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AN EMPIRICAL STUDY ON CONSUMER BEHAVIOR TOWARDS CADBURY'S INDIA LTD. AND NESTLE INDIA LTD. (A CASE STUDY OF MALE AND FEMALE OF CUTTACK ANDBHUBANESWAR OF ODISHA)

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ABSTRACT

The objective of modern marketing is to make profits through satisfying and delighting the consumer's need and wants. Hence, the marketers have to understand the real needs, wants, beliefs and attitudes of the consumers towards their products and services. This is an attempt made to understand the behaviour of consumer of Bhubaneswar and Cuttack of Odisha towards the chocolate industry like Cadbury and Nestle. Cadbury's India Ltd, has been in India since 1948. Its brands: Dairy Milk, 5 Star, Gems and Chocolate Eclairs are the households names in India today. In all the segments i.e. moulded chocolates, count chocolates and panned chocolates, it is undoubtedly the market leader. Cadbury's has its manufacturing units at Thane (Mumbai), Malanpur, Indori (near Pune), Mithuri and Kolapur. It has a strong distribution network with about 500 distributors in North India and more than 3 lac retail outlets being serviced all over India. Similarly Nestle India Ltd. has been in India for more than 35 years now. The world's largest marketer of chocolates (became world number one when it acquired Rowntree Macintosh of the UK) - Nestle, made its foray in the Indian chocolate Industry in November 1990. It launched three products - the milk chocolate, the bitter chocolate and Crackle (a crunchy chocolate) - in the slabs category and Bar One in count lines.

KEYWORDS: *FMCGs, Satisfaction Level, Consumerism and Awareness Level.*

1. INTRODUCTION

Consumer behavior is comparatively a new field of study. It is an attempt to understand and predict human actions with regard to purchase decisions. With the entry of multinationals and home companies sprucing up their act, the confectionery market is booming. McKinsey & Co. has estimated the confectionery industry to touch a whopping Rs. 6 500 crore by the year 2008. Till the eighties, the chocolate market was small and the product category itself was fuzzy. In the eighties, Cadbury's - the virtual monopolist - had decided to focus its efforts on making chocolates a distinct category with an identity of its own. And the marketer had sharply positioned its product at children to do that. Hence, chocolates bore an "Only for kids" tag, and kept adults at bay.

By the end of the eighties, Cadbury's still ruled the roost with over 80 percent market share. And though several brands - like Amul and Campco - tried to break into the market, none of them had succeeded in shaking the leader's grip. In fact, Cadbury's had become a brand virtually generic to

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chocolates. Then chocolates were used to reward and reinforce positive behaviour and hence were categorised as a luxury reserved for special occasions. This was, a stark contrast to the west where chocolates were snacked on, eaten as mini meals or just to suppress pangs of hunger. But constant working by players like Cadbury's (re-launch of Cadbury's Dairy Milk targeting adults and as a casual any-time buy) and Nestle towards exploding the myth that chocolates are meant for children only, has resulted in the segment booming.

TRENDS IN THE INDUSTRY

- With socio-economic changes rapidly taking place, the young and not so young population will lead a new life style and chocolate eating is definitely going to be widespread and acceptable.
- In the industry, both population and family incomes as well as urbanisation are on the increase.
- There has been a significant growth in the middle class, with 5.8 million people having upgraded to the quoted middle class.
- There is quantified data on FMCG usage having increased (NRS-VI & IRS'98 figures)

Thanks to the above reasons the growth in the chocolate market is estimated to be at 22% in 2001. But marketers in the industry are looking forward to a much higher growth rate, as India's per capita consumption of chocolates is only 15 Gms. Versus 6 Kg in the west.

THE INDIAN CHOCOLATE MARKET CAN BE SLICED INTO FOUR PARTS

- Moulded Chocolate Segment - comprising slab chocolates like Dairy milk chocolates, etc. These are made by pouring the ingredients into moulds.
- Countline Segment - comprising bars like 5 star, Bar One, Perk, Kit Kat, etc. These have ingredients other then chocolate and are usually Bar shaped, making for chunky bites.
- Choco-Panned Segment - comprising chocolate forms like Butterscotch, Nutties, Tiffins, etc. Panned variety has different cores/centers which are covered with a layer of chocolate.
- Sugar-Panned Segment - comprising chocolate forms such as Gems, Chocolate eclairs, etc. These generally have a sugar coating on the outside.

2. OBJECTIVE OF THE STUDY

In the above backdrop, an attempt is made to make comparative study to undertake an in-depth enquiry into buying behavior of male and female consumers with regard to Chocolate Industry. The objectives of the study are

- To analyze the consumption patterns with regard to Cadbury's and Nestle in the samplearea.
- To examine the purchase behavior of sample Cuttack and Bhubaneswar towards the Industry.
- To examine the consumer behaviour towards these industries of male and female of the area under study.

LIMITATIONS OF THE STUDY

- The study is restricted to Cuttack and Bhubaneswar areas of Odisha only.
- The sample is limited; it may not represent scenario of all the consumers.

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- The period of study conducted for the period of four months i.e. January2012 to April2012.

CUSTOMER SATISFACTION WITH REGARD TO FMCGS

To measure the satisfaction levels of consumers with regard to FMCGs the following product- related attributes are identified: quality, quantity, price, taste, freshness, nutritional value ,flavor and packaging etc, while general factors included: availability, range of products, regularity of supply, cold storage facility, proximity of retail shop etc. For the purpose of quantification of the responses of semi-urban consumers, weights have been assigned as +3,+2,+1, 0 and -1 for the responses " extremely satisfied", " satisfied", " neither satisfied nor dissatisfied", " dissatisfied", " extremely dissatisfied", respectively. Final scores for each feature are calculated by multiplying the number of responses by the weights of corresponding responses. The resultant weighted scores of these features provided by the respondents are shown in Table-1

RESEARCH AND METHODOLOGY

With reference to the selection of the research universe the state of Odisha has been selected with specifications to the compulsions of the geographical territory, linguistic boundary, and administrative settlement commonness. Odisha is an Eastern Indian state, the state boundaries are on the Bay of Bengal Sea. South- Andhra Pradesh, West –Chhattisgarh and Jharkhand, North- West Bengal having a total area of 1,55,707 Square Kilometers with total population of 36,706,920 (as per Indian census survey-2001) , population density 236 per Square Kilometers, Sex Ratio 972 literacy rate of 63.61%. The state is comprising of 30 districts (Administrative Divisions) and 58 Sub-Divisions.

SAMPLING PLAN

In support to the objective of the research there is a primary research through questionnaire administration method in the field through stratified random sampling method covering Bhubaneswar and Cuttack area of the state. Total 120 questionnaire served 94 responded, which consists of 47male and 47 female of area under study.

TABLE -1: CONSTITUENTS OF SAMPLE SIZE

Category	Questionnaire	Response	Male	%	Female	%	Total %
Bhubaneswar	70	46	24	52.2	22	47.8	100
Cuttack	50	48	23	47.9	25	52.1	100
Total	120	94	47	50.00	47	50.00	100

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RESPONDENTS' PERCEPTION WITH REGARD TO CORPORATE SOCIAL RESPONSIBILITY

To measure the perception level of the participants with regard to consumer behaviour various variables identified as Quality of the Product, Price of the Product, Taste of the Product, Freshness of the Product, Nutrition value of the Product, Flavors of the Product, Packing of the Product, Availability of the Product, Regularity of supply of the Product, Cold storage facility of the Product, Proximity of retail shop of the Product. In this regard we have been assigned as +3,+2,+1,0 and -1 for the responses of the respondents " Completely agree", " Agree", " Neutral, " Disagree" and " Completely disagree" respectively. Final scores for each feature are calculated by multiplying the number of response by the weights of the corresponding response.

CALCULATION OF RESPONDENTS' PERCEPTION: IDEAL AND LEAST SCORES

Ideal scores are calculated by multiplying the number of respondents in each category with (+3) and product with total number of attributes. Least scores calculated by multiplying the number of respondents in each category with (-1) and the product with number of attributes in the questionnaires.

