This paper analyses the theoretical foundations of Islamic economic systems. The research identifies that lack of an ethical base, unbridled pursuit of self interest in production as well as in consumption and interest based financial and monetary system are the major problematic issues in the current economic order. Socialism promises to create heaven on earth, but takes fundamental human rights and profit motive away and in the extreme case, it gives way for an autocratic regime. The paper provides brief outline of Islamic Economics and explains that Islamic economic system is a blend of natural features present in Capitalism i.e. right to private property, private pursuit of economic interest and use of market forces etc. Along with this, Islamic economic system uses some distinct features derived through Islamic economic teachings i.e. Interest free economy, moral check on unbridled self-pursuit and provision of socio-economic justice to achieve the goals of Socialism as far as is naturally possible without denying individual freedom and profit motive

Since interest is prohibited in Islam, the government in an Islamic economy cannot issue interest based T-Bills, T-Bonds and/or obtain interest based sovereign debt. Based on the literature review, it is argued that imposition of tax beyond Zakah is not recommendable. Accordingly, this study explores the sources of revenue for a government in an Islamic economy. In discussing sources of tax revenue, it is maintained that Zakah is the only tax the government in an Islamic economy can levy. Nevertheless, the government can charge service/performance based fees, duties, charges etc in providing public goods.

Key words: *Shariah (Islamic law), Islamic economic system, Interest free economy, Zakah (Islamic tax).*

1. Introduction

There is a misconception in some sections that establishment of Islamic economy means establishment of Arab economy as it existed 1400 years back at the time of the Prophet (S. M.) this is not correct. Islamic economy would be totally up-to-date in its method of organization and use of technology. Only the principles and framework will be derived from the Quran, the techniques of the Prophet and the practices of the early days of Islam.

Similarly, it is wrong to say that Islam does not give an economic system. We recognize capitalism as an economic system, though its basic characteristics are only the recognition of the private right of ownership and freedom of economic activity for the individual, even though its only basic characteristic is the social ownership of means of production. Islam gives us a much more comprehensive guidance in economic matters such as prohibition of interest, compulsory levy of zakah, freedom of work and enterprise, concern for the poor, distinction between the Halal (permissible) and Haram (prohibited) in income, consumption and production and so on. As such Islam undoubtedly gives mankind an economic system not found in other religions. An economic system does not mean only the details of organization, which are more or less the same in all economic systems.

It is also necessary to bear in mind that an Islamic solution of the same problem may be more than one. There can be alternative solutions or models for the same problem or issues. This is

particularly true of new issues. The difference can be quite acute in such sectors as land reform and role of government in economy. As long as the alternative solutions proposed by Islam within the explicit framework of the Quran and the Sunnah, the alternatives would be considered islamically valid and legitimate.

As a complete way of life, Islam has provided guidelines and rules for every sphere of life and society. Islam has set some standards, based on justice and practicality, for such economic systems to be established. An Islamic economic system is not necessarily concerned with the precise amount of financial income and expenditure, imports and exports, and other economic statistics. While such matters are no doubt important, Islam is more concerned with the spirit of the economic system.

2. Objective

- To analyze socio-economic justice and equitable distribution of income and wealth.
- To analyze the sources of revenues for the government in an Islamic economy.
- To analyze the elimination of Munker (evil, wrong or injurious practices) from economic life.

3. Methodology

This article utilizes secondary materials, mostly journals, books and scholarly article accessed through the internet websites. It also utilizes articles presented at a conference jointly held by The Islamic Development Bank (IDB), Jeddah and the Islamic Economic Research Bureau (IERB), Dhaka. The accuracy of the study is limited to the accuracy of these sources.

4. Literature Review

In conventional economics, the government has following sources of tax revenue: General Sales Tax, Excise Tax, Custom Duty, Import Duty, Export Duty, Octroi Tax, Property Tax, Wealth Tax, Development Surcharge, Personal Income Tax, Corporate Income Tax etc. In conventional economics, government can earn through non-tax sources by way of earning

through the profitable operations of State Owned Enterprises (SOEs) in public sector. Fines and activity based charges and duties are also an important source of revenue for the government. In an Islamic economy, the problem comes in the issuance of debt (due to prohibition of interest) and imposition of taxes. In an Islamic economy imposition of tax beyond Zakah is not recommendable. Zakah is a combination of a net worth tax and production tax

- Ab-ul-ala Maududi (1970) reasoned that Zakah is a religious obligation and is not a substitute of tax. Taxes other than Zakah can be imposed in an Islamic economy if these taxes are levied by the legislative council and used for public welfare. He reasoned that the taxes discouraged in Ahadith (Shariah law) are those which were imposed by autocratic kings for their own lavish consumption and this kind of usurpation of public property was discouraged.
- Kahf (1987) tracing the history of public finance during Prophet's and Caliphate's times opined that neither the Prophet Muhammad (P.B.U.H) nor the pious Caliphates (rta) levied any tax other than Zakah even when they were aware of the taxes imposed by neighboring non-Muslim countries on their citizens. Saleem (1992) pointed three narrations of the Prophet explaining that the government cannot levy any tax other than Zakah.

5. The Sources of Islamic Economics

The fundamental sources of Islam - the Quran and the Sunnah of the Prophet provide guidelines for economic behavior and a blueprint of how the economic system of a society should be organized. Therefore, the values and objectives of all "Islamic" economic systems must necessarily conform to, and comply with, the principles derived from these fundamental sources. The Islamic economic system is defined by a network of rules called the Shariah. The rules which are contained in the Shariah are both constitutive and regulative, meaning that they either lay the rules for the creation of economic entities and systems, as well the rules which regulate existing one. As an integral part of the revelation, the Shariah is the guide for human action which encompasses every aspect of life – spiritual, individual, social, political,

cultural, and economic. It provides a scale by which all actions, whether on the part of the individual agents, society, and the state, are classified in regards to their legality. Thus there are five types of actions recognized, namely: obligatory; recommended; permissible; discouraged; and forbidden. This classification is also inclusive of economic behavior.

These five sources - the Quran, the Sunnah, consensus of the scholars, analogical reasoning, and textual reasoning - constitute the components of the Shariah, and these components are also used as a basis for governing economic affairs.

6. Islamic Economics Alternatives to the Current System

Business financing in an Islamic economy would of necessity have to be equity-oriented where the financier shares the profit or loss of the business financed. Such financing would not only distribute equal returns between the financier and the entrepreneur, but will efficiently allocate risk. Equity financing in an Islamic economy may thus have to be of joint stock companies or shares in partnerships, or a definite (short, medium, or long) period as it is in the case of borrowed capital. Since borrowed capital would also be on the basis of profit and loss sharing and could not be interest-based, it would be in the nature of temporary equity financing and would mature on the expiry of the specified period. Such financing would hence not carry the same connotation as it does in the capitalist economies. It would, like equity, not enjoy any lien on the assets of the firm.

The liability to secure a lien on the assets of the businesses financed, possible in the case of interest-based lending, would make the financier more careful in evaluating the prospects of the business and cautious in providing the necessary financing. Moreover, it would be difficult to find medium or long-term financing in an Islamic economy without sharing the ownership and control of the business. Expansion of the business would hence be closely related to the distribution of ownership and control. Similarly it would not be possible for anyone to earn an income on savings without being willing to share the risks of business. Thus, we would see a more efficient allocation of risk in an Islamic economy.

An Islamic economy is an economy that always puts full employment as the first priority. Also, Islam is a religion which degrades and prohibits unwanted or unnecessary consumption.

for both of these two reasons, one could say that consumption loans are not a big issue, but if a family or an individual found him or herself in need, there is always the Islamic tax on fixed assets (*Zakah*) to provide for any consumption or human need. The major objection to an interest-free economy is that, in the absence of interest, it would not be possible for the government to finance its budgetary deficits by borrowing from the private sector. Government budgetary deficit is an important means of generating growth and improving living standards. Moslem economists, feel that the government should work in a very efficient matter in terms of their spending. If there was a deficit situation, the government should resort to a contractual fiscal policy or borrow money from the central bank. Islam is a religion that always encourages *Zakat* and other types of spending by the private sector for poor people, institutions, and infrastructures. So that reduces the burden on government spending and hence solve for budgetary deficits. Islam seldom discusses spending as a government task, rather, Islam stresses that spending for increasing standard of living is a task that should be performed by the private sector.

7. The Fundamental Principles of the Islamic Economic System

Islam is an entire way of life, and Allah's Guidance extends into all areas of our lives. Islam has given detailed regulations for our economic life, which is balanced and fair. Muslims are to recognize that wealth, earnings, and material goods are the property of God, and that we are merely His trustees. The principles of Islam aim at establishing a just society wherein everyone will behave responsibly and honestly. The fundamental principles of the Islamic economic system are as follows:

- Muslims are not to deal in interest.
- It is forbidden to gain property or wealth by fraud, deceit, theft, or other falsehoods.
- It is particularly hateful for a guardian to take from an orphan's property.
- Forbidden are earnings from gambling, lotteries, and the production, sale, and distribution of alcohol.
- A Muslim should be responsible for wasteful expenditure.
- Muslims must pay *Zakah*.

8. Restructuring our Economic Systems

The twentieth century has witnessed the rise of communism, the conflict between capitalist and communist countries and lastly the fall of communism. The capitalist Western countries are celebrating the fall of communism as if it was an empirical evidence of their own victory, not only on a political front but also on ideological plane. The fact is, however, that communism was based on an emotional reaction against some evil consequences of the capitalist economy, specially, against the element of inequitable distribution of wealth, which has been experienced in the capitalist countries throughout the centuries. The failure of communism was not due to its justified criticism of the evils of capitalism. Rather it was caused by the inherent defects of the alternative system suggested by it. The capitalist economies still suffer from inequities in the distribution of wealth. There is still a large gap between the haves and the have-nots and 'poverty in the midst of plenty' is still the major problem of their economy. These are the real problems created by capitalism and unless they are satisfactorily solved, it may give birth to another reaction that may be more aggressive than communism.

The world, therefore, is badly in need of a "Third Economic System". The Muslim Ummah can work out this system based on the Islamic norms. The economic principles taught by the Quran and Sunnah of the Prophet are quite capable of solving the major economic problems faced by the world today. While they allow private ownership and market economy, they also provide a well considered system of distributive justice, which may eliminate the inequities and bring about a system in which profit motive works with the collective interest of the society. The basic fault of communism was that, frustrated with the inequity of capitalism, it assailed the very institutions of private ownership and market forces and developed a utopian idea of planned economy which was unnatural, artificial and oppressive.

It was neither private ownership nor the institution of market forces that was the basic cause of injustice in the capitalist system. The basic factor for creating inequities in the capitalist countries was the absence of a criterion to differentiate between just and unjust earnings. The instruments of interest, gambling, speculative transactions and the tools of exploiting immoral desires of the consumers to secure huge profits were allowed, which tend to create monopolies and in turn paralyze the forces of demand and supply or at least obstruct their operation. It is

thus ironical that the capitalist theory on the one hand asserts the principles of *lassiez-faire* but, on the other, by allowing the aforesaid instruments, interferes with their natural function and stops the market forces from playing their due role by creating monopolies that impose their arbitrary decisions on the bulk of the common people.

The system of interest favors the rich industrialists who benefit from the wealth of the common people who deposit their savings in the bank, and after making huge profits do not allow the common people to share these profits except to the extent of a fixed rate of interest that is again taken back by them as it is charged to the cost of production. At macro level, it means that these rich people always use the money of depositors for their own benefit and in reality pay nothing to them because the interest payments are always added to the cost of production. Similarly, gambling is a major instrument for concentrating the wealth of thousands of men in a few hands and for promoting the disastrous motive of greed for the unearned income. The speculative transactions are also a major source of disturbing the natural market operations and contribute to the inequities in the distribution of wealth.

Islam not only allows the market forces but also provides mechanism to keep them operative with their natural force without their being hindered by monopolies. It applies two types of controls on the economic activities first it subjects the process of earning to certain divine injunctions, which clearly define the limits of *halal* (lawful) and *haram* (unlawful). These injunctions tend to prevent monopolies and curb the unjust and immoral earnings and commercial activities detrimental to the collective interest of the society. In the context of modern economic needs where the savings of the common people are activated to boost development, the use of the Islamic instruments like *musharakah* (partnership) and *mudarabah* (trust financing), instead of interest, may make the common people directly share the fruits of development which may bring prosperity in a balanced manner reducing the gap between the rich and the poor. Second the institution of *Zakah*, *sadaqat* (voluntary social spending) and certain other financial obligations provide that even the *halal* income is again distributed to the persons who could not earn enough due to insufficient market opportunities. Through the twin controls, the wealth is kept under constant circulation and the chances of its concentration are almost eliminated.

9. Zakah an Important Source of Public Finance in Islamic Economy

Zakah is a religious obligation to pay a part of wealth and income to the government. Nisaab on wealth was basically specified in silver. Zakah would be levied as per the ceiling rates defined for each category of wealth or production. The classification is as follows:

- a) 2½% on cash, wholesale value of held for trade inventory and capital in excess of need payable once a year at a particular set date.
- b) 5% on production using both labor and capital. It is charged at the completion of the production process.
- c) 10% on production using either labor or capital. It is charged at the completion of the production process.
- d) 20% on production using neither labor nor capital. This is applicable on treasure or any other natural gift obtained without using neither labor nor capital.

