July - December 2013

BIITM BUSINESS REVIEW

Volume 4 No. 2

BIITM

Since 1999

ISSN - 2250 - 1533

BIITM BUSINESS REVIEW

Volume 4 No. 2 July - December 2013

RESEARCH PAPERS **Page No.**

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

From the Chief Editor's Desk

It is a great pleasure to announce that the 4th 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 heartful 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 heartful thanks to its Chief Patron, Mr. P. K. Balabantray, Patron, Prof. P. R. Pattanayak and Advisors for their encouragement and support for the success of this issue.

Dr. P. K. Tripathy
Chief Editor

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Introduction

During the last three decades IFIS have been growing significantly, both domestically and internationally. IFIS witnessed an average annual growth rate of 23% approximately) during the period 1993 2003, and 20% since 2003 (CIBAFI, 2004).

It is paramount to drive the harmonization and standardization of Islamic finance forward otherwise the globalization effort will be hindered. Islamic Banks have to stay innovative and go for more sophisticated products. The innovation is really driven by boutique Islamic banks in the Middle East whose whole mandate is to be Sharia compliant. With the larger 'newcomer' Islamic banks, innovation will be exposed to more sophisticated clientele and the need to be competitive.

These new financial firms were established in the emerging market of the Middle East to meet the demand of investors and borrowers who are motivated by profit maximization based on the Islamic law (Shari'a). IFIS offer a wide range of Islamic financial innovations starting from the simple contract of profit sharing agreement (Mudaraba), which is similar to time deposit in conventional banks, to Issuing Islamic bonds (Sukuk) and derivatives. The growth of IFIS attracted some of the conventional financial firms (i.e., ABN AMRO, Citibank and Dresdner Kleinwort Benson) to add the service of Islamic windows to their clients. Despite the advantages that are embedded in IFIs system and management, IFIS encounter several fundamental challenges to the prospect of being recognized internationally. The challenges exist in local as well as global markets.

The paper will be divided into three parts. First part will explain the current situation of IFIS , explaining the factors behind their growth in local and international markets and discusses the advantages of IFIS' system that makes them unique and attractive to all customers. Secondly, it will present a model discussing the two types of challenges before IFIS internationalization challenges inside the Islamic countries such as the limited recognition of investors to IFIS activities, the limited contribution of IFIS to the country's economy and the limited customer service. The other set of challenges exist outside the non Muslim countries such as the cultural barriers with the Western countries. Thirdly, the paper will provide some solutions that can be implemented to facilitate the process of internationalization and provide some lessons to conventional banks on the technical and management sides.

Objectives

- To analyze IFIS different from conventional banks and how the Customers perceive these characteristics.
- To discuss the challenges that hinder IFIS from being recognized locally and internationally.
- To share IFIS practices towards the proper solutions to meet these challenges.

Interest free banking in practice (detail of lending)

Islam permits inter free banking and believe on the profit sharing both for the depositors and as well as borrowers. Especially in case of mortgages the bank create joint ownership of the property with the buyer and convert the bank's finance amount into units by dividing the contribution of finance amount over the total months and give the opportunity to the borrower to purchase these units within a specified period of time and against this service it charges the rent on the units which are held by the financial institution. If a person has no funds to purchase a home or property it comes in financial institution and requests it then after checking his credit worthiness and credibility the bank and the borrower jointly purchase the property and financial institution gives the right to further purchase the units of the property into different part within specified period of time. On the other hand it is observed in the conventional banking the bank grant the loan to the borrower and he solely purchase the property and he paid the principal amount and the interest thereon.

Global turmoil

Let's first analyze how the profit sharing system works. Let's say in conventional banking the customers takes the loan at 12% per annum or for simplicity 1% per month. Now he took 100 Rs as loan, purchased some Raw material and started some production. Production took exactly one month and the final product is ready. Whats the price of the final product. Its 101 Rs. He would need to sell that at anything more than 101 to make the profit.

Let's take the same situation for Islamic banking. If the basis of lending is profit sharing, then the cost of the product still remains 100 and when sold at 102 the share is based on the pre-agreed terms.

The factors behind the growth of IFIS

Several factors had contributed to the growth of IFIS, such as the economical growth of Gulf Corporation council (GCC) countries as a result of the oil discovery and the establishment of the Organization of Petroleum Exporting Countries (OPEC) .This unexpected resource of income changed completely the life style in the region and provided the foundation for IFIS . In addition, Saudi Arabia took the lead among the Islamic countries to promote the spirit of Islam through financial support to the Muslim communities in the form of establishing Islamic universities, institutes, and Islamic centers to strengthen the Arabic and Islamic identity.During that time, two Saudi funded financial firms have been founded (Dallah AlBaraka Group, 1969 and Dar Al Maal Al Islami Organization, 1981) to support the international development of Islamic banking. Most of the Arab investors preferred to hold a large portion of their investments in the Middle East in case of another similar event. The IFIS were the best agent

In 2003, the Islamic Financial Services Board (IFSB) was started in Kuala Lumpur to serve as an international standard setting body of regulatory and supervisory agencies (http://www.ifsb.org). The IFSB is focused on the structured regulatory convergence of supervisory standards. This international convergence is meant to achieve comparable standards of capital measurements and capital standards. In 2001, the International Islamic Financial Market (IIFM) was founded with the collective efforts of the central banks and monetary agencies of six countries to facilitate secondary markets for Islamic instruments. It has two primary roles: market education and *Shari'a* authentication, which contribute to more self regulation and promotion of Islamic money and capital markets.

In 2005, the Central Bank of Bahrain established The Liquidity Management Centre (LMC) for the purpose of providing secondary market buyer for Islamic bonds (*Sukuk*). The LMC plays a key role in the creation of an active inter bank market which will assist Islamic financial institutions in managing their short term liquidity. The establishment and depth of such interbank market will further accelerate the development process of the Islamic banking sector (http://www.lmcbahrain.com). During the same year of 2005, The Islamic International Rating Agency (IIRA) started operating in Bahrain to assist in the development of the regional financial markets by providing an assessment of the risk profile of entities and instruments which can be used as one of the bases for investment decisions (http://www.iirating.com). The IIRA provides different services of rating such as sovereign ratings and credit ratings which include assessment of an entity's ability to repay the debt obligations in timely manner. Also, it provides the service of *Shari'a* quality rating that includes the assessment of the level of compliance with *Shari'a* principles.

In addition, there is the Islamic Research and Training Institute (IRTI), which was established under the Islamic Development Bank in Bahrain to sponsor some of the most important analyses of products, regulations, supervision, development economics and risk management. Finally in 2001, the General Council for Islamic Banks and Financial Institutions (CIBAFI) was established in Bahrain to develop and manage a comprehensive database dedicated for IFIS including administrative and financial information since 1998. Currently, CIBAFI is considered the only reliable source of information about IFIS at the global level.

House and Bahrain Islamic banks. The only Islamic bank that is well established with 203 branches in 10 countries is Baraka Banking Group.

Table: 1

AlBaraka Banking Group Branches

Country	Subsidiary Name	Year of establishment	Branches	Employees
Algeria	Banque AlBaraka D'Algerie	1991	11	461
Bahrain	a- AlBaraka Islamic Bank	1984	4	261
	b- Al Amin Bank	1987	1	32
Egypt	The Egyptian Saudi Finance Bank	1980	15	604
Jordan	Jordan Islamic Bank	1978	66	1,457
Lebanon	AlBaraka Bank Lebanon	1992	5	110
Pakistan	AlBaraka Islamic Bank	1991	15	595
S. Africa	AlBaraka Bank Ltd South Africa	1989	5	150
Sudan	AlBaraka Bank Sudan	1984	23	685
Tunisia	Bank El-Tamweel Al-Tunisi Al-Saudi	1983	6	117
Turkey	AlBaraka Turk Participation Bank	1985	52	909
	Total		203	5,381

Source: AlBaraka Banking Group Prospectus 2006

limited customer service:

IFIS are in need for accumulation of human capital as it proved to be an important driver of endogenous growth for IFIS . According to the Human Development Index (HDI) for the year 2004, Brunei was ranked at 33 and Bahrain at 40, despite the small population of those two countries. Even more alarming indications of lack include Iran, which was placed at 101, Sudan at 139 and Pakistan at 142.

The second alarming indicator in this report is the education level, where 73% of the OIC countries occupy the lower half in the ranks for countries listed in HDI. These facts show that Islamic countries and organizations have not been persuasive enough in offering non Muslim countries with IFIS vision and strategy. It indicates that IFIS success may remain at superficial levels and challenges posed to the conventional financial system may remain feeble otherwise.

Technology, although undergoing tremendous growth, can be said to act as a backbone of the financial sector, as well as being a main driver of market power. It applies not only to the real-time clearing and settlement in money and capital markets, but also to internet based offerings and Automated Teller Machines (ATMs) which are not fully implemented in IFIS due to their cost and procedures.

Challenges outside the islamic countries

On the global scale, OIC member countries face an economic challenge where the GDP of all member countries together is less than 17% of the GDP of USA and does even reach 12% of the GDP of USA and Japan (Ahmad et al., 2005). Since the economic situation does not support the Long term growth prospects for IFIS , it is important to penetrate other boundaries beyond those of the top GDP countries. In addition, the West is reluctant to accept any approach from OIC countries that might enhance political power in the OIC countries, such as growth in their financial system. The difference in culture, language and religion creates another barrier before IFIS towards their internationalization. In addition, the limited capital of IFIS compared to the capital of conventional banks results in marginal recognition from the central banks side whether inside or outside the OIC member countries.

Cultural barrier

One of the tangible problems before IFIS is communication between Muslims and the non Muslim world in general, and between Islamic and conventional banks more specifically. Therefore, IFIS face great challenge in reshaping this imbalance and bridging this gap between the differing ways of knowing and being.

In non Muslim countries, IFIS have found clashes with mainstream regulations. For instance, treatment of Leasing (Ijara) in Islamic banking system is recognized as normal leasing instead of mortgage which changes the concept of Ijara from purchasing the asset by the bank and leasing it to customers to a normal lease of real estate. Also, imposing taxes by non Muslim governments on Islamic religious alms giving (Zakat), leads to double taxation.

Customer cautiousness

Despite the securitization in Islamic banking, international investors are cautious in trading in Islamic Sukuk (bond) due to their uncommon characteristics. Besides, the taxation system in some countries might have impact (either negative or positive) on securitization process; therefore, issuance of Sukuk sometimes can be tax driven.