TABLE-2: IDEAL SCORE AND LEAST SCORES OF PSCUS EMPLOYEES

Category	Equation	Ideal score	Equation	Least score
Bhubaneswar(male)	24x11x3	792	24x11x-1	-264
Bhubaneswar(female)	22x11x3	726	22x11x-1	-242
Cuttack(male)	23x11x3	759	23x11x-1	-253
Cuttack(female)	25x11x3	825	25x11x-1	-275

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FINDINGS OF THE STUDY

Findings of the study are as under. The tables are formed on the basis of questions contained in the questionnaires

Various attributes	Aggregate Score			
	BBSR		CUTTACK	
	Male	Female	Male	Female
Quality of the Product	30	26	39	35
Price of the Product	46	27	47	36
Taste of the Product	48	33	34	47
Freshness of the Product	44	40	30	43
Nutrition value of the Product	27	32	51	53
Flavors of the Product	38	21	41	39
Packing of the Product	44	20	38	30
Availability of the Product	42	41	37	37
Regularity of supply of the Product	43	43	25	38
Cold storage facility of the Product	28	30	38	39
Proximity of retail shop of the Product	38	43	37	52
Total score	**428** (54.04)	**356** (49.04)	**417** (54.94)	**449** (54.42)
Ideal score	**792**	**726**	**759**	**825**
Least score	**-264**	**-242**	**-253**	**-275**
No. of respondents	**24**	**22**	**23**	**25**

Sources: Annexure A, B, C and D

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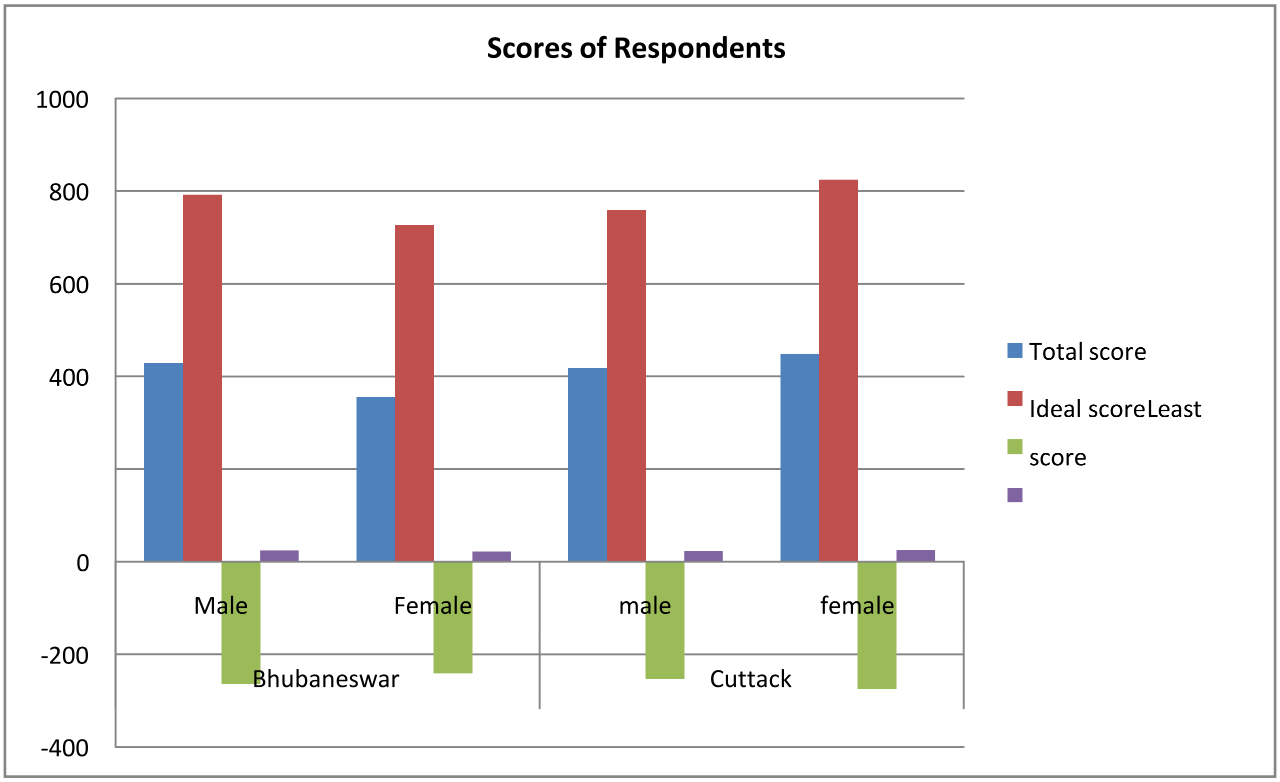

INTERPRETATION

The total scores of male and female Bhubaneswar and Cuttack are 428, 356,417and 449 respectively. The ideal scores for the same are 792,726,759 and 825. However, in no case the total score touches the least score. The percentage of total scores of the responded are 54.04%, 49.04%, 54.94%, 54.42%, 59.32% and 54.69%. The percentage of ideal scores is more in case of female in Cuttack and less in case of female Bhubaneswar. The average score of all these respondents is 52.12%. This indicates that the behaviour is not up to mark and just satisfactory. Considering these companies should introspect their product in the respect to these markets.

3. CONCLUSION

The growth and expansion of the Indian chocolate market in the past has been hampered, due to stiff excise duties on chocolates (at 18 percent – while other agro based products are being charged as low as 8% and a few, even 0% excise) and non-availability of quality cocoa in the country. Also, import of chocolates has been put in the OGL category, with duties being reduced (in a phased manner). The industry has made recommendations to the Indian government to go back to the Special item list category, in order to safeguard the domestic industry. However, continuous marketing focus by the players in the market has resulted in the industry looking up like never before. These companies/brands have become much more market savvy. The Indian chocolate market is transforming and new players (Sara Lee is planning to set up base in India) are entering the market. Hence, considering the low per capita consumption of chocolates, the future of the industry seems to upbeat.

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ANNEXURE: A

Factors	Level of satisfaction urban male(24)					
	Extremely satisfied	satisfied	Neither satisfied nor dissatisfied	Dissatisfied	Extremely dissatisfied	Scores
	+3	+2	+1	0	-1	
Quality of the Product	7	4	4	6	3	33-3=30
Price of the Product	12	5	3	1	3	49-3=46
Taste of the Product	9	7	7	1	0	48-0=48
Freshness of the Product	7	8	8	0	1	45-1=44
Nutrition valueof the Product	6	6	2	5	5	32-5=27
Flavors of the Product	7	5	8	3	1	39-1=38
Packing of the Product	9	8	2	4	1	45-1=44
Availability ofthe Product	7	11	2	1	3	45-3=42
Regularity of supply of theProduct	9	9	1	2	3	46-3=43
Cold storage facility of the Product	5	5	5	7	2	30-2=28
Proximity of retail shop of theProduct	10	5	1	5	3	41-3=38

Source: Primary Survey

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ANNEXURE: B

Factors	Level of satisfaction urban female(22)					
	Extremely satisfied	satisfied	Neither satisfied nor dissatisfied	Dissatisfied	Extremely dissatisfied	Scores
	+3	+2	+1	0	-1	
Quality of the Product	6	4	5	2	5	31-5=26
Price of the Product	7	3	3	6	3	30-3=27
Taste of the Product	9	4	3	1	5	38-5=33
Freshness of the Product	8	8	2	2	2	42-2=40
Nutrition value of the Product	6	6	6	0	4	36-4=32
Flavors of the Product	5	4	3	5	5	26-5=21
Packing of the Product	5	3	3	7	4	24-4=20
Availability of the Product	9	6	4	1	2	43-2=41
Regularity of supply of the Product	8	8	4	1	1	44-1=43
Cold storage facility of the Product	7	4	4	4	3	33-3=30

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Proximity of retail shop of the Product	10	5	4	2	1	44-1=43