To estimate Zakah on wealth, the following model is established:

$$ZR = 0.025 [ZA - (MNA \times PMNA)]$$

Where

ZR = Potential Aggregate Zakah Revenue

ZA = Potential Aggregate Zakatable Assets

MNA = Minimum Nisab Amount i.e. market value of 612 grams of silver

PMNA = People with Minimum Nisab Amount

Zakatable assets include all assets above the value of nisab except the assets in personal use and means of production. Minimum Nisab Amount is the market value of 612 grams of silver. Population with minimum nisab amount is to be estimated looking at wealth distribution of population. As Zakatable assets increase, Zakah revenue increases. Wealth/Assets subject to Zakah include Cash in hand, Cash in Bank, gold and silver not in daily usage (for women), gold and silver owned by men, held-for trade inventory, property/plot purchased for the purpose of resale. Production is not limited to agriculture nowadays, but the major part of it is coming from industries as well as services sector. Therefore, industrial production could also be taxed just like agriculture. Services income could also be taxed on the same principle.

Table-1: Contribution of Zakat to household's income (The case of Pakistan)**COLLECTION OF ZAKAT (at constant prices of 1980-81) BY TYPE OF ASSET**

Name of Asset	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	Rs. in millions
Savings Bank Accounts	618.15	601.99	653.12	920.32	657.92	687.30	717.31	740.12	694.98	705.21	674.23	665.94	641.81	640.11	
Notice Deposit Receipts	70.89	35.93	19.97	17.42	18.33	16.72	8.63	11.07	8.49	9.47	4.65	5.43	5.73	3.54	
Fixed Deposit Receipts and Certificates	76.05	102.22	132.01	134.64	211.60	278.51	317.71	431.97	458.07	533.73	523.53	371.48	248.45	190.86	
Savings Deposit															
Certificates	22.87	27.24	30.39	49.10	60.00	60.66	44.77	62.29	81.66	74.66	57.85	67.91	66.25	69.35	
NIT Units	19.64	17.83	11.29	15.05	16.82	18.99	17.68	17.47	25.64	1.44	32.28	44.24	38.28	35.78	
ICP Mutual Funds	1.90	1.00	1.74	2.37	2.50	2.12	2.03	1.83	1.00	1.66	1.42	1.42	1.43	1.05	
Government Securities	1.01	0.82	0.87	0.79	0.83	1.17	0.91	0.64	0.59	0.33	0.19	0.44	0.78	0.36	
Share and Debenture	25.15	23.31	26.05	27.72	27.35	29.85	33.61	34.32	44.28	46.80	49.18	50.74	58.38	59.58	
Annuities	0.05	---	---	---	---	---	0.07	0.13	0.52	---	---	---	0.12	0.07	
Life Insurance Policy	2.99	4.29	4.34	4.75	5.15	6.31	5.68	5.89	6.36	6.75	6.81	6.94	7.73	7.60	
Provident Funds	5.55	10.51	9.55	8.71	10.75	14.01	15.79	19.27	22.81	45.19	17.58	18.33	19.48	21.76	
Total	844.25	825.09	891.95	1180.10	1011.28	1115.67	1164.22	1324.98	1343.98	1425.27	1367.76	1232.94	1088.48	1030.17	
Voluntarily paid Zakat	---	1.46	0.87	0.79	1.36	1.25	0.98	1.54	2.06	1.94	2.74	3.69	3.15	2.68	
Others Receipts	---	---	---	---	---	---	---	0.19	1.06	0.44	0.29	0.09	0.70	653.40	
Grand total receipts	844.25	826.55	892.82	1180.89	1012.65	1116.92	1165.20	1326.71	1347.10	1427.66	1370.79	1236.72	1092.33	1686.25	

Source: Central Zakat Administration, Pakistan (1994).

10. Illegal Property/Wealth

Allah has categorically called upon the Muslims to do 'Maruf' (good or right) and resist 'Munkar' (evil or wrong). In order to establish a just economic order, Islamic economy have to enforce 'Maruf' & prevent 'Munkar'. The true implication of applying the principle of 'Maruf' in the economic field means establishment of a just economy and preventing 'Munkar' will ensure the blocking of all the roads and avenues of economic oppression. The parliament of an Islamic State, will decide on the basis of Islamic Shariah what sort of economic arrangements are unjust and wrong. By applying its legal and administrative power, Islamic government can stop all sorts of unlawful and unjust profiteering, hoarding, cartel, monopoly, smuggling and other illegal transactions. It is essential that the government enact necessary laws to stop such illegal economic activities. It is not the obligation of the Islamic government to protect properties that has been earned through illegal means rather Islamic government will confiscate properties earned through illegal means as all illegal means are forbidden. All illegal means are forbidden (haram) and undesirable (Munkar) in Islam and elimination of haram and munkar is the principal responsibility of the Islamic economy. There are many

instances in the Islamic history of confiscating wealth earned through illegal means and restoring and returning them to their original owners. The Islamic freedom of employment and livelihood does not mean that anyone can engage in trade and business harmful for the society. This cannot be allowed in any circumstance for no economic activity harmful to the society is lawful in Islamic Shariah. All these fall within the category of evil and wrong (Munkar) and therefore, it is the duty of the government to put an end to such economic activities altogether. Prophet Muhammad (sm) said: "One who bluffs, he is not my follower" (Bukhari, Muslim). "It is essential to prohibit all kinds of business which are injurious and harmful for the common interest" (Syed Abul A'la Maududi, *Islam & Modern Economic Theory*, P-182).

11. Banking and Insurance in Islamic Economy

It is not without interest to say a few words about banking and insurance in Islamic economy. Some people are apprehensive that banks and insurance companies would cease to function in Islamic economy. The main function of banks in the modern society can be summed up in one sentence. The banks borrow to lend and perform miscellaneous services like taking charge of valuables and securities, acting as agents, trustees and bailees of their customers. The modern society that the society cannot make any progress in economic sector without banking. But unfortunately the whole system of modern banking is built upon the institution of 'Riba' or interest which is banned by Islam. Thus the right approach for the Muslim community is to adopt banking with its good and useful things and to benefit from it without involving interest. Therefore, Islamic banking would be based on the principle of partnership. In Islamic banking, the shareholders, the depositors and the borrowers-all would participate on profit-loss sharing basis. In the Islamic economy the banks would continue performing their functions of borrowing and lending on the basis of profit-loss sharing instead of earning and giving interest, whereas for their other services they would charge reasonable fee.

It has been established by modern economists like Lord Keynes that interest hardly influences savings. Practically, rate of investment and level of income determines the rate of savings in a society. In Islamic society the rate of savings would be rather boosted because of simple and austere living of the people who avoid luxurious living and shun expenses on social evils like

drinking, adultery and gambling. The savers would be forced to bring their money into investment or deposit it into banks with prospects of earning profit in participation with banks. The conversion of interest-based banking to interest-free banking in the Islamic state would do a great good to the economy. In the present system, some shrewd persons arrange huge capital by borrowing on interest from banks and thus build up big industrial empires which cause concentration of wealth in few hands. In the Islamic system which is based on profit-loss sharing instead of interest, capital would be available on equity basis and not on loan basis and, therefore, it would be impossible to establish industrial empires. This would help growth of small and medium size enterprises which, as proved by modern economic theory, go a long way to promote economic development of a nation.

Islamic economic system is enforced modern commercial insurance will have no place in Islamic lands. Muslim economists and insurance experts, however, suggest that insurance needs of Islamic society will be met by organizing insurance on the principle of mutuality and co-operation. In other words, co-operative and mutual insurance in which the policy holders are themselves the insurers as well as the insurees is acceptable to Islam with suitable modifications so that no tenet of Islam is violated otherwise.

12. Findings

Islam recognizes all those natural principles on the economic side of life. In summary, we can say that the Islamic Economic system is based upon the notion of justice. It is through justice that the existence of the rules governing the economic behavior of the individual and economic institutions in Islam can be understood. Justice in Islam is a multifaceted concept which implies the concepts of "right", as equivalent to fairness, "putting things in their proper place", "equality", "equalizing", "balance", "temperance" and "moderation." In practice, justice is defined as acting in accordance with the Shariah, which, in turn, contains both substantive and procedural justice covering economic issues. Substantive justice consists of those elements of justice contained in the substance of the Shariah, while procedural justice consists of rules of procedure assuring the attainment of justice contained in the substance of the Law. The notion of economic justice and its attendant concept of distributive justice is particularly

important as an identifying characteristic of the Islamic economic system. The rules governing permissible and forbidden economic behavior on the part of consumers, producers and government, as well as questions of property rights, and of the production and distribution of wealth, are all based on the Islamic view of justice.

13. Suggestions

Our main tragedy is that the principles of Islamic economy are still in theoretical form for which no living example is available. The Muslim countries have not tried to structure their economy on Islamic basis. Most of them are still following the capitalist system and that too in a half-baked manner, which has made the economic atmosphere much worse than that of the developed capitalist countries. Unfortunately, despite having the clear cut Islamic injunctions, the inequities existing in Muslim countries are far more severe than in the Western world.

This tragic situation cannot last forever. If we are not prepared to mend our ways, some natural process of revolution is bound to find its way. If we want to avoid disastrous consequences of such revolution, we'll have to restructure our economic system on the basis of clear guidance provided by the Qur'an and Sunnah. Our success in setting an example for implementing the Islamic principles will be our best gift to the human fraternity at the advent of the new century. I hope that if the principles of Islamic economy are implemented sincerely, we'll find the world more receptive to them today than we experienced it in the past.

14. Conclusion

Islamic economics is part of the Islamic fundamentalist movement gaining ground in large parts of the Muslim world. The call is for a return to Islamic law, *Shari'a*, which is believed to offer solutions to economic and social problems of all times and all places. The most visible sign of Islamic economics is the establishment of Islamic banks in a number of countries all over the world.

The forces which challenge informal, small-scale institutions, also threaten the viability of Islamic banking. Market penetration, for instance in the form of increased access to interest-based banking, reduces the need for informal risk-sharing arrangements, and may weaken

the social and emotional ties between people. An Islamic economist draws the line from interest to moral decline in the following way: 'Interest inculcates love for money and the desire to accumulate wealth for its own sake. It makes men selfish, miserly, and narrow minded and stone-hearted.

While one need not share the view that interest as such is responsible for moral decline, it is probably true that economic development, by introducing impersonal, market-based institutions such as modern banking and insurance, reduces the need for social norms, and perhaps also makes people more selfish and narrow minded. It is, however, unlikely that the overall prohibition of interest which most Islamic economists advocate can change such attitudes and contribute to greater altruism in society. A more pragmatic and fruitful approach to Islamic banking would be to introduce such institutions in the traditional, rural sector of the economy.

References

- Cline, William R. *Potential* (1973). *Effects of Income Redistribution on Economic Growth*. New York: Praeger.
- Chapra, M. Umer (2000). *The Future of Economics: An Islamic Perspective*. Leicester, UK: The Islamic Foundation.
- Darrat, Ali, F. & Bashir, M. Abdul-Hameed (2000). "Modeling Monetary Control in an Interest Free Economy". *J.KAU: Islamic Economics*, Vol. 12, pp. 3-19.
- Essid, M. Yassine (1995). *A Critique of the Origins of Islamic Economic Thought*. Leiden: Brill.
- Easterlin, Richard (2001). "Income and Happiness: Towards a Unified Theory" in *Economic Journal*, 111: 473.
- Faridi, F.R. (1414H/1994) A case for Islamic economics: an Indian perspective *Journal of Objective Studies*, 6(I), pp. 157 – 168

- Farooq, Mohammad Omar (2008). The Challenge of Poverty and the Poverty of Islamic Economics. *Journal of Islamic Economics, Banking and Finance*, Vol. 4, No. 2, pp. 35-58.
- Hosseini, Hamid (1988) Notions of private property in Islamic economics in contemporary Iran: a review of literature. *International Journal of Social Economics*, 15(9), pp. 51-61.
- Haque, Nadeem-ul & Mirakhor, Abbas (1998). "The Design of Instruments for Government Finance in an Islamic Economy". International Monetary Fund. IMF Working Paper, WP/98/54.
- Heckly, Christopher (2004). "Wealth Tax in Europe: Why the Downturn?" in Michel Taly and Gérard Mestrallet, dir., "Estate Taxation: Ideas for Reform", *Institute Reports*, Paris, Institut de l'entreprise, pp. 39-50.
- Khan, M. Akram (2005). Comments on A. Azim Islahi & M. Obaidullah: Zakah on Stocks: Some Unsettled Issues. *J.KAU: Islamic Econ.*, Vol. 18, No. 1, pp. 41-42.
- Kuran, Timur (2003). "Islamic Redistribution through Zakah: Historical Record and Modern Realities," in Bonner, M, Ener, M, and Singer A. (eds.). *Poverty and Charity in Middle Eastern Contexts*, SUNY Press, pp. 275-293; pp. 275-276.
- Rif'at, Syed Mubariz Al-Din (1937), "Ma'ashiyat par Ibn Khaldun ke Khayalat" (Ibn Khaldun's Views on Economics), *Ma'arif* (Azamgarh, India), July, Vol. 40, No. 1, pp. 16-28; August Vol. 40, No. 2, pp. 85-95.
- Salih, Muhammad Zaki (1933), "*al-Fikr al-Iqtisadi al-Arabi fi'l-Qarn al-Khamis*
- 'Ashar" (Arab Economic Thought in the Fifteenth Century), *al-Qanun Wa'l-Iqtisad*, Cairo, March, Vol. 3, No. 3, pp. 315-360 and October, Vol. 3, No. 6, pp. muhtar755-809.