The limited tools available for liquidity management and the lack of an active secondary market add more barriers before IFIS to contribute to the financial markets. The last barrier is caused by the predominance of debt based modes of financing, which are difficult to transform into negotiable financial instruments.

Framework of solutions

On the internal level

The OIC member countries need to provide support to primary and secondary markets to enhance the contribution of IFIS . Primary markets should focus on promoting new issues of

Suggestions

For globalization of Islamic finance & to sustain long term growth, Muslim countries must liberalize their economies, embrace efficient institutions and adopt consistent macroeconomic policies. They need to grow on a sustained, more rapid basis and address the all important issues of social & economic justice. Their sustained economic growth would be the most important impetus for a thriving Islamic financial sector; in turn, their achieving Islamic financial sector may be the best inducement for non Islamic countries to embrace Islamic finance & equity based assets more generally. In a globalizing world the development of Islamic finance & conventional finance can be expected to be reinforcing one another. Islamic countries are beginning to show signs that they are on path to faster economic growth and financial market development which will turn increasingly to Islamic finance & risk sharing instruments throughout the globe.

Conclusion

In conclusion, encouraging developments and trends in Islamic finance lend confidence that this industry has taken off. There are varying motivations and driving factors for the development of this industry that range from religious fervor to the opportunities that exist in Islamic finance for broadening and deepening the process of financial intermediation. These factors augur well for financial innovation and engineering, enhanced financial services penetration in national jurisdictions, and better cross-border capital flows. Though the size of the Islamic financial industry is still quite small as a proportion of the world's total financial assets, current growth trends and infrastructure investments in the development of Islamic finance networks, and their regulatory and supervisory systems, lend confidence that this industry has promising potential. Prospects for this industry also appear comforting because of the strength of Islamic ideology, which offers a complete framework for the Islamic finance industry. An Islamic financial system sets down rules of conduct and contractual arrangements and offers a feasible financing structure that emphasizes trade and equity financing. Together, these will foster much-needed financial diversification in Islamic countries.

Islamic finance also has the potential to both blend economic and social objectives and to address the ethical aspects of effective financing. As such, Islamic finance is generally more acceptable in populations with moderate to strong inclinations toward managing their financial relationships in line with their beliefs. This can thus help in poverty alleviation through including a larger proportion of the population into the banking system, providing access to credit, and effectively mobilizing savings.

From Performance Appraisal to Performance Management: a Major Break Through

Ms. Dipti Rekha Mohapatra*

Abstract

This article tries to reveal the concept, objectives, and significance of performance management system in the present day context. Today, business organizations are competing not on traditional resources like materials, capital, etc. but on human resources, technology and knowledge. Human resource is the only resource in which every organization wants to have competitive advantage over its competitors. Hence Performance Management has assumed a pivotal role in the face of rapid changes due to globalization, liberalization, technological and market changes. It has become the backbone of human resource management for any organization intending to produce high performance and leverage its human capital.

Performance management is an integrated activity that aims to nurture and institutionalize performance management as a fundamental system of an organization. In this parlance, performance appraisal is considered as one of the tools that are used in measuring actual performance of employees on an assigned task. Similarly, performance management is viewed as an activity of goal setting and monitoring achievement goals. Performance management in this sense is viewed as another form of management by objectives (MBO). In contrast to popular misbelief, performance management is a comprehensive discipline that consists of strategies to address the entire motivational needs structure of human resource such as physiological, security, social, self-esteem and self-actualization through appropriate interventions and drivers.

KEYWORDS: Performance management, Performance appraisal, Competitive advantage, MBO, BARS, culture, competency, leadership.

an employee is expected to achieve with a set of given resources and within a time frame, appraisal of whether the given result has been achieved or not, and the giving feedback to the employee concerned about where he lacks, its reasons, and counseling him to improve his performance. Performance management is the process of creating a work environment setting in which people are enabled to perform to the best of their abilities. Performance management system begins when a job is defined as needed and ends at his separation.

Overview of Traditional Performance Management Systems

Performance management approaches are generally described within the context of a Managing By Objectives framework (MBO). While some writers discuss performance appraisal independent of such a framework, there is an awareness that appraisal must be anchored to functions like strategic planning, goal-setting etc.

Generally, an MBO system includes the following components.

1. Development of role & mission statement.

2. Establishing strategic goals/strategic plan.

3. Defining key results areas.

4. Establishing indicators or effectiveness, goals, or organizational objectives.

5. Establishing, or negotiating individual employee objectives.

6. Establishing performance standards for each objective.

7. Action planning for each employee.

8. Periodic measurement and assessment of status of each objective/standard.

9. Coaching/training to remedied deficits.

1O. Some form of evaluation or assessment done formally and included in an employee's record.

Different writers use different terminologies, or add, subtract or modify the sequence of steps. Some systems, for example, include the writing and maintenance of job descriptions; some do not do so explicitly.

Within an MBO system the performance management process pertains to the management of individuals, beginning with the assignment of individual objectives through to the final, formal assessment process.

- Performance management system is closely linked with other systems of human resource management, particularly career planning, succession planning, and training and development. However, its linkage with compensation management is a contentious issue. Many experts feel that there be separation of appraisal for rewards from appraisal for development to avoid spill over of bitterness from former to the latter. Further, to obtain a broader perspective, it is suggested that peer-level managers, instead of just immediate superiors, should conduct appraisal for rewards.
- Performance management is seen as a continuous process of monitoring and feedback rather than annual one-off event and there should be involvement of employees through focus interviews, surveys, etc., in all stages of the design, implementation, and review process.
- Performance management involves effective use of technology in conveying desired competencies and in monitoring, collecting and giving feedback so that there is minimum possible bureaucratization of administering the system.
- Performance management emphasizes comprehensive training to managers not just for their own development only but to act as effective coaches as the role of coaching in performance improvement is quite crucial.
- Performance management is a dynamic system that is suitable for changing workplace realities, such as working in teams and alternative work arrangements like teleworking, job sharing, etc.

What Is Performance Management Supposed To Accomplish?

The literature regarding MBO and performance management suggests a plethora of benefits and purposes that are designed to make organizations more effective. We can summarize them as follows:

1. Increases management control over work and results.
2. Increases management ability to identify or “red-flag” problems early.
3. Links employee objectives and functions to overall organization objectives, thereby creating a sense of contribution for the employee.
4. Motivates employees by allowing them input into and ownership of their objectives and standards of performance.
5. Enhances communication by ensuring there is clear understanding of management expectations about results.

5) **Feedback, motivation and personal development:** Performance appraisals help in providing performance feedback to employees. They also help in the development of action plans for individual performance improvement and facilitate learning of new behaviour. All employees want to know how they are performing on the job and where they need to improve. Performance feedback is a primary developmental need and serves to motivate employees. Performance appraisals help to determine employees' strengths, weaknesses, and training needs and show the direction for improvement.

6) **Career planning and development:** Appraisal data also helps in identifying employee potential and in planning future growth opportunities for the employee. Information about the strengths, weaknesses and potential of employees can be used to counsel and assist them in developing and implementing realistic career plans.

7) **Compensation and reward:** A fair and objective performance management system helps in making differential reward decisions, such that the most productive workers or teams are rewarded accordingly. When rewards and compensation are linked to performance, it reinforces the belief that pay enhancement should be linked to performance rather than seniority.

8) **Internal employee relations:** Performance management can serve to maintain a positive organizational culture. Dissatisfaction over promotions or reward decisions can be managed by using performance data. Since performance management integrates organizational objectives and strategies, it brings favourable organizational culture and sense of belonging among the employees.

Significance Performance Management

Performance management has the potential to fulfil strategic and operational requirements of an organization and personal and professional needs of employees in a number of ways. These are:

- **Competitive business environment:** Present day organizations are required to deal with performance-related issues more than in the past due to increasing competition and the need to do more with fewer resources. In an uncertain business environment, human resource is the only asset that can make organizations survive, exist and succeed. Hence more performance-oriented human resource management practices are preferred than those of maintenance and collective bargaining.
- **Business-HR partnership:** There is a growing pressure on human resource professionals to establish the worth of human resource function mainly in two forms:

What Does Performance Management Assume About Organizations & Performance?

An Additive Model For Organization Performance

Performance management systems are based on the assumption that an organization's success is a result of adding together all the individual outputs. In an American Management Association film, a leading authority of the time suggests "if person A and person B and person C do their jobs, the organization's results are A+B+C. Manage each individual's results, and you succeed.

While it may have once been the case that this was true, current research indicates that an organization succeeds as a result of the interaction of people, not the simple adding together of results. The whole is not simply a sum of its parts, but in a well-managed workplace the parts interact to create the successful organization. Whether you read the accounts of Tom Peters, Rosabeth Moss Kantor, Edward Deming, Philip Crosby, Bob Waterman and others, the conclusions are clear. Organization success is based on synthesis, not adding results.

Focus on Results And There Will Be No Problems

Performance management assumes that if you focus on results, that you are much more likely to succeed. It makes sense...set goals, reach goals, and you get what is desired. The problem is that a sole focus on results neglects organizational and system issues that need to be in place for the results to happen. Again, the assumption is that somehow if you are clear about results, effective systems will emerge magically to bring those results to reality, or that leadership will be effective.

We know this is not true. While results are important, an examination of the process required to achieve these results may be even more important. Total Quality initiatives have brought this to the forefront. North American companies, focusing on results, quotas and output have gotten skunked in the market place and one reason is that they have been less able to provide the necessary conditions for quality output. There is an increased understanding that problems related to an organization's output are more often related to poor management of the systems, or the way work gets done, rather than problems with the people. In short, organizations set up barriers for the people to do their work.

Involving People In Goal Setting Is Motivating

Intuitively true. People do appear to want to have more control over their job tasks. Unfortunately, research suggests that this conclusion may be unwarranted. In Managing Organizational Behaviour (Tosi, Rizzo and Carroll, 1986) some interesting results were reported. In a study by Carroll & Tosi (1973) results indicated that "subordinate participation in setting goals did not result in higher levels of perceived goal success nor in more favorable attitudes towards a superior or toward management by objectives". It may be that in some situations, employee involvement is seen as positive, and in other not.

The reason is that it is rare for an employee to be completely open about his or her incompetence in a particular area, particularly when there is a possibility that the manager will a) record that incompetence for posterity; and b) use that information to make decisions about the future of the employee. Without the information from an employee, it is difficult for a manager to coach for improvement.