Source: Primary Survey

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ANNEXURE: C

Factors	Level of satisfaction rural male(23)					
	Extremely satisfied	satisfied	Neither satisfied nor dissatisfied	Dissatisfied	Extremely dissatisfied	Scores
	+3	+2	+1	0	-1	
Quality of the Product	8	7	4	1	3	42-3=39
Price of the Product	9	9	3	1	1	48-1=47
Taste of the Product	7	6	3	5	2	36-2=34
Freshness of the Product	6	5	5	4	3	33-3=30
Nutrition value of the Product	10	9	3	1	0	51-0=51
Flavors of the Product	8	6	6	2	1	42-1=41
Packing of the Product	9	5	5	0	4	42-4=38
Availability of the Product	8	6	4	2	3	40-3=37
Regularity of supply of the Product	5	5	5	3	5	30-5=25
Cold storage facility of the Product	6	10	3	1	3	41-3=38
Proximity of retail shop of theProduct	7	9	2	1	4	41-4=37

Source: Primary Survey

ANNEXURE: D

Factors	Level of satisfaction rural female(25)					
	Extremely satisfied	satisfied	Neither satisfied nor dissatisfied	Dissatisfied	Extremely dissatisfied	Scores
	+3	+2	+1	0	-1	
Quality of the Product	7	7	4	3	4	39-4=35
Price of the Product	6	9	4	2	4	40-4=36
Taste of the Product	9	9	3	3	1	48-1=47
Freshness of the Product	10	6	5	0	4	47-4=43
Nutrition value of the Product	11	7	6	1	0	53-0=53
Flavors of the Product	8	8	4	0	5	44-5=39
Packing of the Product	7	5	5	2	6	36-6=30
Availability of the Product	6	8	4	6	1	38-1=37
Regularity of supply of the Product	7	7	7	0	4	42-4=38
Cold storage facility of the Product	6	8	6	4	1	40-1=39
Proximity of retail shop of the Product	12	6	5	1	1	53-1=52

Source: Primary Survey

A STUDY OF SMALL SCALE INDUSTRIES: MARKETING STRATEGIES

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ABSTRACT

Marketing is very essential though strenuous, in developing countries like India. The importance of Small Scale Industries (SSIs) is such that their development is concomitant with the balanced growth of Indian economy. Small, Medium or Large scale industries prospects depend upon how well they market their products in the dynamic competitive markets. So with the importance of marketing management in small scale industries increasing and sell the products effectively in the markets. In other words, effective marketing of small scale industrial products would ensure higher levels of income, consumption, and employment which increase the standard of living of the people. Marketing is demanding greater attention not only from industrialists especially of the small scale sector but also from our planners and economists. This empirical study covers the socio-economic conditions, marketing strategies of SSIs and identifies the marketing problems of SSIs. The aim of this is to generate the awareness to the SSIs regarding the blind spots in marketing of their products.

KEYWORDS: *Marketing Management, Marketing Problems, Marketing Strategies, Small Scale Industries.*

1. INTRODUCTION

Excessive dependence on agriculture lead to the low incomes of the people, less developed industrial sector and larger markets are not readily available to them within the country. Relatively there is a need for promotional activities. Since the demand for many products exceeds their supply, the need to improve the existing marketing methods and a practice is not felt. The developing nations are in the process of industrialization. Marketing is a dynamic process as it is highly situational. It is concerned with the activities involved in the flow of goodsand services from producer to consumer. As the dimension of marketing activities has undergonea radical change with the change in environmental conditions of business, the concept of marketing too has undergone a metamorphosis. Efficiency and productivity of marketing are directly linked with the growth and development of the economy as a whole. Marketing, when effectively performed, contributes to the higher living standards, greater national prosperity and broader industrial expansion. Marketing is an essential input for the success of small scale industries which produce wide range products. Companies have to move from traditional marketing to modern marketing.

The problem of marketing did not to a large extent arise in 1950s. Anything that could be produced was sold irrespective of quality or price. But now the position has changed. There is keen internal competition. Consumers have become entrepreneur export his products. Marketing has moved from the periphery to the centre of the problem. It has been identified several specific marketing problems affecting the small scale sector. Among these are poor product quality, the lack of standardization, poor finish, poor after-sales service, and excessive competition among small units, poor bargaining power whole sellers and retailers more powerful distribution network of the large scale units, the lack of marketing knowledge. The marketing problem is so acute that some units have become sick as a result of the failure of their marketing operations.

Some of the factors which contribute to the marketing problems of the small scale industry in recent days have been identified.

1. Increasing competition from within the small scale sector as well as from large industries with established brand names and marketing setup;
2. Consumer awareness, even in rural and semi urban areas, for quality goods.
3. The need to set up distribution networks for reaching out widely dispersed marketsand
4. Inability of the SSI units to exploit the export markets.

Thus, marketing is demanding greater attention not only from industrialists especially of the small scale sector but also from our planners and economists. The strength of the small scale industry sector lies in its improved ability to compete with quality products in the world market which in turn depends on the health of the industry in India. The imperfections of the market and the advantages that large firms enjoy due to their wider marketing network and relatively greater brand loyalty put the small scale industries under a severe loss. To overcome this loss and assist the small scale industry sector in marketing its products most effectively in India and abroad the central government has introduced a variety of promotional measures grouped under the "Marketing Support Scheme".

The strength of the small scale industry lies in its improved ability to market its quality products in the world market.

2. REVIEW OF LITERATURE

The empirical analysis has to be built on a comprehensive review of relevant in the area of the study. A review of the available literature on small scale industries is undertaken with a view to identify possible areas of enquiry. It also provides the necessary background for the present study.

Teijiro Uyeda, and his associates, as part of a review of international programme studied japans small industries. Small industries played an important role in japans industrialization. Their onslaught on the international market had created serious problems for the market economies. The study investigated the status and the representative character of the small scale industry in Japanese economy.

Malgawakar, 1973, is one of the early enquiries is not the development of small industry in Andhra Pradesh. Another point out that it depends on the size of market which inturn depends partly as the efficiency of the size of market and distribution of machinery. It also observes that there is a time lag between sales and the realization of the sale proceeds and this affects production of the enterprise.

Ramakrishna Sarma, in his book on industrial development in Andhra Pradesh 1982 made a comprehensive study of growth and problem of the small sector in Andhra Pradesh and observed that the backward districts of the state improved their relative position in terms of units, employment and capital during 1966-75. He further observed that a majority of the small units faced problems of finding adequate raw materials and finance.

Vasant Desai, detailed book length study 1983 pointed out that problems affecting he small scale industries ranged from organization to management. He concluded that the rapid development of small scale industries solely depended upon their readiness to accept modern technology and adaptation of professional management.

Valasama Antyony, 2002 in her article titled "Prospects and growth of SSIs in India: Anoverview ". Observes that adequate and timely availability of working capital and marketing avenues for the SSI products should be ensured for improving their competitive strength in the domestic and global markets. There is the need for providing better information and efficiency networking for the SSIs besides development of quality infrastructural facilities.

Panda, 2003 in his case study of hotel industries in Nagaland examines marketing managementin small service enterprises. He finds that sales activity in a majority of cases is managed byhired managers. The delegation of sales function is found to have a positive association with the level of formal education of entrepreneurs. The entrepreneurs appear to sell, rather than market their service. In the perception of the majority of the entrepreneurs, sales promotion activity is an unnecessary activity that invites the attention of extortionists. According to panda, 70 per cent.

The present study lies in its incorporation of the need for the right type of marketing research into the industries development programme.

3. RESEARCH OBJECTIVES

The following are the main objectives of the present research work.

- To study socio-economic conditions of the SSIs.
- To analyze the marketing strategies of SSIs.
- To identify the marketing problems of SSIs.

4. RESEARCH

METHODOLOGYSOURCES OF

DATA

Data will be collected from both primary and secondary sources

PRIMARY SOURCES

The study is empirical in nature and it is based on the data personally was collected with the help of a questionnaire. All attempts were made to extract the correct information through informal discussion with the entrepreneurs. The interviews were conducted with the General Manager of District Industries centre and Industrial Promotion Officers.