- Siddiqi, Muhammad Nejatullah (1964), “*Abu Yusuf Ka Ma`ashi Fikr*” (Economic Thought of Abu Yusuf), *Fikr-o-Nazar*, (Aligarh), January. Vol. 5, No. 1, pp. 66-95. (tr. & ed.) (1966) *Islam ka Nizam -i- Mahasil* (Taxation System of Islam), Lahore, Islamic Publications.
- Taseen, M. (1993) *Islam ka Ma'ashi Nizam* [Economic System of Islam], *Fikro Nazar* 30(3), pp. 79-112

*** Asst. Prof. (Finance),**

12 years corporate & 6 years Academic experience.

****Consultant Department of Higher Education,**

Former Registrar Ravenshaw University. (35 years Academic experience.)

ROLE OF SHGS IN RURAL WOMEN EMPOWERMENT AND ENTREPRENEURIAL DEVELOPMENT IN ODISHA: PROSPECTS AND CHALLENGES

Minati Sahoo*

Abstract

Empowerment of women has emerged as an important issue in recent times. The economic empowerment of women is being regarded as an important factor for the progress of a country. Empowering women through education, ideas, consciousness, mobilization and participatory approach can enable them to take their own decisions, make them self-reliant and self-confident. The Self Help Groups (SHGs) have paved the way for economic independence of rural women. Awareness is created about various credit facilities, financial incentives and subsidies through Self Help Groups. The members of SHGs are involved in Micro Entrepreneurships. Through that, they are becoming economically independent and providing employment opportunities to others. Government of Odisha in order to empower women through Self-Help group had launched Mission Shakti on 8th March 2001. This "Mission" approach resulted in a substantial increase in the number of SHGs promoted in the state. Through 'Mission Shakti' the Government found a co-ordination mechanism to enable it to take upon itself the primary role of facilitating formation and strengthening of SHGs. This article analyses the role of SHGs in empowering rural women through entrepreneurial skill development and credit facility. Challenges that SHGs are facing has also been highlighted and some suggestion to these problems has been discussed at the end.

"When women move forward, the family moves, the village moves and the nation moves" - Pandit Jawaharlal Nehru

These words of Pandit Jawaharlal Nehru is the central theme in the socio-economic paradigm of the country as it is an accepted fact that only when women are in the mainstream of progress, economic and social development is meaningful. Studies have shown that rural women help in producing up to 80 per cent of food in developing countries, yet they are entitled to only a fraction of farm land, and access to just 10 per cent of credit and five per cent of extension advice (Agrawal, 2003). In almost all the societies, women have less power than men, have less control over resources and receive lesser wages for their work. They are the invisible participant of work force. This definitely affects women's capacity to open up, grow, develop, exceed and excel. Empowerment of women is important not only for their own growth but also for the development of the country. India envisions a future in which Indian women are independent and self-sufficient.

In various national policies and developmental programmes, emphasis has been given on organizing women in Self Help Groups and thus, marks the beginning of a major process of empowering women. Self Help Group (SHG) is a "small, economic, homogeneous and affinity group of rural / urban poor, voluntarily formed to save and contribute to a common fund to be lent to the members as per group decision and for working together for social and economic uplift of their families and community" (Rashtriya Seva Samithi, 1997). Women must be empowered by enhancing their awareness, knowledge; skills and technology use efficiency, thereby, facilitating overall development of the society. It is also felt to equip the women with necessary skills in the modern trades, which could make them economically self-reliant. Thus the concept of Self Help Groups (SHGs) is considered to be a helpful tool for the empowerment of women. SHG is an organization of rural poor, particularly of women that deliver micro credit to undertake the entrepreneurial activity.

SHGs and Entrepreneurship Development

To empower women it is necessary that they should have entrepreneurial development and engage in income generating activities. Participation in income generating activities helps in the overall empowerment of women. Empowering women through education, ideas, consciousness, mobilization and participatory approach can enable them to take their own decisions, make them self-reliant and self-confident. Majority of the rural women of SHGs are Micro Entrepreneurs. SHGs have been successful in empowering rural women through entrepreneurial activities. Increase in income, expenditure and saving habits of rural women were observed. There was an increase in self confidence, self reliance and independence of

rural women due to the involvement in the entrepreneurial and other activities of SHGs (Sharma P and Varma S K, 2008). It is because of guidance and counseling extended to the women in SHGs to unearthed their hidden entrepreneurial capabilities by providing skills, knowledge, adoptability and sensitizing them towards socio-economic status in the society. A woman who can accept challenges, adventures and an urge to become economically independent can transform into an 'Entrepreneur'. A woman entrepreneur can contribute positive values to the family, community and the society. Pattanaik (2003) find out that SHGs are continuously striving for a better future for rural women as participants, decision-makers and beneficiaries in the domestic, economic, social and cultural spheres of life. Members in SHG agree to save regularly and convert their savings into a common fund and to use this common fund for management and business activities. SHGs are presently promoted by governments, development banks and voluntary agencies, with focus on social and economic issues, mainly thrift and credit programmes.

Table-1: Overall Progress under SHG-Bank Linkage for last 3 years

(Amount in crore/
Numbers in lakh)

Particulars		2009-10		2010-11		2011-12	
		No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount
SHG Savings with Banks as on 31 st March	Total SHGs	69.53 (13.6%)	6198.71 (11.8%)	74.62 (7.3%)	7016.30 (13.2%)	79.60 (6.7%)	6551.41 (-6.7%)
	Of which SGSY Groups	16.94 (12.5%)	1292.62 (-17.3%)	20.23 (19.4%)	1817.12 (40.6%)	21.23 (5.0%)	1395.25 (-23.2%)
	% of SGSY Groups to Total	24.4	20.9	27.1	25.9	26.7	21.3
	All women SHGs	59.10 (9.18%)	4498.66 (1.46%)	60.98 (14.8%)	5298.65 (17.8%)	62.99 (3.3%)	5104.33 (-3.7%)
	% of Women Groups	76.4	72.6	81.7	75.5	79.1	77.9
Loans Disbursed to SHGs during the year	Total SHGs	15.87 (-1.4%)	14453.3 (17.9%)	11.96 (-24.6%)	14547.73 (0.01)	11.48 (-4%)	16534.77 (13.7%)
	Of which SGSY Groups	2.67 (1.0%)	2198 (9.1%)	2.41 (-9.9%)	2480.37 (12.8%)	2.10 (-12.9%)	2643.56 (6.6%)
	% of SGSY Groups to Total	16.9	15.2	20.1	17.0	18.3	16.0
	All women SHGs	12.94 (5.8%)	12429.37 (18.1%)	10.17 (-21.4%)	12622.33 (1.6%)	9.23 (-9.2%)	14132.02 (12.0%)
	% of Women Groups	81.6	86	85	86.8	80.4	85.5
Loans Outstanding against SHGs as on 31 st March	Total SHGs	48.51 (14.8%)	28038.28 (23.6%)	47.87 (-1.3%)	31221.17 (11.4%)	43.54 (-9.0%)	36340.00 (16.4%)
	Of which SGSY Groups	12.45 (27.5%)	8251.08 (5.6%)	12.86 (3.4%)	7829.39 (25.2%)	12.16 (-5.4%)	8054.83 (2.9%)
	% of SGSY Groups to Total	25.7	22.3	26.9	25.1	27.9	22.2
	No. of all Women SHGs linked	38.98 (18.9%)	23030.36 (23.9%)	39.84 (2.2%)	26123.75 (13.4%)	36.49 (-8.4%)	30465.28 (16.6%)
	% of Women SHGs	80.3	82.1	83.2	83.7	83.8	83.8

Source: status of micro finance in India, NABARD, 2011-12

As per recommendations of the NABARD Working Group, the RBI took some measures in 1996 to give a thrust to micro finance based lending. Banks were advised to consider lending

to the SHGs as part of their mainstream credit operations, to identify branches having potential for linkage with SHGs and provide necessary support services to such branches. Further NABARD would continue to provide refinance to banks under the linkage project at the rates stipulated from time to time and also provide training to the members of SHGs and other support services. Rural women could be motivated to avail finances for starting the entrepreneurial activities. Awareness is created about various credit facilities, financial incentives and subsidies through Self Help Groups. The number of saving linked SHGs now stands at 7.96 million with a membership of over 103 million poor households. While bulk of these savings is used for internal lending within the Group (over 70%), the balance is maintained in the savings accounts with the financing banks. Over 79% of SHGs linked to banks are exclusive women groups, which is one of the most distinguishing features of micro Finance sector in the country as revealed in the Table 1 given above.

In rural areas the women micro entrepreneurs continue to produce the traditional designs for local markets. Women in SHGs produce a large variety of essential products, village crafts and homemade snack foods. Many are engaged in retail trading of groceries and textiles. These enterprises represent a substantial supply resource for semi-urban and urban markets. SHGs are also viable organized set up to disburse micro credit to the needy entrepreneur women and encouraging their promotion of poverty alleviation activities and programmes. The SHGs of rural women consists of members who are the poor, having low saving capacity and who depend on money lenders for meeting their consumption needs and social obligations. Availability of micro-credit helped SHGs women a lot and many women came forward and established micro enterprises. At present a number of NGOs (Non-Government Organizations) and financial institutions have been offering micro finance especially to rural women micro entrepreneurs. They also motivate training programmes to develop their entrepreneurial skills and capabilities. These institutions have been encouraging women to start micro enterprises. As a result micro entrepreneurship is gradually growing importance among the rural women. Micro entrepreneurship is contributing not only to the sustainable development of women entrepreneurs but also to the sustainable development of the country's economy (D.Padmavathi, 2011).

SHGs in Odisha

It has been widely accepted that the goals of human development are closely intertwined with development and empowerment of women, who, as an independent group, constitute about 49.5 percent of the total population of Odisha as per census 2011. Female literacy rate in the State has consistently been lower than that of the males. Though the female literacy rate in the state reached 64.36 % in 2011, it is still lower than the national average of 65.46%. 31.34% of the total workers in Odisha in 2001 are women which is consistently increasing over the years.. There were more workers among rural women (33.47%) than among urban women (15.45%) and 95% of the female workers were concentrated in rural areas (Economic survey of Odisha 2011-12). The self-help movement in Odisha has been a direct consequence of the goal towards empowerment. While NGOs pioneered this movement in the mid nineties, the Government, realizing its potential, has since then come forward to strengthen the existing SHGs and developing new ones in order to give the SHG movement a boost in the state.

Table 2: Progress under Microfinance - Savings of SHGs with Commercial Banks as on 31 March 2012 in Odisha(Amount in Rs lakh))

commercial banks	Details of SHGs Saving linked with Banks			Out of Total SHGs Exclusive Women SHGs		
	No. of SHGs	No. Of Members	Savings Amount	No. of SHGs	No. of Members	Savings Amount
public sector	229913	2788174	12357.34	208368	2475795	10994.61
private sector	24	288	0.39	24	288	0.39
RRBs	226745	2296822	17948.26	172277	1749127	13836.01
cooperative bank	77455	930133	5821.89	54981	660547	3686.59

Source: **status of micro finance in India, NABARD, 2011-12**

Table 2 shows that 90 percent of SHGs are Women SHGs and with regard to saving a sizeable amount is saved mostly in Public sector commercial banks and regional rural banks.

Private sector banks plays a minor role in providing loan to SHGs which shows the reluctance on their part to provide financial assistance to rural areas as revealed in Table 3 given below.