Book learning suggests that an employee will self-evaluate, and in fact this is anticipated in some performance management schemes. There have also been suggestions that an employee will be tougher in evaluating him or herself than the manager might be. Do we honestly believe that each and every employee will work with a manager to improve performance, thereby exposing failures and inadequacies? It happens, but you can't count on it.

A research study conducted by Meyer (1975) asked employees to rate themselves relative to their peers. Thirty-seven percent (37%) of accountants rated themselves in the top 10% Forty-six percent of a blue-collar group rated themselves in the top 10%. At no time did any significant number of people rate themselves as below average. Obviously you can't have 100% of people above average. Other studies corroborate this tendency for people to see themselves in a favourable light compared to others.

Is There A Downside to Performance Management?

Is it possible that traditional performance management programs cause problems for an organization? The answer is a resounding yes. The performance management system conveys to people in an organization how work is to be performed, and communicates, often unintentionally, values and organizational culture. More specifically traditional performance management systems can foster a lack of collective responsibility for the achievement of organizational goals, encourage competition rather than cooperation, and can impede the development of effective teamwork.

Just as important is that traditional performance management purports to empower employees, allow self-control and self-evaluation, allow participation and involvement, and increase the meaningfulness of work. More often than not these results do not occur, resulting in a reduction of the credibility of the manager, and subversion of the manager's ability to lead system, finds that it is the manager's opinions that will prevail.

Strategies for Performance Management

Performance management is an integrated and comprehensive framework that encompasses seven strategies such as:

a. Reward-based performance management.

b. Career-based performance management.

1) An organizational effort to identify aptitude and attitude profile of an employee.

2) An organizational effort to match identified employee aptitude and attitude profile with positions in the organization.

3) An organizational effort to address developmental needs of an employee in the identified area of aptitude and attitude.

4) An organizational effort to leverage the above three efforts to attain organizational objectives.

5) An employee effort to make self-assessment to identify strengths and weaknesses in terms of aptitude and attitude.

6) An employee effort to manage self to occupy an organizational position that is most compatible with self-attitude and aptitude profile.

7) An employee effort to obtain the fundamental and advanced knowledge/skill/attitude in the career he/she is engaged in.

8) An employee effort to excel in the job in order to occupy the highest position in that field of work and fulfil the self-motivational needs.

c) **Team-based performance management:** Teamwork is an activity in which tasks are interdependent and performed by different individuals in a collaborative manner with distinct skills to produce a common goal with performance excellence. Hence the teamwork and teams assume the following elements:

1) Tasks are interdependent.

2) Different individuals with matching skills perform interdependent tasks.

3) Matching skills are distinctive.

4) Interdependent tasks are performed in a collaborative manner to achieve a common goal.

5) Common goal is achieved in the most efficient manner.

d) **Culture-based performance management:** In simple terms, culture means the way things are done. Culture also represents a common mind

f) **Competency-based performance management:** Competency management may be defined as a comprehensive human resource strategy that identifies and builds the most relevant competencies to facilitate peak employee and organizational performance. Competency management in the context of performance management encompasses six steps. These steps are:

1) Process of identifying critical, routine and supplementary knowledge, skills and characteristics required for performing a role effectively.
2) Process of identifying critical, routine and supplementary knowledge, skills and characteristics required by an employee to manage variety of functions in an organization.
3) Process of identifying critical, routine and supplementary knowledge, skills and characteristics required to lead an organization.
4) Using articulated and customized competency model to nurture competency-based performance management.
5) Using competency-based performance management in institutionalization of performance management strategies like reward, career, leadership, measurement, culture and team-based.

g) Leadership-based performance management: Leadership can be defined as a process of influencing in the form and way that is sensitive to human and organizational factors with an objective to maximize benefits of internal and external stake holders. In the context of performance management leadership is defined as a process that maximizes performance of employees and organization in all types of business environments and situations by:

1) Sharply aligning the objectives of performance management strategies with business strategies.
2) Nurturing leadership at all levels of organization.
3) Developing, integrating, executing and evaluating six other performance management strategies such as reward, career, culture, measurement, team, competency-based performance management to deliver the best results.

in dissatisfaction because when this performance appraisal data are used, actual job performance gets ignored. Some supervisors and even subordinates may resent the time it takes to carry out formal appraisals. It is thus important to institutionalize the performance appraisal process as an ongoing system. The formal appraisal then less likely to be viewed as a cumbersome process.

iii. **Rater biases and errors:** Even the most well designed system can fail if the people using the system are not well trained in its use. They may deliberately distort appraisals or hold negative attitudes about the performance appraisal process. This may render performance appraisals highly subjective. It is not possible to completely eliminate rater errors but training to raters to make them aware of these errors is helpful.

Effective Performance Management Systems

The problems inherent in a performance management system can be dealt with if the system is properly designed to possess certain characteristics. The characteristics those help to reduce subjectivity in implementation of performance management system and make it more effective are:

- **Separate evaluation and development appraisals:** Problems are likely to emerge when the same performance appraisal is used for making evaluative decisions as well as for identifying development needs. Having two separate formal performance appraisals in a year-one that focuses on evaluation and the other that focuses on development can minimize problems of defensiveness and avoidance. The performance appraisal need not require the manager to be simultaneously a judge and a coach.
- **Use job-related performance criteria:** To ensure that the criteria used in appraising performance is job related, it should be determined through job analysis. Even subjective criteria such as loyalty, initiative, etc. should be used only when they are clearly shown to be related to the job.
- **Specifying performance standards:** It is important to specify performance standards for each criterion for performance. Managers and subordinates must mutually agree upon these performance standards or expectations before the beginning of the appraisal period.
- **Use appropriate performance data:** Appraisals that use behavioural data result in greater acceptance on the part of the subordinate of his/her performance evaluation. Performance appraisal methods such as BARS and critical incidents methods use performance-based performance measures.

- The performance plans are good quality and achieve the objectives of clarifying the goals, roles and time frame, and performance standards for each department and individual. They differentiate the work to be done by employee from that of his/her boss and subordinates.
- Performance review discussions conducted are of quality and the employees (80%) look forward to these with enthusiasm and treat them as learning opportunities.
- Organizational support is planned in the form of removing bottlenecks, arranging training programmes, job-rotation and the like, after performance planning sessions. Performance improvements are taken seriously and all employees try their best to assist each other in performance improvements.
- There is a performance culture generated in the organization and the performance management system is a part of it and may even be one of the reasons for its generation.

Conclusion

Performance appraisal system is often confused with performance management and mostly misunderstood as synonymous. Performance appraisal is a singular activity that is employed to assess performance of employees foe a predetermined duration on a set of parameters. As opposed to this, performance management is an integrated activity that aims to nurture and institutionalize performance management as a fundamental system of an organization. In this parlance, performance appraisal is considered as one of the tools that is used in measuring actual performance of employees on an assigned task. Similarly, performance management is viewed as an activity of goal setting and monitoring achievement goals. Performance management in this sense is viewed as another form of management by objectives (MBO). In fact, management by objectives is one of the features of performance management. In contrast to popular misbelief, performance management is a comprehensive discipline that consists of strategies to address the entire motivational needs structure of human resource such as physiological, security, social, self-esteem and self-actualization through appropriate interventions and drivers.

To conclude, it can be asserted that modern performance management system if properly designed and implemented would either pose little problems or no problem at all. Certainly, it is a great improvement over the traditional performance management system in scope, application, and moreover from organizational growth and development point of view. Thus, the old saying “ the old wine in new bottle”, is not applicable to the present performance management system.

Customer Perception Towards Organized Retail

Ms. Alaka Samantaray*

Abstract

The retail sector in India is witnessing a huge revamping exercise as traditional markets make way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores. Retail is India's largest industry, accounting for over 10 per cent of the country's GDP and around eight per cent of the employment. Perception is the process of attaining awareness or understanding of the environment by organizing and interpreting sensory information. This paper gives birds eye view on the customer perception towards the organized retail sector. The sampling procedure use for this study is stratified random sampling. The stratification is done on the basis of geographic locations. This study will help in better understanding of the factors influencing customer perception in organised retail industry. In this regard, the data was collected on many factors about the retail stores– Prices, Quality, Services, Parking area, Variety availability, Cleanliness, Word of Mouth, Goods availability, Space availability. The results of this study will not only contribute to the awareness of the relationship between the qualities of product but also it will help the marketers to implement the strategies which will help in understanding the perception of people and increasing customer satisfaction.

Introduction

Retailing in India is one of the pillars of its economy and accounts for 14 to 15 percent of its GDP. The Indian retail market is estimated to be US$ 450 billion and one of the top five retail markets in the world by economic value. India is one of the fastest growing retail markets in the world, with 1.2 billion people. India's retailing industry is essentially owner manned small shops. In an intensely competitive retail market, keeping consumers satisfied has never been more important than currently. Satisfaction is the key factor in determining the success of any organization. Organized retail is an important characteristic of the current economic scenario in India. The organized retailing business has been growing substantially in the recent years and is on the edge of much faster growth in future. Major industrial houses like Reliance Group, Bharti Group, Pantaloon Retail India Limited, RPG Group, Tata Group and Raheja Group etc. have already entered this area and are growing day by day. Transnational corporations like Wal-Mart, Carrefour, Metro AG etc. have also jumped into the wholesale space to get a toehold in India's $400 billion annual retail market that's growing at 25%-35%

organization will influence a customer's expectations. Thirumoorthi, P. (2006) studied in his research about "A study on retailers and customer attitude towards P&G detergent powder", it can be concluded that the company must concentrate more on high margin to create a better performance. Importance must be given to sales promotion. The retailers must also be asked to give more displays and discounts. Thus it can be concluded that the customer and retailer attitude towards the P & G detergent powder is positive. Chandan A. Chavadi and Shilpa S. Koktanur (2010), tried to find out the various factors driving customers towards shopping malls and consumer buying response for promotional tools. The researcher has found four major factors that drive the customers towards the shopping malls. Those major factors are product mix, ambience, services and promotional strategies. Customers consider fast billing, parking facility and long hours of operations as prime services. Malliswari, M.'s (2007) analysed about "Emerging trends and strategies in Indian retailing" indicates that the demanding ascertain Indian consumer is now showing the seeds for an exciting retail transformation that he already started bringing in larger interest from international brands / formats. With the advent of these players, the race is on to please the Indian customer and it's time for the Indian customer sits back and enjoys the hospitality of being treated like a King.