SECONDARY SOURCES

The secondary data was conducted through the annual reports of Small Industries Development Organisation (SIDO), National Institute of Small Industry Extension Training(NISET) Hyderabad. The information available from District Industries Centre, Mahabubnagar District is used. The information was collected through various books, journals, research reports, magazines, manuals and news letter reports on small scale industry and entrepreneurship.

SAMPLE SIZE

A sample of 50 small industrial units selected among 1900 registered Industrial Units to give a special focus to the entrepreneurs performance. In the selected of the sample units a two stage stratified simple random sampling technique will be adopted. In first step the industries are grouped under 9 segments on the basis of nature of the product namely, Agro based, Textiles, Chemicals, rubber and plastics, Engineering, food and food processing, metallic, paper and wood building material industrial units.

In the second step 50 per cent of the units were selected from the universe with three years existence for intensive study. The sample units selected from all the strata taken together and equally allocated for each strata.

While selecting the sample units, the following condition viz., above Rs.1 Lakh but not exceeding Rs. 1 Crore in plant & machinery are considered. The below table gives the details relating to the selected sample:

Name of the Unit	No. of Units Registered	No. of units for sample
Chemical	150	6
Building Materials	150	6
Rubber & Plastic	100	5
Food & Food processing	453	6
Engineering	252	6
Metallic	115	5
Agro based	522	6
Textile based	102	6
Paper & Wood	56	4
Total	1900	50

Source: Assistant Director (Industries), DIC Mahabubnagar District

SELECTION OF SAMPLE

The proportionate stratified random sampling technique has been followed for selectionof sample Rural Entrepreneurs. Personal visits to sample SSIs is undertaken in order to have knowledge of their workings and collect necessary data as per data sheet from their office records, schedules were used at the time of personal interviews and discussions with the sample members and relevant information were records.

STATISTICAL TECHNIQUES

The data is analyzed with help of Statistical techniques like percentages, averages rates of growth have been applied for analysis and interpretation of primary and secondary data.

5. TOOLS OF ANALYSIS

The Primary data collected from the sample small scale units has been tabulated using the various and well-known tools and techniques like growth rates, percentages and Mean.

6. ANALYSIS AND INDINGS SOCIO ECONOMIC ORIGINS

S.No	Particulars	Percentage
1	Sole Proprietorship units	50
2	Rural Sector units	40
3	> 5 years age units	34
4	Availability of Raw Materials	32
5	With Capital investment (25 – 40 Lacs)	32
6	Employed Skilled labor	74

[

(Source: Primary Data)

It is concluded that nearly 50 per cent the enterprises are sole – proprietorship concerns, 40 percent of the sample units are located in the rural sector, 34 percent belongs to 6 to 9 years of age group, 32 percent of units were established due to the availability of raw materials, 32 per cent of fixed capital investments of the sample units ranges between Rs. 25 Lakhs and 40 Lakhs, and the working capital of 50 percent of the sample units is below Rs. 20 Lakhs. Almost three fourths of the sample units, 74 percent have skilled employees and employ less than 20 persons in their business concerns. A little more than two-three 68 percent employment 38 percent of the sample units have employed unskilled employees between 20 and 40 persons. A little more than half 54 per cent of the sample units utilize 75 percent of their installed capacity. The turnover of very nearly half 48 percent of the sample units was above Rs. 85 Lakhs. Majority of them have not diversified their business activity.

MARKETING STRATEGIES EMPLOYED

S.No	Strategy employed	Percentage
1	Marketing personnel	50
2	Small Marketing Department	50
3	Personal Selling	60
4	Annual Marketing Plan	42
5	National Market Sales	54

(Source: Primary Data)

The analysis found that above 50 percent of the sample units do not have any marketing personnel, and the marketing activity is being looked after personally by the entrepreneur himself. Whereas less than 50 percent of the sample units have a small units have a small marketing department, 60 percent of them have personal selling method, 28 percent of the sample units have second and third importance to their marketing function, 42 percent of the sample units develop annual marketing planning, and 10 percent develop more than one year plans to sell their products, 54 per cent of the sample units have adequate marketing opportunities for their products and 80 per cent of them have not make any efforts to appraise thecost effectiveness of their marketing.

62 per cent of the sample small scale units are facing heavy competition and an equal percentage of the sample units sell their products to industrial consumers, where as 56 percent of the small units sell their products in the national market.

Almost three fourths 74 percent of the sample units do not undertake any market survey. An equal percentage of the sample units have reached the objective of customer satisfaction.

MARKETING PROBLEMS FACED

S.No	Marketing Problems	Percentage
1	Low Quality	71.05
2	Price Fixation	60.53
3	improper Positioning	42.11
4	Improper Segmentation	50
5	High Cost of Marketing Personnel	55.26
6	Sales promotion	60.53
7	Distribution Channels	73.68
8	Non Availability of Packing Material	65.79
9	Competitors	89.47

(Source: Primary Data)

71.05 percent of the sample units have faced heavy problems regarding the quality of their products. 60.53 per cent of the units have faced moderately the problems of fixing he price for their product 42.11 per cent of the sample units have faced heavily the problems regarding the untimely introduction of their products into the markets. 50 per cent of the sample units have faced moderately the problems of improper segmentation. 55.26 per cent of sample units have faced heavily the problems of high cost of marketing personnel. 73.68 per cent of he sample units have heavily experienced the problems of distribution of their products. 60.53 per cent of the sample units have faced heavily problems in sales promotion. 89.47 per cent of the sample units have faced heavily problems with their competitors. 65.79 per cent of the sample units in the district have experienced moderately the problems grouped as other.

A very high percentage (89.47) of the sample units faced heavily the problems created by their competitors. Other problems like lack of awareness of product design, packaging, branding, Indian Standard Institution (ISI) mark, and non availability of packaging materials etc., were faced moderately by 65.79 percent of the small units.

7. LIMITATION OF THE STUDY

The study is restricted to Mahabubnagar District of Andhra Pradesh. It is also restricted to the units which are registered with DIC, Mahabubnagar only. It is also confined to the industries which are having existence of three years and more than three years. Out of 1900 units registered with DIC only 50 are considered for the study. (Investment in plant machinery above Rs. 1 Lakh and Rs. 1Crore)

8. CONCLUSIONS

76 per cent of the sample small scale units are facing marketing problems. Analysis and interpretation comprises of all the problems regarding Marketing Mix (4Ps). Market forces are governed generally by the criteria of efficiency, productivity and competitiveness and this is much more in the present era of liberalization and globalization. Performing the marketing functions satisfactorily and successfully in the global context is the major hurdle for SSI and their development.

9. FUTURE WORK

The present study is aimed at socio economic conditions, marketing problems of SSIs. There is a scope for further study in different areas of marketing management in this sector.Some of them are.

a) Study can be undertaken to find out factor responsible for discontentment among some members towards promotional activities.
b) Marketing management in SSIs.
c) Reasons for success or failure of SSIs.

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FINANCIAL MANAGEMENT AN OVERVIEW WITH SPECIAL REFERENCE TO INDIAN ECONOMY

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1. INTRODUCTION

These are special purpose financial statements whose format is agreed upon during project appraisal .The purpose of these statements is to fullfill the fiduciary requirements of the borrower ,co financiers /donors and the bank ,and to provide financial management information including that required under PMR-based disbursements .Project implementing units are usually fully financed by the project concerned .In these instances ,all the expenses of the PIU are part of the project and will normally be shown separately as project implementing unit expenditures in the sources and uses of funds statements. When the project implementing unit administers several projects. It should be noted that the financial statements of the projects cover not only bank funds but all others funds are reflected in the project appraisal document. Where significant funding is provided in kind ,appropiate adjustments should be made to the accounts and reflected in the financial statements. One project financial statements is required for each project even though it may be financed by a blend of loan ,credit, trust fund etc. The same also applies where the vechile of financing may change ,such as a change to single currency loan .Where a project is implemented by several PIUs, the main PIU should consolidatethe various financial statements.