Table 3: Progress under Microfinance -bank loan disbursed by Commercial Banks as on 31 March 2012 in Odisha (Amount in Rs lakh)				
commercial banks	total loans disbursed during the year		Out of Total- loans disbursed Exclusive to Women SHGs	
	No. of SHGs	Loans Disbursed	No. of SHGs	Loans Disbursed
public sector	22257	29802.69	21038	27873.21
private sector	7	8.4	7	8.4
RRBs	20068	17832.41	16556	13162.11
cooperative bank	7499	6454.08	5571	4969.1

Source: status of micro finance in India, NABARD, 2011-12

Government in order to empower women through Self-Help launched Mission Shakti on 8th March 2001. This "Mission" approach resulted in a substantial increase in the number of SHGs promoted in the state. Through 'Mission Shakti' the Government found a co-ordination mechanism to enable it to take upon itself the primary role of facilitating formation and strengthening of SHGs. Through Mission Shakti, the government's efforts have been in the areas of promotion, capacity building and enhancing marketing opportunities for women entrepreneurs so that they would be able to enhance their income generation opportunities. As of September 2011, an estimated 4.68 lakh women SHGs were reported to have been promoted by the Department of Women and Child Development through its Integrated Child Development Scheme (ICDS) workers, NGOs and banks. The achievement under Mission Shakti is given at Table 4

Table 4 : Achievement under Mission Shakti since inception up to December 2011

No. of WSHGs formed	4,68,900
No. of members	56,26,800
Amount of Savings	Rs.28,893.29 lakhs
No of WSHGs credit linked (cumulative linkages)	5,74,774
per SHG credit linked	50,614
Amount of Credit Advanced	Rs. 2,90,915.33 lakhs
federation formed	7957
No. of SHGs repeat financed	1,42,603
Amount of repeat finance	Rs 7,49,237.91

Source: State Level Banker Committee Report,
September 2011

Source: State Level Banker Committee Report, September 2011

Mission Shakti plays a very important role in capacity building among rural women which will lead to entrepreneur development. At the initial stage SHG members were producing primarily for their household or at best village needs. In order to make it a commercial proposition quality product along with improvement the productivity was much needed to face the competition from the varieties of producers flooding the market with quality products at competitive price. In view of this all districts have been requested to assess the training need of the SHGs for formulation of a comprehensive action plan. Alternative channel has been also explored through NGOs who have formed at least 50 SHGs and possess necessary infrastructure & expertise in the field of Capacity Building assessment of the training needs. A total no. of 7,310 women have been trained/ undergoing training during the campaign period till date. In 2008, MISSION Shakti is all set to upgrade the technical and managerial skills of selected members of the women self-help groups to enable them to provide business development services to other group members. The training will enable them to formulate appropriate and innovative strategies for promoting micro entrepreneurs, resource mobilization and assist SHGs in preparing business plans and help improve their delivery efficiencies.

The Women and Child Development Department have decided to transfer all Primary Schools to WSHGs for management of Mid Day Meal. So far 43,753 out of 60,811 schools are

being managed by WSHGs. Even the Management of Public Distribution Systems (PDS) has also been tested through WSHGs particularly for retailing and sub-wholesaling of Kerosene. Till date 7,906 WSHGs were engaged as PDS agents. Through the intervention of "Shakti Goan" programme, LPG Gas distribution involves the role of 2137 numbers of WSHGs. Under the scheme of "Shakti Project", 2011 nos. of WSHGs through HLL are operating as "Shakti Dealers". Under "Mission Shakti" 7,957 no. of Federations at Panchayat level, 314 Federations at block level, 22 Federations at district level have been formed. WSHGs are actively participating in sensitizing & supporting pregnant mothers for Institutional delivery and as a result the IMR has come down from 98 to 61 per thousand and is constantly coming down. Marketing surplus of products of WSHGs has promoted "Mission Shakti" to organize large number of exhibition within and outside the State in collaboration with other organization. The Seed Money is provided to Women Self help Group formed under Mission Shakti. As on date, 2, 62,496 WSHGs have been provided the Seed Money since 2008-09 (In 2008-09, 1Lakh SHGs; in 2009-10, 50,000 SHGs; in 2010-11, 35000 SHGs & in 2011-12, 77,496 SHGs) amounting to 131.25Cr.

Opportunities and Challenges for Rural Women Entrepreneurs

Choudhary K N (2011) in his study emphasize on the role of women entrepreneurs, as they have been making a significant impact in all segments of the economy in India. Women can run viable commercial enterprise provided they are motivated and are given help and encouragement for becoming entrepreneurs. There are several schemes and plans both by centre and state government at different levels for the encouragement and support to rural women entrepreneurs in India. In 1999-2000, the Government of India launched "Swarna Jayanthi Grama Swarozgar Yojana (SGSY)" programme for promoting poverty alleviation through self employment and the organization of poor into SHG. There are national policies for creating an environment through positive economic and social policies for full development of women to enable them to realize their full potential. There are diversified vocational training programmes for women by ministry of labour and employment. They have established regional vocational training institutes for development of entrepreneurial skills.

Kumari, S et. al. (2010) conducted work in the rural areas, the results of the study indicate lack of supportive network, financial and marketing problems were the major problem areas for rural women entrepreneurs and major de-motivator for other women to initiate entrepreneurial activity. Micro finance is playing a vital role in the success of SHGs, particularly the entry of rural women in micro enterprises will be encouraged and aggravated (Sharma A et al, 2012). Microfinance has made great strides during the last decade, the SHG bank linkage programme has continue to make good progress in India but at a slower pace (Srinivasan, 2009). Some of the challenges faced by rural women entrepreneurs are as follows:-

1. Only a small proportion of the 3.5 million poor households in Odisha are likely to be members of mature SHGs, clients of well-performing MFIs, or direct clients of banks and other financial institutions.
2. While SHGs have offered access to some financial services for a large number of people who previously did not have this opportunity, the services available through SHGs remain very primitive.
3. For the large number of SHGs promoted through the ICDS, the range and quality of support services available is very limited. This tends to be limited by the knowledge and skills of the Anganwadi workers and Supervisory staff of the system. The situation is likely to be similar for a large number of SHGs promoted by several small NGOs.
4. There are several bottlenecks and gap in availability of credit for women. The multiplicity of schemes is not adequately listed nor is there networking among agencies. As a result, clients approaching one institution are not made aware of the best option for their requirements.
5. The literacy rate of women in Odisha is found at low level compared to male population. The rural women are ignorant of new technology or are unskilled. They are often unable to do research & gain the necessary training.
6. The male - female competition is another factor, which develop hurdles to women entrepreneurs in the business management process. Despite the fact that women entrepreneurs are good in keeping their service prompt and delivery in time, due to

lack of organizational skills compared to male entrepreneurs women have to face constraints from competition.

7. Women have to depend on office staffs and intermediaries to get the things done, especially the marketing and sales side of business. Rural women lack training and advisory services on managerial and technical skills to solve production problems. Here more than 70 percent of enterprises are micro- and small enterprises but their growth and the competitiveness is greatly challenged by a lack of business management, marketing and technical skills besides the overall weak infrastructure and complicated legal frameworks for business processes, especially in global online transaction context.

Suggestions

Women entrepreneurs are contributing a lot in rural development and growth of economy but their potential is still untapped. Right efforts from multidirectional are required in the development of women entrepreneurs. If the women are to be successful entrepreneurs, they are to be educated, skilled and trained sufficiently and to be supported rigorously by external environment to handle their entrepreneurial problems (Kumari S et al, 2010). The following efforts can be taken into account for effective development of women entrepreneurs:

1. Agencies working in Orissa would be encouraged to conduct studies on potential problems for healthy implementation of SHG-Bank linkage programme and develop suitable SHG promotion strategy for the tribal as most of the districts are tribal dominated ones.
2. NABARD would be encouraged to plan and facilitate graduation of SHGs from micro-finance to micro-enterprises and conduct studies to access the gaps in marketing and support services and also prescribe SHG mode of enterprise building in a number of fields, so that credit absorbing capacity of the poor in SHGs would be increased.
3. The Government through Mission Shakti would facilitate to form women SHG federation at the block level, where there is no federation and also strengthen them to

qualify the ratings required for financial intermediation. Simultaneously steps would be taken to recognize all the existing federations promoted by NGOs and others. There is potential for enhancing outreach of micro insurance through Mission Shakti promoted women SHGs. This route of partnership of Mission Shakti with private and public insurance companies would be encouraged.

4. SHGs could be linked to literacy programmes run by government and it could be made an integral part of SHG activities. Raised literacy level could be helpful for the SHG members to overcome cognitive constraints and to understand government policies, technical understanding and gaining required skills. Entrepreneurship education and trainings could be introduced at all levels from basic education.
5. WSHG members should be provided with adequate vocational/income generating training for the sustainability of the WSHGs. Regular monitoring of the income generating activities and follow up training should be provided to the groups on modern technology.
6. Saving habits be encouraged rather than only credit linkage of the WSHGs.
7. WSHGs producing artistic products with aesthetic value should be given scope to attend exhibitions to promote their products among the urban population.
8. Gender perspectives in policies, planning, implementation and monitoring in selected sectors is needed including gender budgeting. The sheer expansion in the number of WSHGs necessitates that decentralization takes place. It is necessary that intermediate levels are created and supported to carry out such a task. Such levels can be at the Government level. Each district could have a trained and designated officer to look at the WSHG activities.

Conclusions

Women entrepreneurs can play a role of mechanism in social and economic development of country like India. Increased participation of women in the labour force is a prerequisite for improving the position of women in society. They faced many obstacles specifically in finance and marketing of their produce and Odisha in this case is not an exception. Micro finance is

playing a vital role in the success of SHGs. The entry of rural women in micro enterprises is needed to be encouraged. Rural women can do wonders by their competent involvement in entrepreneurial activities. The rural women are having basic indigenous knowledge, skill, potential and resources to establish and manage enterprise. What is needed is knowledge regarding accessibility to loans, various funding agencies procedure regarding certification, awareness on government welfare programmes, motivation, technical skill and support from family, government and other organization. More over formation and strengthening of rural women entrepreneurs' network must be encouraged. At last the importance of position of women can be highlighted in the words of Swami Vivekananda.

"The extent to which society gives equal protection to its women is a measure of its progress"

Swami Vivekananda.

References

1. Agrawal, S. (2003). Technology Model for women's empowerment. *Kurukshetra*. May: 18-28.
2. D.Padmavathi (2011). Sustainable Development of Rural Women Entrepreneurs, *2nd International Conference on Business, Economics and Tourism Management IPEDR* vol.24
3. Economic survey of Odisha, 2011-12
4. Kishor N. Choudhary (2011). Opportunities and challenges for rural women entrepreneurship in India, *Variorum Multi-Disciplinary e-Research Journal*, Vol.-01, Issue-III, February 2011
5. Kumari, S et al. (2010), Problems Faced by Rural Women Entrepreneurs of Rajasthan, *Stud Home Comm Sci*, 4(2): 115-119 .

6. Pattanaik, S (2003), Empowerment through SHG: A Case Study of Gajapati District. *Smaranika*,
7. Sharma A et al (2012). Micro Enterprise Development And Rural Women Entrepreneurship: Way For Economic Empowerment, *Arth Prabhand: A Journal Of Economics And Management* Vol.1 Issue 6
8. Sharma P and Varma S K (January, 2008). Women Empowerment through Entrepreneurial Activities of Self Help Groups, *Indian Res. J. Ext. Edu.* 8 (1).
9. Srinivisan. N. (2009). Microfinance India: State of the Sector Report 2008, India, SAGE Publications Ltd.

** Lecturer in Economics, Ravenshaw University, Cuttack, Odisha*

A STUDY ON CUSTOMER PERCEPTION ON SERVICE QUALITY IN BANKS

Dr. Pinku Paul*

Abstract

The changing business environment offers challenges and opportunities to the organizations. One of the important changes in the business environment is the changing customers' perception on service quality which poses unique challenge to all the industries including the banking industry. The present study tries to identify the motivating factors that affect the customer perception on service quality in banks, so that it will help the banks to improve the service quality be competitive the changing business environment. The results of the study will certainly help the banking companies to takes steps to increase their service quality and provide better service facilities.

Key words: Customer perception, Service quality, Customer Satisfaction.

Introduction

Economic growth has naturally brought increasing demand for financial products and services. Since financial services, particularly banks compete in the marketplace with generally undifferentiated products, and service quality becomes a primary competitive weapon (Stafford, 1996). The service quality has become a principal competitive weapon in the banking industry. Services are intangible and are also not easily duplicated. Quality on the other hand, is differentiable and stems from the expectations of the customers, Hence, it is necessary to identify and prioritize the customers' expectations for service quality and incorporate these

expectations into a service process for improving quality. The key variables in meeting customer expectations begin with identifying the specific characteristics of service quality as perceived by the customer who defines the nature and importance of service quality. Among the service industry, the banking sector is perhaps the largest one that caters to the needs of people belonging to all sections of society. Moreover, perceived service quality tends to play a significant role in high involvement (high interaction between customers and service providers) industry like banks (Angur et al., 1999). Also, banks traditionally have long term business relationships with customers. Currently, technological changes are causing banks to rethink their strategies for services offered to both commercial and individual customers. The banks should focus on service quality as a core competitive strategy (Chaoprasert and Elsey, 2004). Therefore, the objective of the paper is to find out various motivating factors that affect the customer perception on service quality in banks.