Objectives of the study

- To study the customer perception towards the organized retail.
- To find out the gap between the customer expectation and performance towards organized retail.

Hypothesis of the study

H0: There is no significant difference between customer expectation and performance towards organized retail shopping.

Research Methodology

This study is typically guided by an initial hypothesis. For this research study, the primary data is collected through questionnaire and personal comments from the respondents**.** The sampling procedure use for this study is stratified random sampling. The stratification is done on the basis of geographic locations. The sample size is being 250. The instrument which is be used for the collection of primary data is questionnaire, which is coded in order to analyzed. The questionnaire has to be piloted in a customer group, whereby customers are allowed to critically analyze the questionnaire in case any amendments needed to be made. Once this has been done, the questionnaire is ready to be carried out on a sample of customers who purchase the personal care products in Odisha. Data is collected using the personal-contact approach. All the responses are measured on a five-point Likert scale.The data is collected by using primary method and secondary method. A survey is conducted by

Inference: From the above table it is observed that the gap between expectation and actual performance towards organized retail shopping is highly significant.

Factor Analysis

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.945
Bartlett's Test of Sphericity	Approx. Chi-Square	6615.896
	Df	1176
	Sig.	.000

Inference: The KMO of sample adequacy is 94%.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.

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responses only (2%).Education has a vital role to fill up the survey form/questionnaire. It guides the responders to go to the depth of the questionnaire & helps to answer properly. Maximum responses came from the Bachelors Degree holders (43%), intermediates (20%), Master degree (18%), high school (16%), and other section (3%).Professional factor is very vital in this survey because accordingly to people uses products & also conscious about the brand, services, personality effect etc. Business professional are responded more here (30%), students (28%), service holder (22%), house wife (13%), & others (7%).Income level plays a vital role for purchasing of the product. According to the income level a person can choose his/her right product. Which helps them to maintain its buying process, choosing brands &many, e.g: A high income person always preferred branded & quality products where a middle income level person also uses branded product which permits his/her pocket. Income level between <5000 responses(33%),20001-30000 responses(25%),10001-20000 responses(20%),30001-40000 responses(12%),5001-10000 responses (7%),40001 & above responses (3%).

- From this survey it was observed that the gap between expectation and actual performance towards organized retail shopping is highly significant. So Null hypothesis is rejected.
- It was found that the factor analysis of the 49 attributes yielded nine factors and explaining 60.49% of total variance.
- The variables shopping experiences, range of service, easy to navigate, merchandise offers, price reflects the quality of service, convey the correct information, available on the shelves, Operation time, experience of product quality, revisit the preferred Shopping Malls, layout and design is user friendly: are highly loaded with **factor1.**
- The variables Word of mouth communication influenced my perception, revels potential problems, Word of mouth communication, create good images via media communication, feelings of Shopping Malls', and satisfy with quality of products: are highly loaded with **factor2.**
- The variables service quality , advertising material was easy to access., parking facilities, service quality delivery, credible market reputation, Equipment of shopping malls, use of relevant media channel to promote, easily accessible : are highly loaded with **factor3.**
- The variables opinions of my family or friends, experience at Shopping Malls, positive feelings when purchasing quality products, pleasant experience, last shopping experience, did not discriminate: are highly loaded with **factor4.**

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to develop and nurture engagement, which requires a two-way relationship between the employer and the employee. Engagement is most closely associated with the existing construct of job involvement (Brown, 1996) and defined as the degree to which the job situation is central to the person and his or her identity (Lawler and Hall, 1970). Job involvement is thought to depend on both need saliency and the potential of a job to satisfy these needs. Thus, job involvement results from a cognitive judgment about the needs-satisfying abilities of the job. Jobs, in this view, are tied to one's self-image. Furthermore, engagement entails the active use of

emotions. Finally, engagement may be thought of as an antecedent to job involvement, in that individuals who experience deep engagement in their roles come to identify with their jobs. In his conceptualization of employee engagement, (Kahn 1990) has given importance to all the three aspects: physical, cognitive and emotional; whereas in job satisfaction, more weightage has been given to the cognitive aspect.

Employee engagement (EE) is a relatively recent concept in human resource management. A mantra for success in today's workplace, it is in leading organizations' self-interest to measure, monitor and maximize the level of engagement amongst their employees. It is defined as the level to which employees are fully involved in and committed to their work, careful about their organization and colleagues, and are willing to extend themselves and go the extra mile for their company to ensure its success. EE is a combination of organizational aspects like individual commitment, organizational citizenship behaviour (OCB) and employee motivation (Wash, 1999). The argument is that an engaged employee works with passion and is more committed to the organization. In other words, employee engagement is the extent to which people enjoy and believe in what they do, and feel valued by doing it. It is the degree of commitment towards the job which an employee performs and is reflected in how long he or she remains with the organization as a result of their commitment (Mahendru and Sharma, 2006).

Literature Review and Significance of the Study

One of the most influential studies of engagement was carried out by (Kahn 1990). Conceptually, Kahn began with the work of (Goffman 1961) who proposed that, "people's attachment and detachment to their role varies" (Kahn 1990:694). However, Kahn argued that Goffman's work focused on fleeting face-to-face encounters, while a different concept was needed to fit organisational life, which is "ongoing, emotionally charged, and psychologically complex" (Diamond and Allcorn 1985). To gain further understanding of the varying levels of attachment individuals expressed towards their roles,(Kahn 1990) examined several disciplines. It was found that psychologists (Freud 1922), sociologists (Goffman 1961, Merton 1957) and group theorists (Slater 1966, Smith and Berg 1987) had all recognized unless organizations try to provide a sense of meaning, employees are likely to quit. The research findings suggest that many people experience a greater search for meaning in the workplace (70 per cent) than in life in general (ibid). There are numerous possible reasons for this, for example, it may be because people generally spend longer at work than on other parts of their lives. (Holbeche and Springiest 2003) argue that high levels of engagement can only be achieved in workplaces where there is a shared sense of destiny and purpose that connects people at an emotional level and raises their personal aspirations.

Objective of the Study

1. To study the factors of employee engagement.
2. To study the factors which contribute job satisfaction.
3. To study the correlation of employee engagement and job satisfaction.

Hypotheses

• H1: There is a significant correlation between Employee Engagement and job satisfaction.

Methodology

This study is descriptive in nature. The purpose of this study is to find out whether there is any correlation between employee engagement and job satisfaction. In order to accomplish the objective of the study to collect data for this research study, both primary and secondary source were used. The primary data have been collected from 30 employees from a reputed service industry in Bhubaneswar city. Simple random sampling method has been adopted for identifying samples from the population. A specific questionnaire was used to collect data from respondents. SPSS package has been used for analyzing the data using factor analysis.

Secondary Data Interpretation

The researcher finds out the top 10 contributor to employee job satisfaction from the source, society for human resource management, and 2011 employee job and satisfaction survey.

Figure 2 : Top 10 contributors to employee job satisfaction

Factor Contributing to Job Satisfaction	% of Respondents Rating Factor as "Very Important"
Job security	63%
Opportunities to use skills and abilities	62%
Organization's financial stability	55%
Relationship with immediate supervisor	55%
Compensation	54%
Benefits	53%
Communication between employees and Senior management	53%
The work itself	53%
Autonomy and independence	52%
Management's recognition of employee performance	49%

Source: Society for Human Resource Management (SHRM) 2011 Employee Job and Satisfaction Survey

Result and Discussion

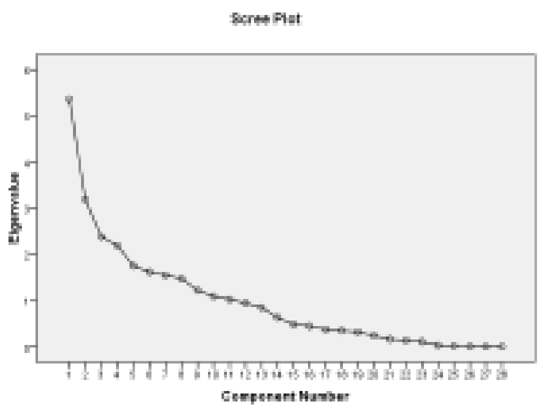
Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.360	19.143	19.143	5.360	19.143	19.143
2	3.185	11.374	30.517	3.185	11.374	30.517
3	2.383	8.510	39.027	2.383	8.510	39.027
4	2.193	7.831	46.858	2.193	7.831	46.858
5	1.750	6.250	53.108	1.750	6.250	53.108
6	1.621	5.788	58.895	1.621	5.788	58.895
7	1.552	5.543	64.438	1.552	5.543	64.438
8	1.475	5.267	69.705	1.475	5.267	69.705
9	1.224	4.371	74.076	1.224	4.371	74.076
10	1.094	3.906	77.982	1.094	3.906	77.982
11	1.031	3.681	81.664	1.031	3.681	81.664
12	.948	3.386	85.050			
13	.853	3.045	88.095			
14	.634	2.264	90.359			
15	.485	1.731	92.091			
16	.450	1.606	93.697			
17	.378	1.350	95.047			
18	.349	1.246	96.292			
19	.321	1.148	97.440			
20	.244	.870	98.310			
21	.164	.586	98.897			
22	.140	.500	99.397			
23	.110	.391	99.788			
24	.036	.127	99.915			
25	.019	.067	99.982			
26	.005	.018	100.000			
27	-6.989E-17	-2.496E-16	100.000			
28	-3.601E-16	-1.286E-15	100.000			

Extraction Method: Principal Component Analysis.

The above table shows that top 11 factors are having Eigenvalues are more than 1. Factors are shown in scree plot(fig 3) as well as tabular form in table 1:

Figure 3



organization, all involved can benefit and thrive in accomplishing goals, whether they are big or small. Engaged employees are the ones that believe in the brand philosophy and are committed to upholding it on behalf of the company. They have been compared to volunteers who give their time to a cause they are passionate about which shows their loyalty to an organisation. The above data also reflect that loyalty (factor 3) is an important factor. At the end of the day, organizations value what brings about the results they most desire: improved performance and overall effectiveness. The best way to accomplish this is not by looking at employee engagement alone, but also by gaining an understanding of the organizational context and culture (factor 4) the employees work within. It is the combination of a healthy culture and engaged employees that is most critical to improving your organization's effectiveness and the experiences of the people in it. While analyzing the component matrix the author has found 9 main factors which represent the other factors on the basis of the result shown which contribute major for job satisfaction.