In certain circumstances, where there are several auditors involved and a consolidation is not convenient a tabulation of the audit reports may be made, supported by necessary individual audit reports .where one finances a multi-state project and the bank intends to apply its convenants separately to each participating states , a project financial statement is required from each state .As the project is defined as covering all sources of funds (both bank provided and otherwise),the annual financial statements of the projects should also include all sources of funds. Similarly, the audit should relate to the whole project, not just to the bank –financed portion .In a project which supports capacity building in several institutions, the bank may require each to provide annual audited financial statements will need to be shown in the listing of compliance with convenants and considered when judging compliance with legal convenants ,they will not narmally be reported individually via the Audit Report Compliance System (ARCSs).The PIU is required to monitor the reciept of these reports,review them and prepare a periodic report to the bank summarizing the status ofcompliance with the relevant convenants. In addition,the project financial statements would include the amounts disbursed to the participating institutions ,summarizing the institutions useof funds to the extent that this may be required under the project .Special accounts and expenditures disbursed on the basis of PMRs should be integrated with project financial statements .The financial statements should include summary statements for special account (SA) transaction and for PMRs submitted during the year 2012.The audit opinion should also include a special reference to the SA activities and PMR-based disbursements .It is importantthat all details of the special account

,including bank statements ,be made available to the project's auditors to reconcile project with bank records.

A separate financial statements for the entity as a whole is often required for project implemented ,industrial and buisness entities. Entity financial statements are only required for those projects which (a)are implemented by revenue –earning entities (b) the financial viability of the implementing organisation is vital to the success of the project (c) one of the objectives of the project is to improve the institutional capability of the implementing organisation. These vital situations usually arise wher the project is implemented by a commercial ,industrial or buissness enterprise .Where a commercial type-entity wishes the project financial statements to be integrated as a part of the entity's financial statements , the project must be identifiable (through an accompanying table or annex summarizing the sources and uses of funds of the projects,or through the notes to the financial statements).In addition to the auditor's opinion on the financial statements of the entity ,there must also be an auditor's opinion on those of the project.

Fixed assets is the normal basis for quaterly disbursement using PMRs. As a result, accounting for fixed assets has not been given the attention which it normally recieves in financial reporting. Whatever the basis of accounting used, accounting for fixed assets requires serious consideration .Even though the main financial statements may not feature fixed assets (e.g. Under cash accounting) , there is a clear need to account for and report fixed assets. Without this information, an element of the accountability chain is broken because information needed for management and fiduciary purposes cannot be supplied .It is therefore, important that projects maintain complete fixed assets registers specifying details such as the type of assets its cost ,the number of units the date of acquisition and the beneficiary institutionto which the assets have been transferred .For projects involving large engineering works, a full cost ledger is needed so that costs can be accumulate for each component of the project during the planning construction and commissioning phases of the project. To summarize, accounting for fixed assets is an important aspect of due diligence ,even though it not figure prominently for the purposes of the PMR. Fixed assets should be recorded in asset registers or ledgers , and periodic management reports should report summary data on their status .Projects normally finance fixed assets for beneficiary entities including the relevant PIU. These assets are used for the production or the supply of goods and services , for rental or for the administrative purposes of the beneficiary entities. Project fixed assets as reported in the financial statements of the project are usually limited to those used in the administration of the project such as vehciles and equipment used by project managers and staff. Even under the accural basis of accounting ,fixed assets should be shown at cost without depreciation. Amortizing their cost over the life of the project would normally serve no useful purpose due to their immateriality to total project costs and because typically there is no project income against which the depreciation could be charged.

Where the project is implemented by a non-revenue earning entity, the cash basis of accounting is normally used .The project's annual financial statements are presented in the format agreed with the bank .No balance sheet is required on the assumption that cash balances would be reflected in the project sources and uses of funds statements. Where the project is implemented by a revenue-earning entity, the accural accounting basis is applied and the entity's ,the accural accounting basis is applied and the entity's financial statements presented in accordance with an agreed national accounting standards (International Accounting Standards are the benchmark).Where possible ,non-revenue earning projects are also encouraged to use the accural accounting basis as this leads to better accounting and provides more relevant information for comparison with output and other indicators.

Under the accural accounting basis :-

- Balance sheet is always required .
- Assets may be shown gross under project expenditures with project financing shown under funds. This reflects the idea that the project represents work in progress untill it is completed .
- Project sources and uses of funds include all accruals and advances.For example, where the borrower has pre-financed 100 percent of project cost over a period ,and the bank will finance 50 percent thereof ,the report will show the borrower as having advanced the bank 50 percent ,showing the bank as a receivable for the same amount, and
- A cash flow statement is required summarizing receipts and payments .The special account and PMR disbursement statement and notes to the financial statements are also included.

The reporting principles applicable to revenue-earning entities are fully covered by International Accounting Standards and are therefore omitted from this .However, the bank provides two options for meeting its reporting requirements for revenue – earning entities.

OPTION 1 :- Provide separate project financial statement with a separate audit opinion on the special account and on disbursements made on the basis of PMRs .This option is usually the most suitable.

OPTION 2 :- Attach with the project sources and uses of funds , and summary of PMR disbursements and the special account as appendices of the entity's financial statements with (a)the note to the entity's financial statements covering any aspects requiring disclosure and (b) the audit opinion specifically covering such appendices.

Bank policy (OP/BP 10.02) requires the borrower and the project implementing entities to have the required financial statements for each year audited .Audits are to be in accordance with standards that are accepatble to the bank .Examples of such standards are the International Standards on Auditing (ISA) published by the International Federation of Accountants (IFAC) and auditing standards issued by the International Organisational of supreme Audit Institution (INTOSAI).

Overall real Gross Domestic Product (GDP) growth for 2001-02, which was estimated at 5.4 percent by the central statistical organisation(CSO) at the time of budget formulation improved to 5.6 percent as per the quick estimates. However, industrial growth remained subdued, which severly constrained the process of fiscal consolidation in 2001-02 .Net revenue receipts of the centre at Rs 2,02,881 crore fell short of the budgets estimate by Rs 28,864 crore mainly on account of shortfall in tax revenue.Net tax revenue of the centre was 2.5 percent below the level in the previous year. The shortfall in revenue from income tax and corporation tax wa over 19 percent , as compared with the budget estimate. Revenue from excise fell short of the budget estimate by 11 percent.

There was some decline in the total expenditure of the central government as a proportion of GDP in 2001-02.Plan expenditure witnessed in increase in the capitalaccount mainly is a resultof step up in the levels of investment in different sectors. Non-plan expenditure remained lower than budget estimate by Rs 16,298 crore. Capital expenditure recorded an increase of 26.9 percent in the year 2001-02 year over the previous year ,while revenue expenditure recorded a modest increase of 7.4 percent in the same period.

The decline in revenue receipts led to higher borrowings , which grew by 14.6 percent in 2001- 02 as compared with growth of 13.5 percent in 2000-01.As a result, the fiscal deficit which was budgeted to remain at 4.7 percent GDP could not be contained and went up to 5.9 percent of GDP.

VALUE ADDED TAX (VAT)

Almost three-fourths of India has adopted Value Added Tax regime, switching off its ageold sales tax system that had existed for more than 50 years. While this change is a welcome measure for the trading community at large, the changeover would be a success only when the same is implemented across the country. This article analyses some of the major issues and concerns arising out of this socalled fractured implementation of VAT.

The much talked-about tax reform– Value Added Tax (VAT) that replaces the existing Sales Tax structure across various states has at last come to stay in majority of the states in India, thanks to the efforts of Mr. Asim Das Gupta, the Chairman of the Empowered Committee (EC)of State Finance Ministers. After several rounds of discussions and meetings to arrive at a consensus on various issues concerning the trade and industry at large, the EC has started its firstphase of implementation in various states. Though, the White Paper on the State Level Value Added Tax released on the 17th of January 2005 has talked about various decisions which theEC has agreed upon, it is not out of place to mention that not all problems of the trade are addressed to in the same. The discussions after the release of the White Paper also solved certain issues like a definitive time frame for the removal of the Central Sales Tax (CST). However, this article critically examines the issues causing concern for trade and industry due to the so called fractured implementation of the VAT in India, where some states follow VAT regime whilesome others stick to the age old sales tax system.