Review of Literature

Organizations are aware that service quality provides strategic competitiveness in dynamic business environment. Literature provides significant relationship between service quality and firms' performance based on improved productivity, increased market share, enhanced customers' attraction and loyalty, improved staff morale, and sustained profitability. Research has found that service quality in banks is critical for satisfaction and retention of customers (Jabnoun & Al- Tamimi, 2003). According to Castleberry and Resurreccion (1989), the physical location of banks' delivery channels influence perception of customers about quality. Consistent delivery of services, physical dimensions and staff interaction with customers, trustworthy processes and procedures positively affect delivery of services quality (Sureshchandar et al., 2002). Pleasant customer interaction with staff significantly affects customers' perception of quality (Yavas et al., 1997). In response to this requirement, banks have initiated flawless delivery processes to reduce delivery timings to improve service quality. The banks understand that customers will be loyal if they receive greater value than from competitors (Dawes and Swailes, 1999) and on the other hand, banks can earn high profits if they are able to position themselves better than their competitors within a specific market

(Davies et al., 1995). Therefore, banks need focus on service quality as a core competitive strategy (Chaoprasert and Elsey, 2004). Defining service quality and its components in a form that is actionable in the workplace is an important endeavor that any business company cannot take lightly. Moreover, many scholars agree that service quality can be decomposed into two major dimensions (Groenroos, 1984; Lehtinen and Lehtinen, 1982). The first is referred to by Zeithaml et al. (1985) as "outcome quality" and the second by Groenroos (1984) as "technical quality." However, the first dimension is concerned with what the service delivers and on the other hand; the second dimension is concerned with how the service is delivered: the process that the customer went through to get to the outcome of the service. Moreover, Zeithaml (2000) also found evidence about the influences of service quality on profits and Heskett et al. (1997) argued that a "direct and strong" relationship exists among service quality, customer satisfaction and profitability. Vimi and Mohd (2008) undertook a study of the determinants of performance in the Indian retail banking industry based on perception of customer satisfaction. The finding of the study reinforces that customer satisfaction is linked with performance of the banks.

Objectives of the Study

The specific objective of the present study is as follows:

- To find out various motivating factors that affect the customer perception on service quality in banks so that it will help the banks to improve their service quality.
- To establish relationship between the various motivating factors that affect the customer perception on service quality in banks.

Research Design and Methodology

The paper is based on collection of data both from the primary and secondary sources. The primary data collection includes observation of a structured questionnaire among a sample of 300 respondents. The study was undertaken in the private sector and public sector banks in the city of Bhubaneswar. Adopting a snowball sampling method, the sample of 300 customers

was achieved. Data gathered from the field were scored and tabulated. Descriptive indices such as proportions, arithmetic mean, standard deviation and Pearson correlation were computed using SPSS software.

Analysis of Data and Results

1. Analysis of Demographic Details of the Respondents

The questionnaire was administered among 300 respondents. The summary of the respondents are represented below in Table No.1

Table No. 1: Demographic Details of the Respondents		
	Frequency	Percent
Age		
Below 30 yrs	66	22%
30-40 yrs	126	42%
40-50 yrs	72	24%
Above 50 yrs	36	12%
Total	300	100%
Gender		
Male	192	64%
Female	108	36%
Total	300	100%
Education		
Matriculation	54	18%
Intermediate	42	14%
Graduation	60	20%
Post Graduation	108	36%
Others	36	12%
Total	300	100%
Occupation		
Salaried	168	56%
Business	30	10%
Profession	24	8%
Others	78	26%
Total	300	100%
Annual Income		
Less than Rs100000	126	42%
Rs100000-Rs200000	90	30%
Rs200000-Rs500000	72	24%
More than Rs500000	12	4%
Total	300	100%

Data sources comprised of respondents presented in **Table 1** across different age groups, gender, educational attainment, and occupations. The study was conducted with a sample size of 300 respondents who have accounts in different retail banks. The age range started with as low as 30 years to as high as 50 years. In other words, the customers who participated in the study were matured people. While two-third of the sample was male persons, remaining one-third were female. Over 20 % of the customers were graduates and near equal proportion was post graduate. Therefore their opinion/views/responses were credible. With regard to occupation, a very small proportion of 13% were others category and rest was actively earning money either by service, profession or business.

The description of the sample profile made above reflected that the size of the sample was large enough to be compared across various variables, educated enough to be considered credible as source of data; and similarly their occupation also proved that they were informed decision makers with regard service quality in retail banks.

2. Analysis of the factors affecting customer perception on service quality in retail banks

This part of the study dealt with “factors” that affects the customer perception on service quality in retail banks. On the basis of earlier studies and keeping in view the market trends, 15 factors were considered as important determinants of customer perception on service quality in retail banks. The respondents were asked to indicate their responses in a five-point scale of “Highly Important” to “Not Important” on the factors considered important.

Table No.-2: Analysis of the factors affecting customer perception on service quality in retail banks

Sl. No.	Factors	Mean	SD	Rank
1	Different income-earning options	4.26	0.93	5
2	Imposing of service charge	3.78	1.19	11
3	Resolving customer grievances	3.90	1.00	10
4	Reputation of the bank	4.46	0.50	3
5	Infrastructure facilities such as parking, ATM, etc	4.54	0.50	1
6	Various kinds of service offered	4.23	0.83	6
7	Confidentiality of accounts and transactions	4.32	0.76	4
8	Return of customers' deposit	4.46	0.50	3
9	Convenient business hours	4.52	0.54	2
10	Easy to operate account	3.98	0.79	8
11	Banking network	4.54	0.61	1
12	Modern equipment and decor	3.98	0.81	8
13	Internet banking	3.86	0.94	10
14	Good manners and hospitality	3.96	0.80	9
15	Promptness and accuracy in transactions	4.18	0.82	7

A closer look at the above table revealed that there was a wide variation across level of importance in respect of 15 factors considered as important determinants of customer perception on service quality in retail banks. The factor **Infrastructure facilities like parking, ATM, etc.** occupied rank 1 as there are some preconditions in order to run businesses like financial institutions; they have to provide infrastructural facilities to the customers. The perceptions of the customer in this area are high (4.54) and ranked first. This means banks are providing such facilities to the customers and they are happy and satisfied with such infrastructure. **Banking network** is another important aspect of service quality of banking companies. With mean score 4.54 and has scored rank 1. **Convenient business hours** factor received mean score 4.52 and ranking (second). The study revealed that the perception in this case is satisfactory compared to other services offered by banks as the banks are operating their business within a time framework; also, they have to provide extra times in which customers conveniently can do business. For example, some banks offer banking hours in the evening also.

Every bank wants to run their business with a good reputation. In this case, customers' perception for **Reputation of the bank** is good; as mean score is 4.46 and it is ranked third, with standard deviation of 0.50. Therefore, goodwill and reputation act as other important parameters of the customer perceptions in the area of competence. Return of customers' deposit has also scored rank 3 with the same mean. **Confidentiality of accounts and transactions** is an important parameter. Customers want their account and transactions to be kept confidential. The mean score is 4.32 and it is ranked fourth, with standard deviation almost 0.76. The result indicates that customers have moderate confidence in this service. In the case of **Different income-earning options**, the perception of customers reaches a moderate level, as the mean score is 4.26 and it is ranked fifth. The more income-earning options given to the customer, the more chances to satisfy the customer.

Fig.1. Analysis of the factors affecting customer perception on service quality in retail banks

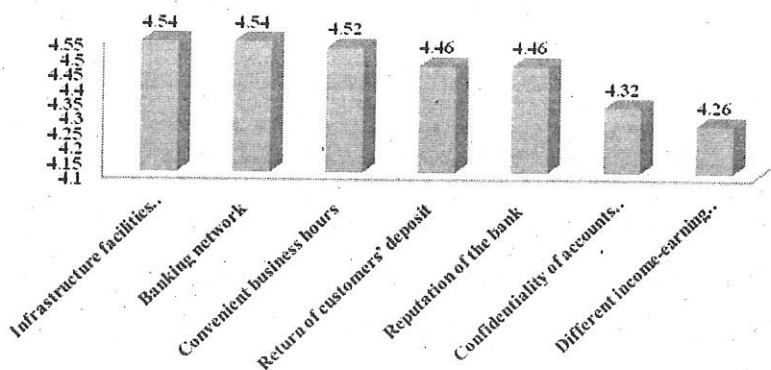


Table No.3: Pearson Correlation of the factors affecting customer perception on service quality in retail banks

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	Pearson Correlation	1														
	Sig. (2-tailed)		.000													
2	Pearson Correlation	.845**	1													
	Sig. (2-tailed)	.000														
3	Pearson Correlation	.773**	.970**	1												
	Sig. (2-tailed)	.000	.000													
4	Pearson Correlation	.731**	.678**	.691**	1											
	Sig. (2-tailed)	.000	.000	.000												
5	Pearson Correlation	.687**	.707**	.707**	.852**	1										
	Sig. (2-tailed)	.000	.000	.000	.000											
6	Pearson Correlation	.935**	.893**	.855**	.767**	.723**	1									
	Sig. (2-tailed)	.000	.000	.000	.000	.000										
7	Pearson Correlation	.953**	.809**	.749**	.773**	.705**	.936**	1								
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000									
8	Pearson Correlation	.731**	.678**	.691**	1.000**	.852**	.767**	.773**	1							
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000								
9	Pearson Correlation	.766**	.742**	.725**	.823**	.966**	.770**	.767**	.823**	1						
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000							
10	Pearson Correlation	.687**	.872**	.882**	.788**	.792**	.766**	.713**	.788**	.780**	1					
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	.000						
11	Pearson Correlation	.846**	.830**	.777**	.699**	.821**	.833**	.839**	.699**	.855**	.776**	1				
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000					
12	Pearson Correlation	.745**	.907**	.904**	.764**	.768**	.802**	.756**	.764**	.802**	.969**	.793**	1			
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000				
13	Pearson Correlation	.817**	.869**	.855**	.779**	.803**	.833**	.820**	.779**	.857**	.917**	.870**	.941**	1		
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000			
14	Pearson Correlation	.738**	.897**	.892**	.749**	.757**	.792**	.746**	.749**	.793**	.953**	.787**	.985**	.926**	1	
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000		
15	Pearson Correlation	.908**	.865**	.826**	.681**	.645**	.918**	.873**	.681**	.742**	.752**	.772**	.819**	.868**	.808**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	

** . Correlation is significant at the 0.01 level (2-tailed).

The correlation between the factors affecting customer perception on service quality in retail banks were analyzed extensively and shown in the Table No.3. It was found that the factors affecting customer perception on service quality were positively correlated to each other as the $R > 0.6$ in all of the cases. Moreover it was found that all the factors are statistically significant with $p=0.000$.

Conclusion

In the present competitive banking environment, most of the banks offer the same or similar products around the world and service quality is a vital means to differentiate them in the market place. Service quality should be used as a strategic tool to get a competitive advantage over the competitors. With the increasing levels of globalization of the Indian banking industry, and adoption of universal banks, the competition in the banking industry has intensified. The

present study revealed that the top five important factors considered by the customers in banks are the Infrastructure facilities like parking, ATM, etc., Banking network, Convenient business hours, Reputation of the bank, Confidentiality of accounts and transactions and Different income-earning options. Where as the least importance given by the banks customer are imposing of service charges and fines and resolving customers' grievances. More over all the factors were positively correlated to each other. Therefore, to be successful, banks must provide service to their customers that meets or exceeds their expectations, and the present study is going to provide at least some sorts of guidelines to the policy makers of the banks, to take right decision to improve the quality of services.

References

- Angur, M.G, Natarajan, R. and Jaherea, J.S. Jr (1999), "Service quality in the banking industry: an assessment of developing economy", *International Journal of Marketing*, Vol. 17 No. 3, pp. 116-25.
- Castleberry, S., & Resurreccion, A. (1989). Communicating quality to consumers. *Journal of Consumer Marketing*, 6(3), 21-89.
- Chaoprasert, C. and Elsey, B. (2004), "Service quality improvement in Thai retail banking and its management implications", *ABAC Journal*, Vol. 24 No. 1, pp. 47-66.
- Davies, F., Moutinho, L. and Curry, B. (1995), "Construction and testing of a knowledge-based system in retail bank marketing", *International Journal of Bank Marketing*, Vol. 13 No. 2, pp. 4-14.
- Dawes, J. and Swailes, S. (1999), "Retention sans frontiers: issues for financial service retailers", *International Journal of Bank Marketing*, Vol. 17 No. 1, pp. 36-43.

- Groenroos, C. (1984), "A service quality model and its marketing implications", *European Journal of Marketing*, Vol. 18 No. 4, pp. 36-44.
- Headley, D.E. and Miller, S.J. (1993), "Measuring service quality and its relationship to future consumer behavior", *Journal of Health Care Marketing*, Vol. 13 No. 4, pp. 32-41.
- Heskett, J.L., Sasser, W.E. Jr and Schlesinger, L.A. (1997), *The Service Profit Chain: How Leading Companies Link Profit and Growth to Loyalty, Satisfaction and Value*, The Free Press, New York, NY.
- Jabnoun, N., & Al-Tamimi, H.A.H. (2003). Measuring perceived service quality at UAE commercial banks. *International Journal of Quality and Reliability Management*, 20(4), 458- 72.
- Lehtinen, U. and Lehtinen, J.R. (1982), "Service quality: a study of quality dimensions", working paper, Service Management Institute, Helsinki.
- Stafford, M.R. (1996), "Demographic discriminators of service quality in the banking industry", *The Journal of Services Marketing*, Vol. 10 No. 4, pp. 6-22.
- Sureshchandar, G., Rajendran, C., & Anantharaman, R. (2002). The relationship between service quality and customer satisfaction – a factor-specific approach. *Journal of Services Marketing*, 16(4), 363-79.
- Vimi, J. and Mohd, K.K. (2008), "Determinants of performance in retail banking: perspectives of customer satisfaction and relationship marketing", *Singapore Management Review*, December.