Table 2

Component Matrix

Component Matrix

	Component										
	1	2	3	4	5	6	7	8	9	10	11
Employee Wellbeing	.539	.326	-.279	-.048	-.019	-.009	.045	.366	.128	.392	-.345
challenging work	.369	-.465	.252	.497	.123	.087	-.026	.014	.080	.050	.156
loyalty	.476	-.393	-.004	.139	-.170	-.182	.513	-.154	.032	-.009	-.180
OC	-.071	.179	.339	.544	-.179	-.237	-.300	-.095	.306	.109	-.092
CP	.211	-.406	-.334	.327	-.417	-.113	-.350	.132	.179	-.082	.143
Job Design	.595	-.389	.372	.050	.055	-.190	.028	.302	-.203	.002	.024
setting goal	.557	.046	-.156	.084	.265	.305	.243	-.296	.407	-.147	-.021
motivation	.587	-.394	.043	.032	-.189	.163	-.320	-.455	.015	-.093	.036
non-financial benefits	.116	-.475	-.230	-.268	.566	.141	-.251	.182	.053	.080	.225
Job Satisfaction	.342	.007	-.161	.422	.003	-.339	.505	-.028	-.154	-.140	.350
support team	.099	.016	-.409	-.069	-.367	.545	.302	.127	-.079	-.100	-.151
performs effectively	.560	.067	-.199	.134	.069	-.122	-.119	.023	-.553	.022	-.265
display integrity	.287	-.031	.394	-.545	.090	-.346	-.194	-.306	.052	.255	-.189
core-self evaluation	.327	-.178	.262	.270	.336	.185	-.246	.501	.217	-.170	-.015
Organisation Commitment	.132	.172	-.054	.534	.167	.314	-.161	-.468	-.009	.048	-.327
collab.WE	.685	.093	.312	.071	-.216	.299	.215	.233	.042	.109	-.027
leadership style	.598	.229	-.196	.142	.261	.188	-.311	.024	-.402	.035	.022
communication	.415	.528	.409	-.049	-.288	.147	-.066	.045	.138	-.091	.243
initiation & Participation	.671	.346	-.218	.110	-.216	-.224	-.166	.123	.002	.097	-.023
L&D	.401	.665	-.095	-.233	-.230	-.107	-.110	.050	.123	.108	.332
sense of community	-.108	-.057	.619	.126	-.225	.281	.069	.010	-.287	.366	.108
skills	.651	.303	-.068	-.431	.119	.227	-.035	-.014	.123	-.247	.028
Work-force Attitude	.434	.298	-.100	.093	.379	-.154	.137	-.271	-.188	.102	.348
Stress & Personal Life	-.552	.371	.096	.323	.339	.020	.165	.331	.033	.030	-.092
relationship with supervisor	.300	-.498	.048	-.218	.119	.190	.274	-.057	.188	.525	.097
reward	.177	.508	.588	.015	.333	-.073	.200	-.080	.056	-.227	-.151
personal attachment	-.394	.411	-.389	.356	.137	.100	-.013	-.118	.153	.424	.172
Work Engagement	.415	-.118	-.266	.018	.130	-.491	.101	.090	.291	.009	-.200

motivation behave differently – in ways that would be expected to lead to higher levels of engagement.

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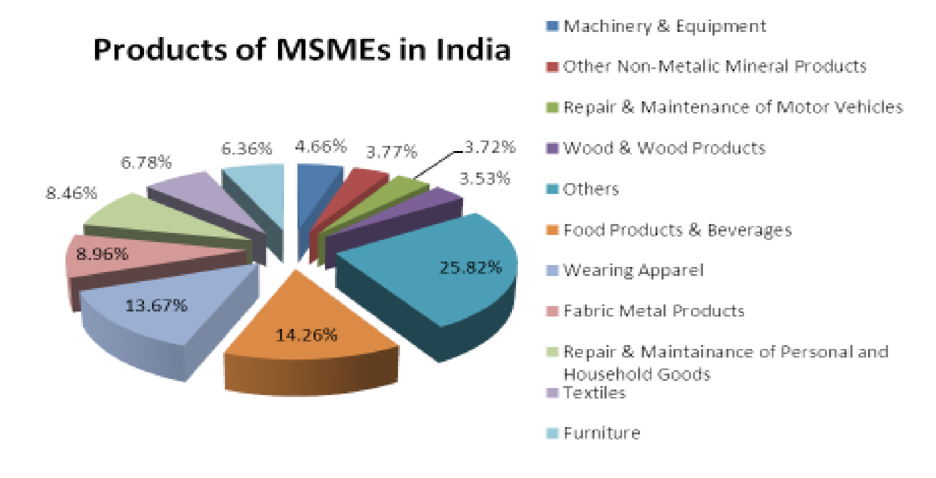
growth. Early-stage entrepreneurial activity in India is marked by low levels of growth expectation. This is despite the extremely high levels of potential entrepreneurial activity as perceived by the non-entrepreneurially active population in the country. While data on entrepreneurship is hard to come by, the following numbers are telling. According to the NSS 62nd round, in rural India, almost 50 per cent of all workers are self-employed – 57 per cent among males and nearly 62 per cent among females, while the corresponding figures in urban India are 42 for males and 44 for females. The NSSO defines a self-employed person as one who has worked in household enterprises as own-account worker; worked in household enterprises as an employer or worked in household enterprises as helper. The essential feature of the self employed is that they have autonomy (decide how, where and when to produce) and economic independence (in respect of choice of market, scale of operation and finance) for carrying out their operation. According to the 5th Economic Census conducted by the Central Statistical Organization (CSO), there are 41.83 million establishments in the country engaged in different economic activities other than crop production and plantation. Five states viz. Tamil Nadu (10.60 per cent), Maharashtra (10.10 per cent), West Bengal (10.05 per cent), Uttar Pradesh (9.61 per cent) and Andhra Pradesh (9.56 per cent) together account for about 50 percent of the total establishments in the country. The same five states also have the combined share of about 50 per cent of total employment. In the recent past, small companies have performed better than their larger counterpart. Between 2001-06, net companies with net turnover of Rs. 1 crore – 50 crore had a higher growth rate of 701 per cent as compared to 169 per cent for large companies with turnover of over Rs. 1,000 crore (Business World Jan. 2007). The total SSI production, which had reached the all time high of Rs. 1,89,200 crores in 1989-90 dropped dramatically in the next 10 years and only in 2001-02 the level of production was surpassed. But after 2002, the production has risen at a faster rate. Since 2000, there is a continuous growth in number of units, production, employment and in exports. The average annual growth in the number of units was around 4.1%.

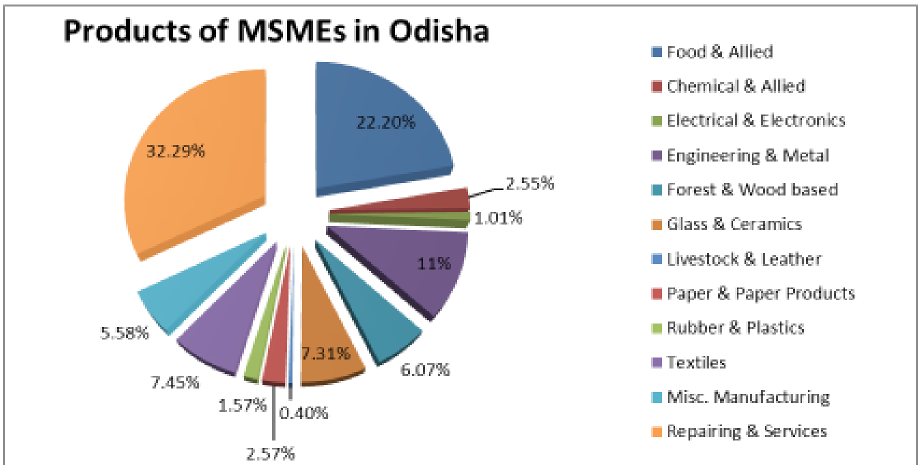
Odisha's economy has been following a high growth trajectory in recent years. In real terms at 1999-2000prices, Odisha reported an average annual growth rate of 9.51 percent for the 10th Five Year Plan against a target of 6.20 percent and achievement of 5.20 percent for the 9th Plan. "Quick estimates" put Odisha's real growth rate in 2010-11 at 8.60 percent at 2004-05 prices. The anticipated growth rate of Odisha is estimated at 7.18 percent as against all India anticipated growth rate of 6.9 percent in 2011-12. The State economy has grown, in real terms at 2004-05 prices, at an average annual rate of 8.49 percent during the first four years of the 11th Plan despite global economic slowdown. In terms of real per capita income, the State has lagged behind the national average ever since independence. In 1950-51, Odisha's real per capita income was about 90 percent of the national average, but in 2002-03, it came down to about 61 percent of the national average. This long-term falling trend in real per capita income has not only been arrested, but reversed as well since 2004-05. The State per capita income has started rising and the gap with the average national per capita income is reducing steadily.