FRACTURED IMPLEMENTATION AND ITS EFFECTS

The proposal to integrate the various indirect taxes across the country, by volving a uniform Goods and Service Tax (GST), as recommended by the Kelkar Committee, would be possible only when there is a uniformity in the taxation system. This is because the uniformity itself will lead to smooth transition to an integrated GST. However, due to certain political and other considerations, some of the states have not joined the bandwagon of VAT that came into force
w.e.f 1st of April 2005. This will create problems, some of which are listed as under :-

DIFFERENTIAL TAX TREATMENT

While the states following the VAT regime allow the credit of all the taxes paid at an earlier stage (subject, of course, to certain restrictions), against the final tax liability, the states followingthe sales tax still follow the single point levy, exempting subsequent stages of sale/imposing another tax by various names such as resale tax, turnover tax, etc. This may lead to a situation, where a business unit having its business spread across the country would not be able to maintain a uniform pricing system. Also, the margins of various businesses would get affected due to this indifference.

MOVEMENT OF GOODS

Where the goods move from a VAT state to a non-VAT state, the credit of Locally procured materials would be available against the Central Sales Tax that is required to be paid. On the contrary, movement of goods from a non-VAT state to a VAT state would not be able to set off its tax paid on the purchases, which would obviously result in a position that the customer would be required to bear an additional brunt of tax in this case. Though the VAT acts allow the set off of tax paid on the inputs in excess of 4% in case of stock transfer of goods, the same would notbe useful in case where the goods are transferred from a non-VAT state, where similar provisionsdo not exist. Hence, the stock transfers from VAT states would bear a less tax burden compared to the transfers from a non-VAT state. However, the impact would also depend on the prevailing sales tax rate because in a case of sales tax rate being less than 4%, the same would not affect thestock transfers. Phasing out of CST:

It has been agreed that the CST would be phased out completely by 2007. The Government needs to be firm on this decision as this is an area, which is presently hurting the business segment. With the CST not being allowed as a credit, all the business units needs to find a local sourcing of materials for a temporary period of two years (as it stands today), which would not be possible for many traders who have been dealing on interstate purchases for the last several years. The major decisions such as changing the sourcing person would not also be worth as the existence of CST is only for a limited period from now.

Hence, till the time the CST is phased out, the additional burden of tax has to be borne by the ultimate consumers. This also results in a competitive advantage to the businesses, which completely depend on local supplies against a business having multi fold sourcing from various parts across the country.

INCENTIVE SCHEMES

With the decision of the implementation of the VAT, all the State Governments have put the incentive schemes aside. All the businesses, which were granted the benefits of various incentive schemes, need to find a way out to sustain and survive, as all their financial projections need tobe adjusted so as to suit the requirements of the current legislations across various states. This will also lead to another problem in cases where the unit having businesses across the country in states that are imposing VAT and states not imposing VAT, such as there could not be uniformity in the pricing system.

EXEMPTION SCHEMES

As the basic idea of VAT is to ensure uniformity across various sections, it Is imperative that there should not be any schemes permitting exemptions for specific dealers. This would result in a situation where the VAT chain breaks in between in case there are dealer specific exemptions, as they exist today. This would also affect the supplies made to the various exempted units such as Canteen Stores Department. All the Charitable Institutions which were earlier granted exemption under the Sales Tax regime needs to gear up to comply with the new tax regime attracting for the first time and following the updated legislations, which would be a cumbersome process given the nature of the businesses being carried out by them. The so called fractured implementation would now make the VAT states as less competitive compared to non VAT states, as they would not be in a position to avail any of the exemption schemes.

ACCOUNTING SYSTEMS

The fractured implementation of VAT basically affects the companies Following a uniform and centralized accounting system in an Information Technology environment. This is because of the fact that the accounting treatment differs in a VAT regime when compared to a non-VAT regime. When these both co-exist, the problems on account of maintenance of books of account would be innumerable as it would be difficult to keep a trail of events that would be necessary in order to avail the full benefits accruing under a VAT system.

Where the goods move from a VAT state to a non-VAT state, the credit of locally procured materials would be available against the Central Sales Tax that is equired to be paid. On the contrary, movement of goods from a non-VAT state to a VAT state would not be able to set off its tax paid on the purchases, which would obviously result in a position that the customer would be required to bear an additional brunt of tax in this case.

NO UNIFORMITY IN THE RATES

Even among the states that have implemented the VAT, there is no uniformity in the rates that is being followed. As one could see, the Empowered Committee covered only 550 commodities in two schedules of 4% and 12.5% VAT, leaving out many items and more products to the whims and fancies of State tax administration. Also, the current rates as proposed by the White Paper, which were now implemented differ with the rates existing in the State of Haryana, pioneer state in introducing the VAT in the year 2003 itself. There are three rates existing in Haryana i.e. 4%, 10% and 12.5%. However, the states, which have mplemented the VAT, now have only two rates namely 4% and 12.5%. There are certain critical items where there is a wide disparity in the rate of taxes across neighbouring states. In order to maintain uniformity all over India, rates of VAT are required to be decided by the Empowered Committee and applied in all the states and Union Territories. Adoption of a uniform system like that of a Harmonised System of Nomenclature (as is in force today for the Central Excise and Customs purposes) would be convenient for all the states to comply with. This type of uniform system is bound to reduce considerable litigation, which could be on various matters relating to classification of goods.

CONCLUSION

The move towards the VAT regime is a welcome step for the Indian Economy, but to get the complete benefits of this VAT, it is necessary that the whole nation should understand the issues and concerns of the trade and the industry at large in evolving a common system of taxation across the country. The states, who have not yet implemented the VAT, have to understand the problems being faced by the trading community at large and should mplement the VAT as quickly as possible so as to reduce the concerns of trade. This would pave the way for initiating the steps for the introduction of the GST in a near future. As already steps have seen initiated in integrating the taxation on goods and services at the central level (already inter sectoral credit has been introduced), it would be necessary to initiate the steps for ensuring a uniform value added tax law across the country which would then pave the wave for implementation of a common GST across the country.

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CORPORATE GOVERNANCE PRACTICES - EMERGING TRENDS

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ABSTRACT

In the last few years, the subject of corporate governance has come to the force. The governance mechanism in each country and corporate is shaped by various factors like political, economic and social history, legal framework, values and ethics of the promotes, managerial practices etc., The Business entities, Banks, Corporations financial institutions around the world are increasingly relying on corporate governance as means to achieve highest standards to raise the confidence level of people. The terms "corporate governance" has now become common parlance butits usage has not been very consistent, as the corporate have assimilated the concept in their own way based on their values and ethics. Good corporate governance practice would assist the corporate to develop a credible opinion on its management quality and responsiveness towards the interest of all its financial stakeholders. Improved perception of investors may in turn influence its valuation and facilitate rising of funds at favorable terms. The corporate governance practice in the financial sector also improves the comfort level of the statutory authorities and regulators. It can also be used as a check to determine the relative standing of the company with respect to the benchmarks of best corporation practices in the industry. This alone can help the corporate to survive in the globalized era.

1. INTRODUCTION

In the last few years, the subject of corporate governance has come to the force. The governance mechanism in each country and corporate is shaped by various factors like political, economic and social history, legal framework, values and ethics of the promotes, managerial practices etc., The Business entities, Banks, Corporations financial institutions around the world are increasingly relying on corporate governance as means to achieve highest standards to raise the confidence level of people.

The terms "corporate governance" has now become common parlance but its usage has not been very consistent, as the corporate have assimilated the concept in their own way based on their values and ethics.

BASIC CONCEPT

Corporate governance is a set of system and processes to ensure that a company is managed to suit the best interests of all stakeholders. The stakeholders may be internal stakeholders (promoters, members, workmen and executives) and external stakeholders (shareholders, customers, lenders, dealears, venders, bankers, community, government and regulators)

According to Cadbury committee on financial aspects of corporate governance, it is the system by which companies are directed and controlled.

Corporate governance is a voluntary ethnical code of business of companies with total transparency, integrity and accountability of the management.