- Yavas, U., Bilgin, Z., & Shemwell, D. (1997). Service quality in the banking sector in an emerging economy: a consumer survey. *International Journal of Bank Marketing*, 15(6), 217- 23.
- Yavas, U. and Yasin, M.M. (2001), "Enhancing organizational performance in banks: a systematic approach", *Journal of Services Marketing*, Vol. 6, pp. 444-53.
- Zeithaml, V.A. (2000), "Service quality, profitability, and the economic worth of customers: what we know and what we need to learn", *Journal of the Academy of Marketing Science*, Vol. 28 No. 1, pp. 67-85.
- Zeithaml, V.A., Parasuraman, A. and Berry, L.L. (1985), "Problems and strategies in services marketing", *Journal of Marketing*, Vol. 49,

* Assistant Professor, Centre for Management Studies,
OEC, Bhubaneswar, Odisha Email id- pinku.paul@rediffmail.com

WOMEN LABOUR IN WOMEN EMPOWERMENT ERA

Dipti Rekha Mohapatra *

“You can tell the condition of a nation by looking at the status of its women”.

-Jawaharlal Nehru

Abstract

Globalisation has drawn millions of women into paid employment across the developing world. But these women workers are systematically being denied their fair share of the benefits brought by globalization. Commonly hired on short-term contracts or with no contract at all women are working at high speed for low wages in unhealthy conditions. They are forced to put in long hours to earn enough to get by. Most have no sick leave or maternity leave, few are enrolled in health or unemployment schemes and fewer still have savings for the future. The harsh reality faced by women workers highlights one of the glaring failures of the current model of globalization.

The status of women in general and women labour in particular has witnessed spectacular changes in the midst of social, economic, political and technological changes in last two decades. Despite of various protective laws the conditions of women labour has remained vulnerable. They are victims of various discriminatory practices in this male dominated society. This article tries to uncover the problems faced by the working women in both corporate and non-corporate sectors. It also provides insights into the exemplary measures introduced in safeguarding the interests of women workers and the need for empowerment.

Introduction

According to Indian tradition since the inception of society woman has been treated with great honour and dignity, though occasionally we do find derogatory references to woman. She is the pioneer for the transformation of organizations and society. She is the mother of the race and liaison between generations laying the foundation for new relationships. Women now a days are advancing in every walk of life. Even male dominated fields are invaded by them. This woman has broken out of the confinement of four walls of a house and conventional domestic duties of the household she has been playing since times immemorial. Ironically, sometimes she is admired for playing multifaceted role but more often than not, accused of not conforming to the traditional and the unquestionable societal code of conduct laid down for her.

In the post-independence period, the Indian society has been experiencing a constant ebb and flow of changes influencing the status of women. The foundation for independent woman in independent India was laid by the British who introduced the legislative structure. Therefore, through Five year plans, attempts are being made to understand and define the role of women in the development of the economy.

Even though there has been an evidence of progressive transformation in the society and the status of women in workplace, still the trends in this direction are not satisfactory. A professional women of today still struggles with the harsh realities of discrimination, exploitation and violence in organizations, societal and family pressures and suffers from the bitter effects of the balancing act which she is expected to perform for handling official and household chores.

Participation of women labour:

The International Labour Organisation says that women represent:

- i) 50% of the population
- ii) 30% of the labour force

- iii) Perform 60% of all working hours
- iv) Receive 10% of the world's income
- v) Own less than 1% of the world's property.

As per a report by International Labour Organisation released on the International women's Day on March 8, 2007, it is depicted that though the status of a working woman does not surprise many, there is surprisingly a significant gender inequality in terms of wages, job security, etc. In all the regions women either work for poor wages or are unpaid contributing members of the family. In South Asia, India and Bhutan rank 108th and 131st among 189 countries as far as percentage of women lawmakers in the lower house of parliament in 2006 is concerned.

According to national perspective plan for women, the social and economic factors which are responsible for the low participation rate for women are:

- 1) Segregation in the labour market,
- 2) Adverse implications of technological growth for women,
- 3) Lack of unionization of female workers,
- 4) Absence of purposeful human resources development policy aimed at improving women's employability and productivity through training,
- 5) Conceptual ambiguities and lack of national labour policy encompassing workers in the organized sector.

Women account for 32% of the workforce in the informal economy, including agriculture and 20% of the non agricultural workforce. 118 million women workers are engaged in the unorganized sector in India, constituting 97% of the total women workers in India. The informal sector in the non agriculture segment alone engaged 27 million women workers in India.

Work participation rate is found to be higher among rural women (27%) than the urban women (10%). Female main workers constitute 14.65% of the population and men-

50.54%. Female marginal workers constitute 6.26% of the population, whereas males being only 0.98%.

Women in the corporate sector

In India, only about 6% (CII, 2005) of the women are successful in reaching the senior positions of management. This may be attributed to the reasons such as problems in relocation, work timings, regular travels, etc. Some of the workplace challenges which the 21st century women face are: **Glass ceiling, Societal perception, Child care and work-life balance, Self-imposed restrictions, Cultural challenges.**

Women Workers In The Unorganized Sector

The female labour force constitutes one third of the rural workers in India. Women workers face serious problems and constraints related to work such as lack of continuity, insecurity, wage discrimination, unhealthy job relationship, absence of medical and accident care etc. The exploitation of female labourers in rural regions happens both horizontally and vertically. In this sector: **Women are Overworked, Women's Work is — Invisible, Unrecognized and Unremunerated, women are displaced by men due to the impact of technology**, high incidence of **Physical and Sexual exploitation of women.**

Efforts at International Level

The **United Nation's charter** lays down in the preamble clearly "Faith in Fundamental Human Rights and for Fundamental Freedom for all without distinction," on account of sex or other grounds. **Article 8** lays down that, "The United Nations shall place no restrictions on women to participate in any capacity and under conditions of equality in its principal and subsidiary organs". **Article 13(1)(b)** states that, "The General Assembly has to initiate studies and make recommendation of fundamental freedoms for all without distinction as to race, sex, language or religion". **Article 55** declares that the UN shall "promote universal respect for and observance of human rights and fundamental freedoms for all without distinction", on account of sex and other reasons.

On 10th December, 1948 the **Universal Declaration of Human Rights (UDHR)** in **Article 1** provides that "All Human Beings are born free and equal dignity and right". **Article 2** declares that "everyone is entitled to all rights and freedoms set forth in this declaration without distinction of any kind of sex, etc.". **Art. 23(4)** declares that every one has the right to work to free choice of employment to just and favourable conditions of work and to protection against employment.

The **International Covenant on Economic and Social and Cultural Rights** contains several provisions particularly important for women. **Article 7** recognizes her right to fair conditions of work reflects that women shall not be subjected to sexual harassment at the place of work which may vitiate working environment.

The **Economic and Social Council (ECOSOC)** established a commission on the status of women in 1964, which prepares reports and makes recommendation to promote the rights of women.

The **International Labour Organisation (ILO)** has adopted convention concerning (a) Right to work (Women) Convention (Revised) 1948; (b) The Discrimination (Employment and Occupation) Convention 1958; (c) The Equal Remuneration Convention 1951; and (d) The Workers with Family responsibilities Convention 1981. Further sexual harassment at work place was recognized at an ILO seminar in 1993 at Manila on "Gender discrimination against women".

The **First World Conference** on women was held in Mexico City in 1975 which highlighted the themes of "Equality of women and their contribution to development and peace". The **Second Conference** held in Copenhagen in 1980 added three sub-themes, 'Education, Employment and health'. The **Third Conference** held in Nairobi in 1985 incorporated forward looking strategies for the advancement of women. The most important **Fourth Conference** on Women, held in Beijing in 1995, adopted the platform for action plan between 1996 and 2001 for the advancement of women.

The message of International instrument such as the **Convention on the Elimination of all Forms of Discrimination against Women, 1979 (CEDAW)** and the Beijing Declaration which directs all state parties to take appropriate measures to prevent discrimination of all forms against women besides taking steps to protect the honour and dignity of women is loud and clear. These international instruments cast an obligation on the Indian state to gender sensitizes its laws and the courts are under obligation to see that the message of the international instrument is not allowed to be drowned.

National Provisions

Constitutional Provisions for the Protection of Women Workers

The Indian Constitution seeks to protect the interest of women through fundamental rights and directive principles of state policy. The founding fathers not only ensure equality before law or equal protection of law within the territory of India under **Article 14** of the Constitution but have incorporated a specific clause prohibiting the discrimination on the ground of sex under **Article 15**. Thus **Article 15(1)** of the Constitution provides that the State shall not discriminate against any citizen on ground only of religion, race, caste, sex, place of birth or any of them. Article 15(3) gives special treatment to women namely "nothing in Article 15(3) shall prevent the State from making any special provision for women and children" and thereby modifies the requirement laid down in clause(1) of Article 15.

Further **clause 2 of the Article 16** declares: "no citizen shall, on grounds only of religion, race, caste, sex, descent, place of birth, residence or any of them, be ineligible for or discriminated against in respect of, any employment or office under the State."

Quite apart from this, **Article 19(1)(g)** guarantees to them the right "to practice any profession or to carry on any occupation, trade or business." Further, **Article 21** lays down that no person shall be deprived of his life and personal liberty except according to the procedure established by law. **Article 23** guarantees against exploitation. **Articles 32 and 226** guarantee right to constitutional remedies incase of violation of any fundamental or legal right of an individual. In addition to this, **Article 39(d)** requires the State to direct its policy

securing equal pay for equal work for both men and women and **Article 42** makes provision for just and humane conditions of work and maternity relief. **Article 51-A(e)** provides it shall be duty of every citizen of India, to be abide by the Constitution and respect its ideals and institution and to promote harmony and the spirit of common brotherhood amongst all the people of India transcending religious, linguistic and regional or sectional diversities; to renounce practices derogatory to the dignity of women. Parliament has power to enact laws under **Article 253**, read with **Entry 14** of the **Union List** in the **Seventh Schedule** for implementing the International Conventions and Recommendations, which is implicit in the **Article 51(c)** of the Constitution.

Legislative Measures for the Protection of Women Wokers

- i) **The National Commission for Women Act, 1990:** An Act to constitute a National Commission for Women and to provide for matters connected therewith or incidental thereto the protection of rights and development of women.
- ii) **The National Human Rights Act, 1993:** This Act provides for the constitution of National Human Rights Commission and State Human Rights Commissions and Human Rights Courts for better protection of human rights.
- iii) **The Equal Remuneration Act, 1976:** An Act to provide for the payment of equal remuneration to men and women workers and for the prevention of discrimination on the ground of sex, against women in the matter of employment and for matters connected therewith or incidental thereto.
- iv) **The Maternity Benefit Act, 1961:** An Act to regulate the employment of women in certain establishments for certain period and after child-birth and to provide for maternity benefit and certain other benefits.
- v) **The Protection of Women against Sexual Harassment work place Bill 2010:** The draft Bill is referred to the Parliamentary Committee by Human Resource Department on 7th December 2010. The Bill lays down rules to tackle incidents of sexual harassment at the work place. The Bill will also replace the

Supreme Court guidelines of 1997, that so far been treated as law in absence of a proper legislation on Sexual Harassment.

vi) The Factories Act, 1948:

Sec.22(2) : Restriction to work on or near machinery in motion

Sec.27 : Prohibition of employment of women and children near cotton openers

Sec.48 : Creches

Sec.66 : Restrictions on employment of women

vii) The Mines Act, 1952:

Sec.46 : Restriction on employment of women

viii) The Indian Penal Code:

Sec.294 : Obscene acts and songs

Sec.354 : Assault or criminal force to woman with intent to outrage her modesty

Sec.510 : Word, gesture or act intended to insult the modesty of a woman

Judiciary on Gender Justice

Keeping pace with the changing concept of social change and ILO's influence, the Supreme Court of India has delivered a series of landmark judicial verdicts such as : *C.B.Muthumma v. Union of India*¹, *M/S Mackinon Mackenzie and Co. Ltd. V. Andrey D' Costa and Others*², *Air India v. Nargesh Mirza*³, *People's Union for Democratic Rights v. Union of India*⁴, *Neera Mathur v. LIC of India*⁵, *Smt Soumitri Mathur Vishnu v. Union of India*⁶, *Maya Devi v. State*⁷, *Vishaka v. Union*⁸, *Githa Hariharan v. Reserve Bank of India*⁹ and *Apparel Export Promotion Council v. A.K.Chopra*¹⁰ created some of the new order of labour jurisprudence to provide gender justice.

National Policy for women

The National Policy for Empowerment of Women 2001 has as its goal bringing about advancement, development and empowerment of women in all spheres of life through creation of a more responsive judicial and legal system sensitive to women and mainstreaming a gender perspective in the development process. The strengthening and formation of relevant institutional mechanisms and implementation of international obligations/ commitments and co-operation at the international, regional and sub-regional level was another commitment.

Conclusion

However there has to be the promotion of the positive aspects keeping the negative aspects in mind. The 'working women' today aids the economic status of the household and the society as a whole. For an independent India, the saying is apt, "A free race cannot be born of slave mothers." This civilization is yet to witness the real power of the women carving picture perfect in the present day world of globalisation and liberalization.

Despite of various laws and governmental action for the protection and empowerment of women in general and women workers in particular there is need for further empowerment of women labour both in the organised and unorganized sectors. Efforts must be made for social empowerment, economic empowerment, political empowerment and technological empowerment of women workers.