Fig.1 - MSMEs Performance in India



Source: *Final Report of the Fourth All India Census of Micro, Small & Medium Enterprises 2006-07: Registered Sector*

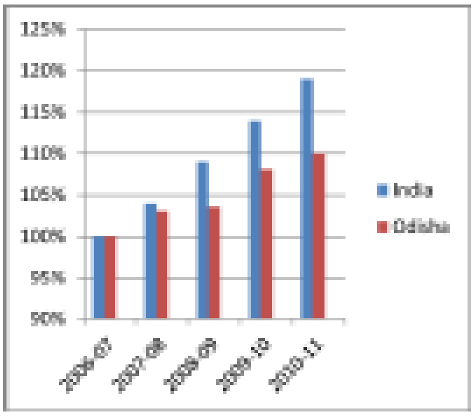
Fig.2 - MSMEs Performance in Odisha



Source: *Directorate of Industries, Odisha.*

Fig 1 reveals that in India MSMEs belongs to Food products and Beverages has the maximum contribution i.e. 14.26%. Fig 2 shows that the maximum number of MSMEs belongs to the

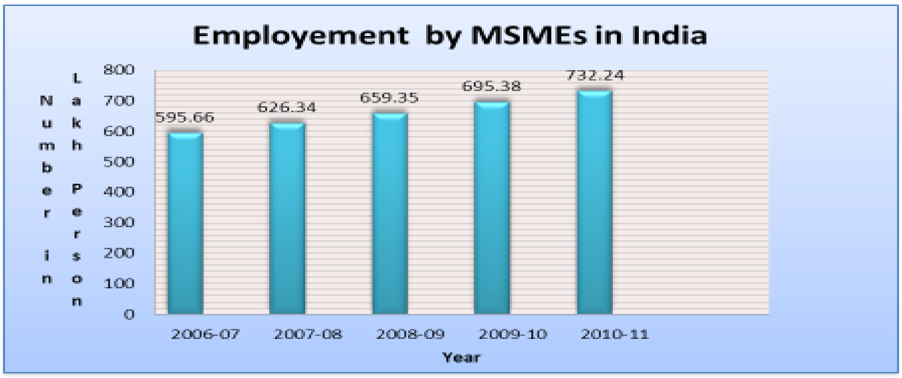
From above figures, we can see that in the year 2006-07, the total number of MSMEs in Odisha was 4556 thousand as compared to 261.12lakhs in India. If we take 2006-07 as the base year, then in the year 07-08 it was 4% increase in terms of MSME units established. Similarly in case of Odisha, it was only 3% increase in the number of units set-up. By 08-09 there was 9% increase in number of units established in India as compared to 3% increase in Odisha. But in 2009-10 it was 14% high in India as compared to 8% increase in Odisha. At the end 2010-11, in india it was 19% increase in number of units set up where as in Odisha there was 10% increase in total number of MSMEs established. However the data of India and Odisha have shown a secular increasing trend since 2006-07 to 2010-11.



Employment

MSME Sector in India creates largest employment opportunities for the Indian populace, next to Agriculture. It has been estimated that a lakh rupees of investment in fixed assets in the MSMEs generates employment for four persons. The total employment in the MSMEs sector in the country as per the Final Report of the Fourth Census of MSMEs 2006-07: Registered Sector was 93.09 lakh persons. As per the estimates compiled for the year 2010-11, the employment was 732.17 lakh persons in the MSMEs sector.

Fig.6 - Employment Generation by MSMEs Sector in India



Source: Annual Report MSME 2011-12

trading houses and export houses. Odisha has a great contribution towards the exports of our country. As per the data available in Economic Survey, Odisha at the end of 2011-12, there were 344 exporters in Odisha and 22,012 Industry units including 2,285 small scale registered units. Nearly 5,225 samples were tested in the six testing laboratories and Rs. 12.70 lakh of testing fees were collected in 2011-12. Fig.9 shows that the total value of exports from Odisha has been showing a rising trend. The export composition in terms of value during 2011-12 is also shown in fig.9. Mineral and Metallurgical products constituted 58% and 28% shares of exports from Odisha respectively.

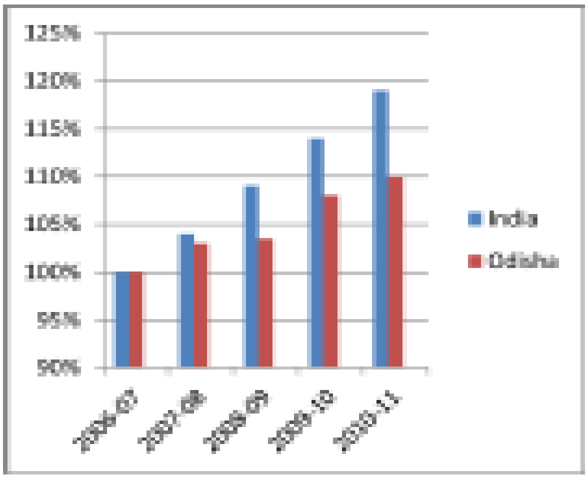


Fig.9 – Value of Exports from Odisha to Foreign Countries

Source: Economic Survey, Odisha 2011-12

Conclusion

The present study revealed that there is a continuous growth in respect of number of units set up, production, employment and in exports of the country. Odisha's economy also has a high growth trajectory in recent years. According to Ecomonic survey of Odisha, 2011-12 the anticipated growth rate of Odisha is estimated at 7.18% as against all India anticipated growth of 6.9% in 2011-12. There are ample opportunities in small businesses in India and such opportunities will transform governmental and societal level. Entrepreneurship development is the key factor to fight against unemployment, poverty and to prepare ourselves for globalization in order to achieve overall Indian economic-progress.

Impact of Rural Bank financing on socioeconomic Development - A Study of Kalinga Gramya Bank Orissa.

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Abstract

Rural development is a strategy intended to improve the economic and social life of the rural people and this has received great attention in national plans of various countries. In India, the need to improve the standard of living of the rural people dates back to the colonial era. One of the major problems facing rural people is the lack of institutionalized financial facilities. In spite of the recognition of crucial role that access to financial services can play in the socio economic development of the rural communities in India, the availability of these financial services in rural communities is extremely limited. The main sources of credit for the rural people are money lenders and traders who charge exorbitant interest rates. This has resulted in the inability of rural people to increase their productivity, income and improve upon their standard of living. Many attempts made in the past to encourage commercial banks to advance credit to rural people failed to achieve the desired results. The study sought to determine the impact of rural bank financial facilities on poverty alleviation of the rural poor with respect to income, employment, occupation and savings and also to focus on the repayment schedule of the borrowers in Kalinga Gramya Bank Region. The analysis showed that the Kalinga Gramya bank has positively impacted on socio-economic development of the rural people and these have manifested in the areas of income employment and standard of living.

(Key words- Rural Development, income, employment, credit, Borrowers, Recovery Schedule)

Introduction

Government of India initiated the process of structural consolidation of RRBs by amalgamating RRBs sponsored by the same bank within a state as per the recommendations of Vyasa committee (2004). The amalgamated RRBs were expected to provide better customer service due to better infrastructure, computerization of branches, pooling of experienced work force, common publicity etc. and also to derive the benefits of a large area of operation, enhanced

Kumar Raj (1993) carried out a study on the topic "Growth and Performance of RRBs in Haryana". On the basis of the study of RRBs of Haryana, it is found that there was an enormous increase in deposits and outstanding advances. The researcher felt the need to increase the share capital and to ensure efficient us of distribution channels of finance to beneficiaries.

A. K. Jai Prakash (1996) conducted a study with the objective of analyzing the role of RRBs in Economic Development and revealed that RRBs have been playing a vital role in the field of rural development. Moreover, RRBs were more efficient in disbursal of loans to the rural borrowers as compared to the commercial banks. Support from the state Governments, local participation, and proper supervision of loans and opening urban branches were some steps recommended to make RRBs further efficient.

L.K Naidu (1998) conducted a study on RRBs taking a sample of 48 beneficiaries of rural artisans in Cuddapah district of Andhra Pradesh state under Rayale Seen Gramin Bank. In this study, it was concluded that the beneficiaries were able to find an increase in their income because of the finance provided by the bank.

According to Nathan, Swami (2002), policies of current phase of financial liberalization have had an immediate, direct and dramatic effect on rural credit. There has been a contraction in rural banking in general and in priority sector ending and preferential lending to the poor in particular.

Chavan and Pallavi (2004) have examined the growth and regional distribution of rural banking over the period 1975-2002. Chavan's paper documents the gains made by historical underprivileged region of east, northeast and central part of India during the period of social and development banking. These gains were reversed in the 1990s: cutbacks in rural branches in rural credit deposits ratios were the steepest in the eastern and northeastern states of India. Policies of financial liberalization have unmistakably worsened regional inequalities in rural banking in India.

Professor Dilip Khankhoje and Dr. Milind Sathye (2008) have analyzed to measure the variation in the performance in terms of productive efficiency of RRBs in India and to assess if the efficiency of these institutions has increased post-restructuring in 1993-94. As none of these studies analyze the performance after amalgamation took place in the year 2006, there is a need for carrying out the present study.

Objectives

(1) To determine the impact of rural bank financial facilities on poverty alleviation of the rural poor with respect to income, employment, occupation and savings

(2) To focus on the repayment schedule of the borrowers.

It is observed that among the total borrowers, 4 percent were uneducated, 64.33 percent were in the category of UP to HSC, 20 percent were in between HSC and graduation and the rest 11.67 percent were in the category of graduation and above. Further it is revealed from the table that 33.34 percent of the total borrowers fell in the category of full non-repayers, 17.33 percent were in the category of partial repayers where as in time repayers constitutes 24 percent and over time repayers constitutes 25.33 percent. Full non-repayers was found more among sample borrowers having no education at all and education up to HSC level as they lack organizational skill. In-time repayers was found more among the sample borrowers in the category of graduation and above where as over time repayers were mostly found in the category of UP to HSC level education. As the calculated value of Chi-square 47.80 was more than the table value at five percent level of significance (16.9), there was significant association between the level of education and loan repayment of borrowers. . Hence the Hypothesis Ho1: "There is no significant relationship between the level of education and loan repayment of borrowers" is rejected.

Purpose of Loan and repayment by the borrowers

Commitment to repayment schedule by the borrowers depends upon getting a good and regular return from investment which in turn to some extent depends upon the type of avenue in which money is put by the borrower. According to the purpose of borrowing there can be different categories of beneficiaries namely farmers, rural traders and service holders.

Data relating to three different categories of beneficiaries and repayment of loan by the sample borrowers is depicted in the following table.

Table: 2

Table: 2					
Category of Beneficiaries	Repayment of Loan				
	In time	Over time	Partial repayer	Full non repayer	total
Farmer	47(28.48)	71(43.03)	29(17.57)	18(10.91)	165(55)
Rural Trader	9(20.00)	12(26.67)	14(31.11)	10(22.22)	45(15)
Service Holder	30(33.33)	8(8.90)	15(16.66)	37(41.11)	90(30)
Total	86(28.67)	91(30.33)	58(19.33)	65(21.67)	300(100)
Chi square Value = 51.836		d. f. = 6		Chi square(0.05) = 11.6	

(Source: Own Computation)

falling in the first three income categories (Rs.5000 to Rs.10000, Rs.10000 to Rs. 15000 and Rs. 15000 to Rs.20000) has decreased from 18 percent to 3 percent,15 percent to 10 percent and from 25 percent to 22 percent respectively. It makes a sense that the level of income and the standard of living is positively influenced by extension of credit. As the calculated value of Chi-square (53.70) was more than the table value at five percent level of significance (9.49), there was significant association between level of income and sanction of Loan. Hence the Hypothesis Ho3: "There is no significant relationship between the loan and level of income of borrowers" Is rejected.