It is system of making management accountable to the stakeholders for effective management of the companies, in the interests of the company and also with adequate concern for ethics and values. It is inclusive of the structures, process cultures, and systems through which the company sets out its objectives defines the means of attaining that objectives and monitoring its performance.

It is generally understood to mean the system that defines the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out rules and procedures for making decisions in corporate affairs.

NEED FOR CORPORATE GOVERNANCE

This subject of corporate governance has attracted so much attention due to some fundamental reasons. The pressure for good corporate governance in the financial sector arises from fundamental, long-term changes in the environment mentioned below.

- Globalization has increased the freedom, opportunities and economic power **of** the corporate in the financial sector.
- Domestic liberalization has, similarly, enable local corporate and companies to expand and globalize.
- Privatization of state owned enterprises puts huge assets in the hands of the new private management.
- Accessibility to technology know-how means to run corporate made many entrepreneurs jump into creation of new business entities.
- Appearance and expose of scandals in the form of suppression of crucial financialinformation diversion of funds misuse of facilities hampers the interest of all stakeholders.
- As we live in a more volatile and inter- linked world, effects are instantaneous. If one letter of Credit fails, it may affect other countries and the institutions with greater national and international attention.
- Liberalization and deregulation the word over has given sufficient freedom to operate. This resulted in markets becoming free and more complex .As greater freedom implies greater responsibilities it is necessary to have transparency.
- What happens in a particular corporation is a concern of all .Fear of contagion and systemic implication is a cause for concerns. Relatively small and isolated events in financial institutions, has affected a lot of institutions, including some several times larger.

AIMS OF CORPORATE GOVERNANCE

Economics is indicative of the profit earning capacity. However, profits must be earned with ethnical means with due consideration to environmental effects. This would lead to harmonization of conflicting interests of various stakeholders. Corporate governance aims in bringing this harmonization in the following way. It holds the balance between economic and social goals and between individual andcommercial goals.

- It ensures efficient use of resources and accountability for the stewardship of those resources.
- It aligns the interest of individuals, corporations and society.
- It helps corporations and those who own and manage them to adopt internationally acceptable governance standards, which will assist them to achieve their corporate aims and attract investment.
- It encourages and strengthens the economy and discourages fraud and mismanagement.
- It ensures openness and disclosure and thereby enhances public confidence.

CORPORATE GOVERNANCE – DIFFERENT PERSPECTIVE

The literature on corporate governance covers a variety of aspects, Important among them are protection of shareholders‟ rights ,enhancing shareholders‟ value. Board issues including its composition and role, disclosure requirements, the integrity of accounting practices , the control systems ,in particular the internal control systems, in particular the internal control systems , insider trading etc as for as financial sector is concerned. These factors can however be broadly classified under two different perpectives.viz.

A. Corporation's perspective
B. Public policy perspective

A. CORPORATION'S PERSPECTIVE

Corporate governance is about maximizing value to stakeholders subject to meeting the corporation's financial and other legal and contractual obligations. The inclusive definition stresses the need for board of directors to balance the interest of share holders with those of other stake holders like employees, costomers, suppliers, investors and communities in order to achieve long term sustained value for the corporation.

B. PUBLIC POLICY PERSPECTIVE

Corporate governance is about nurturing enterprises while ensuring accountability in the exercise of power and patronage by firms for larger public goodness. The role of public policy is to provide firms with incentives and discipline to minimize the divergence between private and social returns and to protect the interest of stakeholders.

These two perspectives provide a framework for corporate governance that reflects interplay between internal incentives which defines the relationships among the key players in the corporation and external forces like policy, legal. regulatory and market that together govern the behavior and performance of the firm.

CORPORATE MANAGEMENT AND CORPORATE GOVERNANCE

There is a growing recognition of the difference between corporate governance and corporate management and the need to align corporate management with corporate governance. Corporate governance is concerned with the values, vision and visibility. It is about the values orientation of the organization, ethnical norms for its performance, the direction of development and social accomplishment of the organization and the visibility of its performances and practices. Corporate management is concerned with efficiency of resource use, value addition and wealth creation within the broad parameters of the corporate philosophy established by corporate governance. There has to be a continuous endeavor to understand the difference andalign these two for greater transparency.

COMPELLING REASONS FOR CORPORATE GOVERNANCE

All well governed corporate organizations should recognize the importance of good business ethics and take cognizance of the environmental and social interests of the communities in which they operate. While the corporate governance principles incorporate code that are intended to project interests of the shareholders they are also expected to give due importance to safeguarding interests of the stakeholders like employees, creditors ,suppliers, customers, environment, etc. Effective co-operation of all the stakeholders is essential for creating wealth for the shareholders and building financially sound corporations. Happening in the past have fallen short of this basic requirement in the financial sector. Few compelling reasons for corporate governance in financial sector are:

- Inadequacies and failures of existing system-leading to need for norms and codes to remedy them.
- Deficiencies in the accounting standards _ when became evident after many companies in their eagerness to increase earnings and accelerate growth, exploited the weakness in accounting standards to show inflated profits and understate liabilities.
- Financial crises in the Asian Market – highlighted the need for improved level of corporate governance as the lack of it in certain countries has been responsible for collapse of many corporations.
- Differing interest – the interest of those who have effective control over a firm can differ from the interest of those who supply the firm with external finance.
- Mismanagement – loss suffered by the investors and bankers on account of unscrupulous management of the companies which gave raised capital from the market at high valuation.
- Suppression of facts – allotment of promoter’s shares on preferential prices, disproportionate to market valuation of shares leading to further dilution of wealth of minority shareholders
- Inadequate attention – to the basic procedures for shareholders‟ service – delay in transfer of shares, dispatch of share certificates and dividend warrants, no timely dissemination of information to investors

Corporate governance attempts to remedy the above problems and promotes the adoption of globally acceptable practices.

DRIVERS FOR CORPORATE GOVERNANCE IN INDIA

Two sets of factors have contributed to the development of corporate governance. These factors have acted as drivers for growth of corporate governance .They are:

1. NECESSARY FACTORS

A. Mandatory requirement resulting from recommendation of the Birla Committee on corporate governance set up by SEBI

B. Liberalization efforts of the government with associated regulatory requirement

C. Transparency demanded by the foreign investors, collaborators and buyers in respect of functioning of Indian corporate

D. Keenness shown by the Indian investors in this front

2. FACILITATING FACTORS

Growing awareness and enthusiasm in corporate Indian to embrace good corporate governance Keenness exhibited by many caption of industry, corporate leaders and top executives tousher in corporate governance.

CORPORATE GOVERNANCE FRAMEWORK

Economic theory identified four factors of production namely land, Labour, Capital and organization/ Entrepreneurship .These four factors constitute the wheel of business. Maximizing the shareholders‟ wealth was considered as the primary objective of a business organization .During recent years this view of business has been undergoing a change. Shareholder‟s wealth can be maximized at the cost of others. Hence, the ideal of optimization came into force. It is now widely recognized that there are many stakeholders and it is important that there is proper balancing in the interests of various stakeholders (Sheeler and sillampa 1977). The following are the stakeholders for any business enterprise:

a) Customers
b) Employees
c) Suppliers
d) Government
e) Society
f) Shareholders

Each stakeholders group has its own requirements. Their happiness comes from satisfaction of their needs any corporate body that attempts to meet the aspirations and happiness of these stakeholders will be able to move towards a state of openness and transparent governance keeping interest of all of them.

IF the organization cares for the customers (provides products at the right price and right type of quality) then customers feel happy. Employee's happiness comes from the proper remuneration for their contributions. Suppliers feel happy if payments are made in time and there is transparency and honesty in the organization in dealing with suppliers. Society feels happy if organization is Eco-friendly and is not polluting the environment. Government feels happy if organization pays its taxes honestly. Shareholders feel happy if they get „proper‟ return on their capital. Thus a good corporate citizen has to strive to keep everyone associated with in a satisfied state.