Suggestions

- A more comprehensive legislation is to be enacted to eliminate all kinds of discrimination against women in general and women workers in particular.
- Legal awareness programmes to be conducted for women by the Government, NGOs and Media.
- Strict implementation of existing laws for the protection of women.
- Strict implementation of the Supreme Court directives concerning gender justice in letter and spirit.

(Footnotes)

¹ A.I.R. 1979 S.C.1868

² A.I.R. 1987 S.C. 1281

³ A.I.R. 1989 S.C. 1829.

⁴ A.I.R. 1982 S.C. 1473

⁵ A.I.R. 1992 S.C.392.

⁶ 1985 II LLJ 369(S.C.)

⁷ 1986 ILR 743

⁸ AIR 1997 Sc 3011

⁹ AIR 199 Sc 1149

¹⁰ AIR 1999 SC 625

- Conscious efforts by all concerned to develop, promote and protect the interests of women workers at work place.
- Efforts shall be made to change social outlook towards women in general and women workers in particular.
- Mass media should be used to communicate the social message relating to women's equality.
- Criminal justice system should be more effective to deal with the cases relating to the exploitation of women workers and punishment should be very high in comparison to the degree of exploitation.
- Last but not the least a separate women grievance cell headed by a woman should be established in every organization employing women workers in the organized sector and in case of unorganized sector women to form self-help groups for their protection.

References:

1. Abraham Dr.Gladis (May 2003). "Female Workforce Participation: Need for empowerment" ; Yojana ;p-31-34
2. Budhraj Jyoti and Jyoti Anand (September 2008) "Workplace Challenges for Women in 21st Century" HRM Review ,p-33,34.
3. Panigrahi Dr. Bhagirathi "Sexual Harassment of Women in the Work Place- A violation of Human rights"; Sexual Harassment of Women at Work Place; The Law House Publications.
4. Report of the Working Group on Empowerment of Women for the Eleventh Plan.
5. Srivastava Suresh C.(April-December, 2000). "Constitutional Protection to Weaker and Disadvantaged Section of Labour"; Journal of Indian Law Institute I.L.I., Vol:42, No:2-4.
6. www.legalserviceindia.com

** Faculty, Ravenshaw Business School*

FACTORS AFFECTING BUYING BEHAVIOR OF CONSUMERS IN CAR INDUSTRY WITH SPECIAL REFERENCE TO BHUBANESWAR

Ms. Seba Mohanty*
Ms. Leena P. Singh**

Abstract

The car industry in India has seen a tremendous growth and seems to be the fastest growing sector in the world. Proper understanding of consumer buying behavior will help the marketer to succeed in the market. In India, with increase in purchasing power of people leading to the change in their life style, there has been a huge demand for automobiles with modern technologies. The Indian car sector has responded with an exponential progress in the number of new models launched in the recent past. The India auto industry has the potential to emerge as one of the largest in the world presently. The Indian auto industry is highly competitive with a number of global and Indian auto companies present. The major advantage of the Indian automotive industry is an educated and skilled English speaking workforce. The study was conducted to focus on how the consumer buying behaviour reacts with luxury branded cars in the city of Bhubaneswar. The study would also like to understand the factors which affects car buying behavior in Bhubaneswar city by using exploratory factor analysis.

Keywords: Consumer Buying Behaviour, Purchasing Power, Customer perception

1. Introduction

Consumer behavior is a blend of Economic, technological, political, cultural, demographic and natural factors as well as his own characteristics which is reflected by his attitude, motivation, perception, personality, knowledge and lifestyle. Marketers can rationalize their existence only when they are able to understand consumer behavior. As we know that in this present era of marketing all the business activities revolve around customer and his needs and wants so it has become mandatory for the marketer to understand the customer and then plan the marketing strategy accordingly. Understanding the customer is not an easy task as it is very difficult to infer what is going on customers' mind. The automotive industry in India is one of the largest in the world and one of the fastest growing globally. India's passenger car and commercial vehicle manufacturing industry is the sixth largest in the world. The annual production of this industry is more than 3.9 million units. India overtook Brazil and became the sixth world and growing 16 to 18 per cent to sell around three million units in the course of 2011-12. In 2009, India emerged as Asia's fourth largest exporter of cars. In 2010 India produced 4.0 million passenger vehicles and more than 3.7 million automotive vehicles. It is the fastest growing automobile market in the world and by 2050; the country is expected to top the world in car volumes with approximately 611 million vehicles on the nation's roads. The southern cluster consisting of Chennai and Bangalore is the biggest with 35% of the revenue share. The western hub near Mumbai and Pune contributes to 33% of the market and the northern cluster around the National Capital Region contributes 32%. Chennai, is also referred to as the "*Detroit of India*".

The decision processes and acts of final household consumer associated with evaluating buying, consuming and discarding products for personal consumption consider the purchase of an automobile. You generally will not consider different options until some event triggers a need, such as a problem needing potentially expensive repair. Once this need has put you "on the market", you begin to ask your friends for recommendation regarding dealership and car models. After visiting several dealerships, you test drive several models and finally decide on a particular model. After picking up your new car, you have doubts on the way home, wondering if you can afford the monthly payments, but then begin to wonder if interested you

should have purchased a more expensive but potentially more reliable model. Over the next five years, the car has several unexpected breakdowns that lead you to want to purchase a different brand, but you have been very happy with the services of the local dealership and decide to again purchase your next car there. In this particular case, the following generic model of consumer decision making appears hold:

- Need recognition
- Information search
- Evaluation of alternatives
- Purchase decision
- Post purchase behaviour

Now consider the purchase of a quart of orange juice. You purchase this product when you do your grocery shopping once per week. You have a favourite brand of orange juice and usually do your grocery shopping at the same store. When you buy orange juice, you always go to the same place in the store to pick up, and never notice what other brands are on the shelf or what the prices of other brands are. How is it that the generic model above works differently in this second scenario? Why does it work differently? Why would we generally need the help of a salesperson in the purchase of orange juice? How can the marketer of orange juice get a consumer like you to exert more effort into information search or to consider alternative products? How is it that the marketer of your brand got you to ignore alternative competing brands? What is the involvement of salespeople in sales promotions that might be associated with products such as orange juice? Consumer behaviour researchers are not so interested in studying the validity of the above generic model but are interested in various factors that influence how such a model might work.

2. History of Automobile Industry in India

The Indian Automobile Industry manufactures over 11 million vehicles and exports about 1.5 million each year. The dominant products of the industry are two-wheelers with a market share of over 75% and passenger cars with a market share of about 16%. Commercial vehicles and three-wheelers share about 9% of the market between them. About 91% of the vehicles sold are used by households and only about 9% for commercial purposes. The

industry has a turnover of more than USD \$35 billion and provides direct and indirect employment to over 13 million people. With a high cost of developing production facilities, limited accessibility to new technology, and increasing competition, the barriers to enter the Indian Automotive sector are high. On the other hand, India has a well-developed tax structure. The power to levy taxes and duties is distributed among the three tiers of Government. The cost structure of the industry is fairly traditional, but the profitability of motor vehicle manufacturers has been rising over the past five years. Major players, like Tata Motors and Maruti Suzuki have material cost of about 80% but are recording profits after tax of about 6% to 11%. The level of technology change in the Motor vehicle Industry has been high but, the rate of change in technology has been medium..

3. Literature Review

MandeepKaur and Sandhu (2006) attempted to find out the important features which a customer considers while going for the purchase of a new Automobile. The study covers the owners of passenger Automobiles living in the major cities of the State of Punjab and the Union Territory of Chandigarh. The respondents perceive that safety and comfort are the most important features of the passenger Automobile followed by luxuriousness. So the manufacturers must design the product giving maximum weightage to these factors.

Chidambaram and Alfreadd (2007) postulates that there are certain factors which influence the brand preferences of the customers. Within this framework, the study reveals that customers give more importance to fuel efficiency than other factors. They believe that the brand name tells them something about product quality, utility, technology and they prefer to purchase the passenger Automobiles which offer high fuel efficiency, good quality, technology, durability and reasonable price.

Satya Sundaram (2008) analyzed how the competition makes the automobile manufacturer to launch at least one new model or a variant of the model every year. This survey also pointed out that diesel Automobiles are becoming popular in India and the announcement of reductions in excise duties by the government has helped to some extent to boost the demand.

was collected by personally contacting the respondents and explaining in detail about the survey. A five point Likert scale was used to capture the consumers responses ranging from strongly agree to strongly disagree. The different statements regarding the various factors affecting the car buying behaviour of customers were generated based on literature review as well as expert opinion in an iterative manner. It could be therefore said that itemized scale in this case. A total of 120 customers from different areas were contacted and 100 correctly completed questionnaires were obtained from all the customers, the break-up of which is given in following graph

6. Factor Analysis for Factors Affecting Car Buying Behaviour of Customer

Factor analysis was performed to identify the key dimensions affecting purchase of cars provided by different car manufacturing companies. The respondent ratings were subject to principal axis factoring with varimax rotation to reduce potential multicollinearity among the items and to improve reliability on the data. Varimax rotation (with Kaiser normalization) was converged in 31 iteration). 30 items are reduced into 11 orthogonal factors.

6.1. Reliability Of Data

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.581
Bartlett's Test of Sphericity	Approx. Chi-Square	949.663
	Df	435.000
	Sig.	.000

[Index for comparing the magnitudes of the observed co-relation coefficient to the magnitude of the partial correlation coefficient]

From the above table, we can interpret 58.1% data of the sample

"Bartlett's Test Sphericity"

Strength of the relationship among variables is strong. It presents good idea to proceed to factor analysis for the data

H₀: there is significance indifference of all the factors affecting car purchase decision

H₁: there is significance difference of all the factors affecting car purchase decision

The observed significance level is 0.000 which is less than .05, which is small enough to the hypothesis. It means there is a significant difference between the factors affecting car purchasing decision.

Clement Sudhakar and Venkatapathy (2009) studied the influence of peer group in the purchase of Automobile with reference to Coimbatore District. It was also found that the influence of friends is higher for the purchase of small sized and mid-sized Automobiles.

Brown et al (2010) analyzed the consumers' attitude towards European, Japanese and the US Automobiles. The country – of – origin plays a significant role in the consumers' behaviour. The brand name, lower price and distributor reputation completely have a significant impact on the sale of passenger Automobile.

However, the present study differs from the above, in that, the buyer behaviour in Bhubaneswar in Odisha is sought to be analyzed here. The scope and the area of the study are unique in nature.

4. Objectives of the Study

The purpose of this research is to study the buying behavior of consumers, their importance in the aspects of life style, perception of product attributes and level of satisfaction. Hence, the study is aimed at the following objectives.

- To evaluate car owners' perception and behavior pertaining to the purchase and use of cars.
- To identify and analyze the factors influencing the purchase of cars.
- To understand further whether there is any interaction between any independent variable such as price, quality with dependent variable such as consumer buying behaviour.
- To make suggestions in the light of the findings of the study.

The study was conducted to focus on how the consumer buying behaviour reacts with luxury branded cars in the city of Bhubaneswar. The study would also like

5. Methodology of the Study

The questionnaire used for the sample survey is a structured and non-distinguished. Sampling method used was simple random sampling and data analysis was done by using SPSS-17 software and statistical method used is exploratory factor analysis. The study entailed data collection with the help of a questionnaire from the residents of BBSR, Odisha. Data

importance of price of the car	-.022	.179	-.022	-.035	.099	.003	-.018	.103	.003	.145	.836
importance of suggestion from family members	.006	.724	-.178	.237	-.177	-.029	.136	-.033	-.062	.022	.068
importance of family needs	-.006	.836	.050	-.143	.091	-.076	-.128	.049	-.057	-.169	.112
importance of status symbol	-.190	.224	.581	-.038	-.030	.065	.078	.004	.221	.119	-.339
importance of brand name	-.274	.377	.173	-.122	.292	.077	.185	.180	-.083	.184	-.416
importance of income level	-.184	.204	.263	.088	.047	.459	.058	.080	-.481	-.023	-.162
importance of festival season/offers	-.142	.195	-.087	.360	.062	-.145	-.037	.273	-.165	.445	-.261
importance of special family programs/events like anniversary ,birthday	-.114	.526	.140	.063	-.079	.046	.243	-.193	.232	.377	-.098
importance of family members and friend circle	-.049	.156	-.119	.065	-.030	.122	.754	-.282	.169	-.006	.061
importance of govt policy and regulation	.147	.059	.195	-.108	.163	.222	.616	.306	-.030	-.014	-.198
importance of import duties imposed by govt.	.158	-.092	.326	-.095	.075	.022	.695	.295	-.190	.128	-.044
importance of advertisement and promotion	-.065	-.179	.737	.063	-.202	.196	.105	.008	-.141	.061	-.002
importance3 of after sales service	-.043	.158	.254	.646	.190	.369	.106	.096	-.087	-.031	.024
importance of installment payment facility	.030	-.128	.092	.002	.040	.817	.144	-.030	-.077	.023	.078
importance of insurance facility	-.085	.072	-.113	-.016	.036	.570	.044	.549	.250	.034	-.167
importance of location of car dealer shop	-.113	-.042	.102	.021	.010	.051	.031	.859	-.031	.057	.133
importance of home delivery facility	-.041	-.084	.045	.037	.046	.042	.051	.082	.107	.838	.125
importance of credit card acceptance	.207	-.056	.360	-.445	.095	.441	.044	.005	.127	.043	.093
importance of information provided by sales person	.048	-.002	.190	.025	.102	.055	.050	.018	.820	.087	-.032
importance of availability of variety of cars under one roof	.195	.025	.666	-.081	.228	-.126	.040	.121	.358	-.110	.118
importance of information provided by various car magazine	.123	-.089	.022	.387	.551	-.083	.451	-.107	.198	.003	.168
importance of mileage	.175	-.150	.021	.073	.749	.032	.106	.261	-.001	-.062	.271
importance of power	.265	.071	-.091	-.028	.783	.085	-.040	-.141	.078	.161	-.195