Impact of Loan on the level of employment

Loan is sanctioned to the farmers, rural traders and artisans etc. either to establish a new venture or to expand the existing one both of which impacts the number of labourers engaged, leading to a change in the level of employment. Hence it is justified to make a comparison between the number of labourers engaged before and after the sanction of loan to asses the impact of loan.

Data relating to the number of labourers engaged before and after the sanction of loan by the sample borrowers is depicted in the following table.

Table: 4

Loan	Number of labourers engaged					
	0-5	5-10	10-15	15-20	20 and above	Total
Before Sanction Of Loan	90(30)	66(22)	39(13)	60(20)	45(15)	300(50)
After Sanction Of Loan	51(17)	72(24)	27(9)	84(28)	66(22)	300(50)
Total	141(23.5)	138(23)	66(11)	144(24)	111(18.5)	600(100)
Chi square = 21.20		d. f. = 4			Chi square (0.05) = 9.49	

Note: Figures in parentheses indicate percentage to their respective total.

(Source: Own Computation)

In making a comparison between before the sanction of loan and after the sanction of loan, it is observed that the percentage of borrowers engaging labourers in the class of 15 to 20 and 20 above has increased from 20 percent to 28 percent and from 15 percent to 22 percent respectively. It is also observed that the same has decreased from 30 percent to 17 percent and from 13 percent to 9 percent for the class of 0 to 5 and 10 to 15 respectively. It makes a sense that loan has an impact on the number of labourers engaged. As the calculated value of Chi-square 21.20 was more than the table value at five percent level of significance (9.49),

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Introduction

The concept of shopping has undergone an attention drawing change in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. Modern retailing has entered into the Retail market in India as is observed in the form of bustling shopping centers, multi-storied malls and the huge complexes that offer shopping, entertainment and food all under one roof.

The survey of A.T. Kearney's 2005 on Global Retail Development has placed India at first position in the category of countries with the best opportunity for investment in the Retail. The increasing disposable incomes among the Indian middle class and increasing young population have been cited as the main reasons for such attractive optimism. This positive opinion of the experts has also encouraged the intense lobbying by certain sections for opening Foreign Direct Investment in this sector. Foreign investors are also very enthusiastic to invest in India's Retail Sector.

Retailing can normally be defined as "the sale of goods or merchandise from a fixed location, such as a department store or kiosk, or by post, in small or individual lots for direct consumption by the purchaser." Retailing in India is slightly different from the developed markets; it is divided into organized and unorganized retail.

Organized retail could be described as when trading is taking place under a License or through people that are registered for sales tax or income tax. Unorganized retail is India's more traditional style of "low-cost retailing, for example, the local kirana shops, owner-manned general stores, paan/beedi shops, convenience stores, hand carts and pavement vendors. Radhika (2006) goes on to be more explicit about the differences, saying "The major difference between organized and unorganized retailing lies in its number (chain) of store operations. An unorganized outlet may be just stand alone or can have [a] maximum of 2-3 outlets in a city, where as the organized outlets are "any retail chain (more than two outlets) which is professionally managed (even if its family run), has an accounting transparency and organized Supply Chain Management with centralized quality control and sourcing (certain parts can be locally made) can be termed as an "organized retailing" in India."

Whilst the new (Indian owned) multi brand retail formats have gained wide spread customer acceptance especially in urban India, the 'front end' shopping experience for the Indian consumer still lags international benchmarks in terms of store ambience, merchandising strategy and investment in customer centric technology since the focus of most multi brand retailers in the last decade has been on quantitative factors (mainly achieving rapid network expansion and growth) rather than on the quality of this growth.

Review of Literature

Researchers such as Palit and Nawani 2007; Pires,Stanton and Salavrakos 2010; Jain and Sukhlecha 2012)argued that FDI will infuse technological advancement and induce capital flow which enhances production possibilities and maintains general macro economic stability. To revive the Indian economy, FDI policy in multi-brand retail is an important reform that would ease supply side pressures and mitigate inflation. This would bring better prospects and higher profit margins for the small and medium enterprises as it creates greater market access.

Henley 2004; Palit and Nawani 2007; Pires, Stantonand Salavrakos 2010; Jain and Sukhlecha 2012; Moghe2012) have highlighted a number of problems related to Back end infrastructure, implementation of improved technology, improvement in supply chains, issues of real estate and human resources. It is observed deficiency of appropriate investment in logistics and storage facilities which are two alarming factors leading to an inefficient market mechanism. The technology used in Indian retail is also largely obsolete, resulting poor efficiency at the supply side economy. Overall food based inflation has been a matter of concern though it is given substantially good subsidies to farmers.

Henley(2004) study shows China is in better position in attracting FDI when compared to India. India's performance is understated because of various reasons like high tariffs, poor physical infrastructure, unfriendly regulatory system etc. It concludes with a hope of liberalization which would be driven by external pressures and state level initiatives.

A.T. Kearny report (2006) by CII (Confederation of Indian Industry) indicated the best practices adopted by China and South Africa in FDI policy where infrastructure facilities were given preferences. It highlighted the role of regulatory bodies in promoting retail which is leading to the related economic benefits such as tax revenue, employment etc. The report identified the specific actions which can be taken to foster retail success and growth. Foreign Players' view is that the legal environment in India is not conducive enough to invest and many are willing to enter with 100% FDI. Inadequate data on consumer behavior towards the retail market also is an issue for them. Some experts claim that the entry of retail giants will enable rapid expansion of Indian economy.

Palit and Nawani (2007) attempted to explain the country-wise dissimilarities in the arrangement of FDI flows in the developing Asian economies. The study refers that the location of retail markets influences FDI flows and also argues that certain countries enjoy comparative

Retailing Format In India

Malls:

Malls are the largest form of organized retailing today located mainly in metro cities, in proximity to urban outskirts. Ranges from 60,000 sq ft to 7,00,000 sq ft and above they lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a common roof. Examples include Shoppers Stop, Piramyd, and Pantaloon.

Specialty Stores

Chains such as the Bangalore based Kids Kemp, the Mumbai books retailer Crossword, RPG's Music World and the Times Group's music chain Planet M, are focusing on specific market segments and have established themselves strongly in their sectors.

Discount Stores

As the name suggests, discount stores or factory outlets, offer discounts on the MRP through selling in bulk reaching economies of scale or excess stock left over at the season. The product category can range from a variety of perishable/ non-perishable goods.

Department Stores

Large stores ranging from 20000-50000 sq. ft, catering to a variety of consumer needs. Further classified into localized departments such as clothing, toys, home, groceries, etc Departmental Stores are expected to take over the apparel business from exclusive brand showrooms. Among these, the biggest success is K Raheja's Shoppers Stop, which started in Mumbai and now has more than seven large stores (over 30,000 sq. ft) across India and even has its own in store brand for clothes called Stop.

Hyper marts/Supermarkets

These are large self-service outlets, catering to varied shopper needs . They are located in or near residential high streets. These stores today contribute to 30% of all food & grocery organized retail sales. Super Markets can further be classified in to mini supermarkets typically 1,000 sq ft to 2,000 sq ft and large supermarkets ranging from of 3,500 sq ft to 5,000 sq ft. having a strong focus on food & grocery and personal sales.

Convenience Stores

These are relatively small stores 400-2,000 sq. feet located near residential areas. They stock a limited range of high-turnover convenience products and are usually open for extended periods during the day, seven days a week. Prices are slightly higher due to the convenience premium

Wal-Mart employs very few people in the United States. If allowed to expand in India as much as Wal-Mart has expanded in the United States, few thousand jobs may be created but millions will be lost.

Wal-Mart's efficiency at supply chain management leads to direct procurement of goods from the supplier. This will eliminate the "middle-man", due to its status as the leading retailer, thus the supplier of goods will be pressured to drop prices in order to assure consistent cash flow. The small retailer and the middle man present in the retail industry play a large part in supporting the local economy, since they typically procure goods and services from the area they have their retail shops in. This leads to increased economic activity, and wealth redistribution. With large, efficient retailers, goods are acquired in other regions, hence reducing the local economy.

It is also apprehended that Wal-Mart will lower prices to dump goods, get competition out of the way, become a monopoly, then raise prices. This was earlier the case of the soft drinks industry, where Pepsi and Coca-Cola came in and wiped out all the domestic brands. Work will be done by Indians, profits will go to foreigners. Like the East India Company, Wal-Mart could enter India as a trader and then can take over politically. The government claims modern retail will create 4 million new jobs. This cannot be true because Wal-Mart, with over 9000 stores worldwide, has only 2.1 million employees.

Views in favor of FDI in Multi Brand Retail

- Supporters believe that organized retail will need more workers. Wal-Mart employs 1.4 million people in United States alone. With United States population of about 300 million, and India's population of about 1200 million, if Wal-Mart-like retail companies were to expand in India as much as their presence in the United States, and the staffing level in Indian stores kept at the same level as in the United States stores, Wal-Mart alone would employ 5.6 million Indian citizens. Wal-Mart has a 6.5% market share of the total United States retail. Adjusted for this market share, the expected jobs in future Indian organized retail would total over 85 million. In addition, millions of additional jobs will be created during the building of and the maintenance of retail stores, roads, cold storage centers, software industry, electronic cash registers and other retail supporting organizations. Instead of job losses, retail reforms are likely to be massive boost to Indian job availability.
- KPMG - one of the world's largest audit companies - finds that in China, the employment in both retail and wholesale trade increased from 4% in 1992 to about 7% in 2001, post China opening its retail to foreign and domestic innovation and

and other factors to suit their cultural preferences. Finally, in future, states can always introduce regulations and India can change the law to ensure the benefits of retail reforms reach the poorest and weakest segments of Indian society, free and fair retail competition does indeed lead to sharply lower inflation than current levels, small farmers get better prices, jobs created by organized retail pay well, and healthier food becomes available to more households.

- Inbuilt inefficiencies and wastage in distribution and storage according to some estimates, is as much as 40% of food production that doesn't reach consumers. Fifty million children in India are malnourished. Food often rots in farms, in transit, or in obsolete state-run warehouses. Cost-conscious organized retail companies will avoid waste and loss, making food available to the weakest and poorest segment of Indian society, while increasing the income of small farmers. Wal-Mart, for example, since its arrival in Indian wholesale retail market, has successfully introduced the "Direct Farm Project" at Haider Nagar near Malerkotla in Punjab, where 110 farmers have been connected with Bharti Wal-Mart for sourcing fresh vegetables directly, thereby reducing waste and bringing fresher produce to Indian consumers.
- Indian small shops employ workers without proper contracts, making them work long hours. Many unorganized small shops depend on child labour. A well-regulated retail sector will help curtail some of these abuses.
- Organized retail has enabled a wide range of companies to start and flourish in other countries. For example, in the United States, retailer Whole Foods has rapidly grown to annual revenues of $9 billion by working closely with farmers, delighting customers and caring about the communities it has stores in.
- By early August 2011, the consensus from various segments of Indian society was overwhelming in favor of retail reforms. The reform outline was presented in India's Rajya Sabha in August 2011. The announced reforms are the result of this consensus process. The current opposition is not helping the consensus process, since consensus is not built by threats and disruption. Those who oppose current retail reforms should help build consensus with ideas and proposals. The opposition parties currently disrupting the Indian parliament on retail reforms have not offered even one idea or a single proposal on how India can eliminate food spoilage, reduce inflation, improve food security, feed the poor, improve the incomes of small farmers.
- A study by Global Insights research found that modern retailers such as Wal-Mart create jobs directly, indirectly and by induced effects. In Dallas-Fort Worth area of the United States, with a population of about 2 million people, Global Insights found that Wal-Mart alone had helped create about 6,300 new net jobs with an average salary of over $21,000 each. For India's urban population of over 400 million, an

retailers to buy 75% of their produce directly from farmers, bypassing the middlemen monopoly and India's sabzi mandi auction system.

Consortium of Indian Farmers Associations (CIFA) announced its support for retail reform. Chengal Reddy, secretary general of CIFA claimed retail reform could do lots for Indian farmers. Reddy commented, "India has 600 million farmers, 1,200 million consumers and 5 million traders. I fail to understand why political parties are taking an anti-farmer stand and worried about half a million brokers and small shopkeepers." CIFA mainly operates in Andhra Pradesh, Karnataka and Tamil Nadu; but has growing members from rest of India, including Shetkari Sanghatana in Maharashtra, Rajasthan Kisan Union and Himachal Farmer Organisations.

Prakash Thakur, the chairman of the People for Environment Horticulture & Livelihood of Himachal Pradesh, announcing his support for retail reforms claimed FDI is expected to roll out produce storage centers that will increase market access, reduce the number of middlemen and enhance returns to farmers. Highly perishable fruits like cherry, apricot, peaches and plums have a huge demand but are unable to tap the market fully because of lack of cold storage and transport infrastructure. Sales will boost with the opening up of retail. Even though India is the second-largest producer of fruits and vegetables in the world, its storage infrastructure is grossly inadequate, claimed Thakur.

Sharad Joshi, founder of Shetkari Sangathana (farmers association), has announced his support for retail reforms. Joshi claims FDI will help the farm sector improve critical infrastructure and integrate farmer-consumer relationship. Today, the existing retail has not been able to supply fresh vegetables to the consumers because they have not invested in the backward integration. When the farmers' produce reaches the end consumer directly, the farmers will naturally be benefited. Joshi feels retail reform is just a first step of needed agricultural reforms in India, and that the government should pursue additional reforms.

uryamurthy, in an article in The Telegraph, claims farmer groups across India do not support status quo and seek retail reforms, because with the current retail system the farmer is being exploited. For example, the article claims: Indian farmers get only one third of the price consumers pay for food staples, the rest is taken as commissions and markups by middlemen and shopkeepers. For perishable horticulture produce, average price farmers receive is barely 12 to 15% of the final price consumer pays. Indian potato farmers sell their crop for Rs. 2 to 3 a kilogram, while the Indian consumer buys the same potato for Rs. 12 to 20 a kilogram.

Economists and Entrepreneurs

Many business groups in India are welcoming the transformation of a long-protected sector that has left Indian shoppers bereft of the scale and variety of their counterparts in more developed markets.

Amartya Sen, the Indian born Nobel Prize winning economist, in a December 2011 interview claims foreign direct investment in multi brand retail can be good thing or bad thing depending on the nature of the investment. Quite often, claims Professor Sen, FDI is a good thing for India.

Future Turnover & Share of Retailing in India

Table: 1. Future Turnover and Share of Retailing in India (crore Rupees)

Year	Total Retailing turnovers	*Growth over last year, in %	Organised sector turnover	Growth over last year, in %	Market share in %
2011	23,55,000	10.82 %	1,75,000	25.00	8
2012	26,40,000	12.10 %	2,20,000	25.71	9
2013	29,50,000	11.74 %	2,75,000	25.00	11
2014	32,65,000	10.67 %	3,45,000	25.45	12
2015	36,25,000	11.02 %	4,25,000	23.18	13
2016	39,95,000	10.20 %	5,30,000	24.70	14
2017	44,95,000	12.51 %	6,70,000	26.41	15
2018	50,35,000	12.01 %	8,40,000	25.37	17
2019	56,15,000	11.51 %	10,50,000	25.00	19
2020	62,40,000	11.13 %	13,10,000	24.76	21

(Source:- Veerendra Talegaonkar, Loksatta, Mumbai, 5/12/2011, pp. 11.) */# compiled by researchers.

From the above table it is clear that the total turnover in the year 2011 was Rs 23, 55,000 crore and in the year 2020
it will cross Rs 62,40,000 crore, in the same period retailing turnover in the organized sector amounted to Rs 175,000 crore & it is expected to touch Rs 13,10,000 crores. Share of the organized retailing in the year 2011, is 8% & it will touch 21% in the year 2020.
At present the growth of retail with respect to turnover is 10% & in the next 10 years it is estimated to increase 11% every year. In case of organized retailing, growth would be more than 25% every year till 2020 approximately.

Table :2. Share of Retailing in Total Employment

Country	Share Of Retail in Total employment (%)
India	6-7
China	6
Poland	12
Brazil	15
USA	11.7
Korea	18
UK	11
Malaysia	7

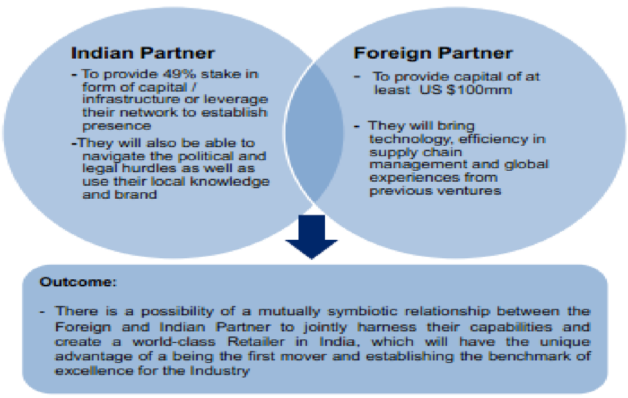
Source – FDI in Retail Sector in India, Arpita Mukherjee, Nitisha Patel, ICRIER

It first allowed FDI in retail in 1992 at 26%. As soon as retail was opened to FDI in the late 1990s global retailers like Tesco, Wal-Mart, Metro and Carrefour were quick to enter. After 10years the cap was raised to 49%when local chains had sufficiently entrenched themselves. 100% FDI in retail was permitted only in 2004, after the infant retailing industry had acquired some muscle. It even revoked some previously granted approvals, to reduce the foreign retailers' footprint. Given this timeline, the Chinese retail environment is 20years ahead of us. Looking at their market today can give us a rough idea of how FDI in MBRT in India might pan out in the medium term.

Initially, China also allowed foreign retailers to open only in select metropolises, such as Beijing, Shanghai and Shenzhen, and moreover, only in certain districts in those cities. In Beijing and Shanghai, foreign retailers like Wal-Mart were only allowed to operate in districts where there were no local competitors. Through these "invisible barriers", China succeeded in giving local retailers protection, while at the same time, they learnt from the "more efficient" business models of foreign companies.

Like China, India should first encourage and focus on strengthening the domestic organized retail chains' foothold and presence in the multi brand retail sector prior to completely opening the MBRT to foreign investment. Our country also poses a big challenge to organized large retailers particularly in food sector. Food being perishable item, for the retailer to be successful the key is proper supply chain management. The challenge comes from a number of factors, e.g., huge size and population of our country, varied culture and hence varied taste, very poor infrastructure like improper roads, bad connectivity between production centers and markets, lack of proper cold chain facility like refrigerated transportation, ware-housing.

Proposed Business Model **Figure 2**



Suggestions

Thus it can be said that the rationale behind allowing FDI in multi-brand retail sectors is due to competition in retail industry and current trends of poor productivity with high level of unorganized sectors operating in India. This would bring adequate flow of capital into the Indian Economy and help the country to promote welfare to society in general and farmers and consumers in particular. Apart from this, the Indian Economy would flourish in terms of better quality standards and gain some cost-efficacy. The Indian Council for Research on International Economic Relation (ICRIER) has projected the impact of BIG capital in retail sector will reach to $496 billion by end of 2011-12 and this would not harm the interest of small, traditional, retailers (Prime, Subramanyam and Lin, 2012). FDI in multi-brand retail would lead to substantial growth in GDP and overall economic development. The new liberalized FDI policy in multi-brand retailing is favoured by the Retail Association of India (RAI), Shopping Centers Association of India (a 44 member association of Indian multi-brand retailers and shopping malls) and International retail players like Wal-Mart, Carrefour, IKEA and Tesco (Abrar, 2012). Research studies (Baskaran, 2012; Gupta, 2012) have indicated that FDI in multi-brand retail will lead development with an increase in the sales for modern retail outlets in India. With entry of retail giants' it is likely to eliminate informal retail sectors out of business and is likely to bring market consolidation in the formal sectors. This would help the small/less capitalized retailers to maintain a sustainable price for their product. Studies argue that the informal sectors will not be displaced with big retail giants, but in turn they are likely to grow and become more organized (Moghe, 2012). Indian economy has great scope developing informal sector to formal sectors with increased favourable investments. Bhaskaran (2012) conducted a SWOT analysis of FDI towards the multi-brand retailing which brought out the significant challenges and key success factors of FDI in Indian scenario. It reviews the impact of organized retailing on the unorganized sector. Surveys specified (Joseph, 2008) some specific policy recommendations for regulating the interactions of large retailers and suppliers and for firming the good response of the unorganized retailers.

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F/4, Chandaka Industrial Estate, Bhubaneswar – 751024
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Published By

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