6.2. Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.038	13.459	13.459	4.038	13.459	13.459	3.244	10.814	10.814
2	3.530	11.767	25.226	3.530	11.767	25.226	1.990	6.635	17.449
3	2.366	7.888	33.114	2.366	7.888	33.114	1.964	6.547	23.996
4	1.809	6.029	39.143	1.809	6.029	39.143	1.893	6.308	30.304
5	1.606	5.354	44.497	1.606	5.354	44.497	1.892	6.307	36.611
6	1.530	5.101	49.599	1.530	5.101	49.599	1.888	6.293	42.904
7	1.371	4.571	54.169	1.371	4.571	54.169	1.882	6.273	49.177
8	1.277	4.256	58.425	1.277	4.256	58.425	1.704	5.680	54.857
9	1.238	4.128	62.553	1.238	4.128	62.553	1.525	5.083	59.940
10	1.074	3.581	66.134	1.074	3.581	66.134	1.479	4.929	64.869
11	1.056	3.521	69.655	1.056	3.521	69.655	1.436	4.786	69.655
12	.993	3.310	72.965						
13	.828	2.759	75.724						
14	.799	2.663	78.387						
15	.748	2.492	80.879						
16	.658	2.194	83.073						
17	.632	2.108	85.181						
18	.548	1.826	87.007						
19	.521	1.737	88.744						
20	.471	1.569	90.313						
21	.457	1.525	91.838						
22	.400	1.333	93.171						
23	.372	1.241	94.412						
24	.357	1.188	95.601						
25	.311	1.036	96.637						
26	.264	.881	97.518						
27	.245	.816	98.334						
28	.202	.675	99.009						
29	.183	.609	99.617						
30	.115	.383	100.000						

Factor 6:

- Importance of insurance facility
- Importance of installment payment facility

Factor 7:

- Importance of family member and friend circle
- Importance of govt. policy and regulation
- Importance of import duties imposed by govt.

Factor 8:

- Importance insurance facility
- Importance availability of car dealer shop

Factor 9:

- Importance information provided by sales person

Factor 10:

- Importance home delivery facility.

Factor 11:

- Importance of price of the car.

7. Findings

Since Indian Automobile market is continuously in the prowl of surging as a major car manufacture people are purchasing car as there is increase of income of common people as well as change in tasted and preferences of consumer. It is important for the car manufacture and car dealers to be able to understand the different factors affecting the extent in a car purchasing behavior .the factor analysis results indicate that factor which consists of information provided by sales person; easy availability of spare parts ,technology affecting the buying behavior of customer .people are conscious about the on spot information provided about various cars who serves according to the needs and wants of the customer .The type of technology used and the wider reach of the service station also affect the most on car buying behavior .while govt. obligation and various policies lie import duties custom exemption is

importance of looks	.792	.037	.098	-.146	.207	.009	.059	-.070	.013	-.098	-.085
importance of safety	.826	-.101	-.020	-.028	.156	-.034	.086	.087	.011	-.042	-.040
importance of car accessories	.459	.002	-.095	.495	.013	-.105	-.100	.088	.312	-.163	-.051
importance of easy availability of spare parts	.794	-.080	.036	.275	.009	-.057	-.054	-.034	-.013	-.026	.103
importance of availability of service station	.263	-.056	-.082	.699	-.005	-.109	-.066	-.110	.022	.283	.025
importance of technology	.713	.050	-.123	.107	.055	.039	.111	-.199	.112	.163	.129
importance of overall satisfaction with my car I own	.247	.001	.069	.067	.094	-.380	-.035	-.188	-.062	.338	.113

With the help of this rotation table we can categorized each statements depending upon the factor loading and these are

Factor 1:

- Importance of looks
- Importance of safety
- Importance of easy availability of spare parts
- Importance of technology

Factor 2:

- Importance of suggestion of family members
- Importance of family needs
- Importance of special programs /events like birthday

Factor 3:

- Importance of status symbol
- Importance of adv and promotion
- Importance of availability of variety car under one roof

Factor 4:

- Importance of after sale service
- Importance of availability of service station

Factor 5:

- Importance of information provided by various car magazine
- Importance of mileage
- Importance of power

- September 2007, p.30.
- v. David L. Albert J. Della Bitta. " *Consumer Behavior* " Fourth edition. Tata McGraw Hill, pp - 22 -25
 - vi. Mandeep Kaur and Sandhu, H.S., "A Study on Factors Influencing Buying Behaviour of Passenger Car Market , *Paradigm*, Vol. 8, No.2, July – December 2006. p.69.
 - vii. Furse, David H, Girish N. Punj and David W.Stewart. "A Typology of Individual search strategies among purchasers of New Automobiles". *Journal of Consumer Research*, Vol.10, March 1984, p.43.
 - viii. Gaedebe, R (2007). "Consumer Attitude towards Cars Made in Developing Countries", *Journal of Retailing*, 49 (summer), pp. 13 – 24.
 - ix. George Homans. „Social Behaviour: Its Elementary Forms , Harcourt. Brace and World, New York. 1961. and Michael J. Ryan and E.H. Bonfield. „The Fishbein Extended Model and Consumer Behaviour , *Journal of Consumer Research*. Vol.2. 1975, p.28.
 - x. Hawkins, Del I.. R. J. Best, and K. A. Coney (1983), *Consumer Behavior: Implications for Marketing Strategy*. Plano. Texas: Business Publications Inc.
 - xi. Jacqueline J.Brown, C. Dvid Light and Gregory M. Gazda (2007), "Attitude towards European, Japanese and US cars", *European Journal of Marketing*, 21 (5). pp.91 – 100.
 - xii. Joseph W. Newman, Richard Stalin, Pre-purchase Information seeking for New Cars and Major Household Appliances , *Journal of Marketing Research*, Vol. IX, August 1972, p.20.
 - xiii. Joseph W. Newman, Richard Werbel. „Automobile Brand Loyalty , *Journal of the Academy of Marketing Science*, Vol. 2 (4), (Fall). 1974, p.19.
 - xiv. Kotler et al. (2004) Chapter 7, pp. 242-244, ' *Consumer Behaviour* ' and 'A model of consumer behaviour'.
 - xv. Kothari, C.R. (1985). *Research Methodology- Methods and Techniques*. New Delhi, Wiley Eastern Limited
 - xvi. Solomon Michal R. (2006) " *Consumer Behavior* " Pearson Education . Delhi pp 31 – 35.

* **Ms. Seba Mohanty**
 Lecturer (Economics)

** **Ms. Leena P. Singh**
 Assistant Professor (ME & HR)

affecting purchase decision factor 3 includes status symbol, promotion and advertisement etc which also affect the car buying behavior factor 4 includes after sale service and availability of service station showing customers accessibility to the service provided. Factor 5 includes mileage and power which is affecting the customers buying decision. Factor 6 includes insurance facility and dealer shop showing the customer accessibility and service provided. Factor 7 family members friend circle. Factor 8 include importance of insurance facility and car dealer shop. Factor 9 included the information provided by sales person. Factor 10 and 11 include home delivery facility and price of the car respectively

8. Conclusion

Indian automotive industry is the 6th largest industry in the India. The automotive industry is manufacturing over 11 million vehicles and exporting 1.5 million. It is the fastest and largest industry in India. The study of consumer behaviour also includes an analysis factors that influence purchase decision. This study indicate that there was a significant between the adoption on buying behaviour and the factors that influence to buy a car. It also identified that factors including quality, looks, price technology, brand name, and environmental, political factors such as govt. rules import duties etc which affect the consumer buying decision. It also identified that some social factors such as friend circle family members etc and personality, income, status symbol also affect the buying decision of the consumer. Overall all the external and internal factors like price of the car safety, power, promotional activities, and features of the car in all are contributing in making car purchasing behaviour of customers.

References

- i. Bennett, Rebekah, Rundle – Thiele, Sharyn, “Customer Satisfaction should not be the only goal , *Journal of Services Marketing*, Vol.18 (6&7), 2004, p.13.
- ii. Clement Sudhakar J., and Venkatapathy R., „A Study on Automobile Purchase – Peer Influence in Decision Making , *Indian Journal of Marketing*, Vol.35, No.6, June 2009, p.16.
- iii. Churchill, Gilbert A., and Carol Suprenant, „An Investigation into the Determinants of Customer Satisfaction , *Journal of Marketing Research*, 14th November 1982, p.54.
- iv. Chidambaram and Alfreed „A Study on Brand Preference of Passenger Car with Reference to Coimbatore City , *Indian Journal of Marketing*, Vol.34, No.9,

JOURNAL SUBSCRIPTION FORM

The annual Subscription (two issues) rates including postage are as follows :

	1 year (Rs.)	2 years (Rs.)
Institutional	1000	1600
Individual	800	1200
Rest of the world	US\$ 100	US\$ 175

The subscription order should be accompanied with payment in the form of Bank Draft drawn in favour of BIITM payable at Bhubaneswar.

Name : _____

Position (if Individual) : _____

Organization : _____

Mailing Address : _____

Telephone : _____ Fax : _____ E-mail: _____

Payment Details : _____

Bank Draft drawn in favour of "BIITM", payable at Bhubaneswar.

Issuing Bank : _____

Branch : _____

DD No. : _____ Dated : _____

Date :

Signature :

Mail to :

The Editor- BIITM Business Review
Biju Patnaik Institute of IT & Management Studies
F/4, Chandaka Industrial Estate, Bhubaneswar – 751024
E-mail: biitmbbsr@yahoo.com

GUIDELINES FOR CONTRIBUTORS

The editors invite original unpublished empirical and theoretical papers, case studies and scholarly articles consistent with the scope of the journal.

Review Process: All contribution submitted for publication will be subjected to peer-review. The Chief Editor reserves the right to make editorial amendments in the manuscript to meet the journal's standards.

Format: Articles/papers (3000-6000 words normally, up to 8000 words in exceptional cases), and book reviews should be neatly typed as Word document on one-side of A4 size paper with double spacing in Times New Roman, 12-point font-size justified text. The author must also submit the soft copy of article/paper either in a CD or through e-mail.

Cover page: The cover page of the manuscript should provide the title of the paper, name, designation and contact details of the author along with a short biography of the author within 100 words. The paper should be accompanied with an Abstract of 150-300 words.

Footnotes to the text should be avoided. If required, they should be numbered consecutively and presented as endnotes. Citations of other works should be limited to the name of the author and year of publication. Short quotations should be included in the text within parentheses, while quotations of more than 30 words should be placed in a separate paragraph indented from the main body of the text.

References should be indicated in the text by giving the name of author(s), with the year of publication in parentheses. All references should be alphabetically listed at the end of the paper in the following standard APA format:

Books: Gregory, James R & Wiechmann, Jack G.(2002) Branding across borders: a guide to global brand marketing. Chicago: McGraw-Hill.

Journal Articles: Joseph, H. (1997) Social Work with Groups: A Literature Review, The Indian Journal of Social Work, 58(2), 195-211.

Conference Papers: Mehta, Minu (2007) 'Entrepreneurship & empowerment of women; how & why', paper presented at the International Conference on Empowerment of Women, CHM College of Arts, Science & Commerce, 28-29 May

Dissertations: Ahmed, Shahid (1994) 'An analysis of globalization of Indian economy' M.Phil Dissertation, Maharshi Dayanand University, Rohtak.

In the covering letter accompanying the manuscript, the author(s) should certify that the manuscript has not been published anywhere nor is it being considered elsewhere for publication. The authors should obtain copyright clearance for the information and data used in the manuscript. Copyright of all accepted papers for publication and use in any form/format will vest with BIITM, Bhubaneswar.

For online submission of articles/papers, files can be attached in the email addressed to the Chief Editor, BIITM Business Review and sent to biitmbsr@yahoo.com. In the subject Column, indicate "Article for the Journal".

The manuscript may be sent by post to the following address:

To

The Editor

BIITM Business Review

Biju Patnaik Institute of IT & Management Studies

F/4, Chandaka Industrial Estate, Bhubaneswar-751024

Phone: 91-674-6534384,2743519



Published By

Biju Patnaik Institute of IT & Management Studies

(Approved by AICTE & Affiliated to Biju Patnaik University of Technology, Odisha)
F/4, Chandaka Industrial Estate, Opp. Infocity, Patia, Bhubaneswar 751 024, Odisha

Ph. : 0674-6534384, Mob.: 9938459520,

E-mail: biitmbsr@yahoo.com, www.biitm.ac.in