Given above perspective, a stakeholders Happiness Index (SHI) can be created and corporate can be rated on the basis of this index. The following table is given below provides a basis for developing this index;

SI No	Stakeholders	Happiness Index	Parameters for
			Developing
			Happiness Index
1.	Customer	SHI (C)	Quality, price service,
			Complaints handling
2.	Employees	SHI (E)	Job satisfaction, Career
			Opportunities, ESOPs
3.	Suppliers	SHI (Su)	payments Systems
			Transparency and honest
			In awarding contracts
4.	Society	SHI (So)	Efforts taken to prevent
			Pollution, philanthropic
			Contributions
5.	Government	SHI (G)	payment of taxes
6.	Shareholders	SHI (Sh)	Fair return on capital

On the basis of the happiness index for individual stakeholders, we can develop a Total stakeholder's happiness index (TOSHI) through a multiplicative formula as given below:

TOSHI=SHI (C) * SHI (E) * SHI (Su) * SHI (So) * SHI (G) * SHI (SU)

Corporate within the same industry can be rated on the basis of TOSHI. Such information would induce a sense of accountability on the part of corporate. If Total Stakeholders happinessindex is to be improved, corporate should earn high points on a „corporate reputation scale‟.

Balasubramaniam and Kimber (2000) have suggested a model of corporate reputation wherein four aspect of corporate reputation have been identified as Product/Service Reputation, Business Reputation, Credibility in financial markets and social Reputation. In their framework, product/service reputation is based on „the way the products services provided by the organization are accepted in the market place". Business reputation is concerned with "relationship with suppliers, employees, government bodies and other members in the industry: Social reputation relates to environmental and social concern of the corporate.

We can discern between the Corporate Reputation framework suggested by Balasubramaniam and Kimber and the „stakeholders" happiness framework suggested by Athreya (2000) the stakeholders" happiness framework identified four major requirements for an "ideal corporate citizen". In its relationship with customer, the key idea is Total service. Its obligation towards shareholders is in terms of wealth creation of the shareholders. Its obligation towards employees is through fulfilling aspirations. Its obligation towards society is in terms of return to society.

From the above model, it can be observed that the corporate reputation model and the stakeholder"s happiness model are inter – related .High corporate reputation would also ensure high stakeholders happiness.

Sharma [1996] provides framework managerial qualities wherein four qualities prescribed are a following:

a) Transcendental Values
b) The Ethnical Dimension
c) Concern for people
d) Pursuit of profit

This frame –work can also provide us a conceptual foundation for managerial action on the part of the managers, to improve corporate reputation and stakeholders" happiness.

CORPORATE GOVERNANCE RATING MODEL FOR FINANCIAL INDUSTRIES

More recently ICRA has developed a new product- Corporate Governance Rating (CGR) for the Indian market .CGR would indicate the relative level to which an organization accepts and follows the codes and guidelines of corporate governance practices. This is based on the core principles of corporate governance practices such as Fairness, Transparency, accountability and Responsibility. The codes and standards includes amongst others a) the ownership structure , b) Management Structure including board level issues , c) Quality of financial reporting and other disclosures and do fulfillment of interests of the financial stakeholders.

CGR rating would fall between, CGRI, indicating highest level of corporate governance to CGR6 indicating poor Level of corporate governance. While evaluating an organization on the CGR scale of 1-6 it is considered whether the codes and guidelines have just been followed for statutory compliance or the organization has implemented the concept of corporate governance in sprit as well. This differs from credit rating is a current opinion on the relative ability of issuer to meet its debt obligations as per terms. whereas, a CGR is a current assessment of various company practices and procedures relative to the codes and standards of corporate governance .While a CGR can affect the attractiveness of a company to potential investors (debt or equity), CGR is not intended to be opinion on specific financial obligation , credit quality, capital market valuation or operational performance . CGR is not an audit, a rating or a financial advice nor is it a recommendation to take any financial decision; Also CGR is not to be interpreted asindicators of statutory compliance.

3. CONCLUSION

Good corporate governance practice would assist the corporate to develop a credible opinion on its management quality and responsiveness towards the interest of all its financial stakeholders. Improved perception of investors may in turn influence its valuation and facilitate rising of funds at favorable terms. The corporate governance practice in the financial sector also improves the comfort level of the statutory authorities and regulators. It can also be used as a check to determine the relative standing of the company with respect to the benchmarks of best corporation practices in the industry. This alone can help the corporate to survive in the globalized era.

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COMPENSATION MANAGEMENT: A THEORETICAL PREVIEW

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ABSTRACT

Compensation is a systematic approach to providing monetary value to employees in exchange for work performed. Compensation may achieve several purposes assisting in recruitment, job performance, and job satisfaction. An ideal compensation management system will help you significantly boost the performance of your employees and create a more engaged workforce that's willing to go the extra mile for your organization. Such a system should be well-defined and uniform and should apply to all levels of the organization as a general system.. Plus you'll enjoy clearer visibility into individual employee performance when it comes time to make critical compensation planning decisions. With effective compensation management you'll also enjoy clearer visibility into individual employee performance when it comes time to make critical compensation planning decisions. These performance appraisals assist in determining compensation and benefits, but they are also instrumental in identifying ways to help individuals improve their current positions and prepare for future opportunities. Human Resource is the most vital resource for any organization. It is responsible for each and every decision taken, each and every work done and each and every result. Employees should be managed properly and motivated by providing best remuneration and compensation as per the industry standards. The lucrative compensation will also serve the need for attracting and retaining the best employees.

KEYWORDS: *Human resource, Compensation, Organization, Management, Compensation Policies.*

INTRODUCTION

The turbulent management-labour crisis over continuous agitation for increased pay in the public services all over the world is challenging public sector organizations to utilize their employees more effectively to improve organizational performance. In Nigerian Civil Services, pay has become the driving force for seeking employment in the industry. It therefore becomes imperative that organizations establish and adopt a compensation system that can motivate employees to work while at the same time not eating too deep into the organization's resources. Remuneration does not simply compensate employees procedures that will attain maximum return on Naira spent in Compensation is payment in the form of hourly wages or annual salary combined with benefits such as insurance, vacation, stock options, etc. that can positively or negatively affect an employee's work performance.

Compensation is the remuneration received by an employee in return for his/her contribution to the organization. It is an organized practice that involves balancing the work-employee relation by providing monetary and non-monetary benefits to employees. Compensation is an integral part of human resource management which helps in motivating the employees and improving organizational effectiveness.

2. REVIEW OF LITERATURE

Bob (2011) Compensation processes are based on Compensation Philosophies and strategies and contain arrangement in the shape of Policies and strategies, guiding principles, structures and procedures which are devised and managed to provide and maintain appropriate types and levels of pay, benefits and other forms of compensation.[1]

Bob (2011) This constitutes measuring job values, designing and maintaining pay structures, paying for performance, competence and skill, and providing employee benefits. However, compensation management is not just about money. It is also concerned with that non-financial compensation which provides intrinsic or extrinsic motivation.[2]

Anyebe (2003) This work however is limited to financial compensation in Anambra State Civil Service as a recent study has shown that pay is the driving force for seeking employment in the Civil Service.[3]

Armstrong (2005) stated that compensation management is an integral part of human resources management approach to productivity improvement in the organization. It deals with the design, implementation and maintenance of compensation system that are geared to the improvement of organizational, team and individual performance.[4]

Pearce (2010) Compensation implies having a compensation structure in which the employees who perform better are paid more than the average performing employees.[5]

Armstrong (2005) Compensation Management is concerned with the formulation and implementation of strategies and Policies that aim to compensate people fairly, equitably and consistently in accordance with their value to the organization.[6]

Anyebe (2003) The task in compensation administration is to develop policies and the terms of attracting, satisfying, retaining and perhaps motivating employees.[7]

Anambra State Civil Service (1991) which the researchers examined originated from the Eastern Nigeria Government and the old Anambra State. The creation of this state led to the set up of the Anambra State Civil Service. Employing the tenets of traditional public administration, the state civil service was an instrument of the government authorities as well as an impartial interpreter and implementer of the policies and programmes of the State Government.[8]

Robert and Angelo (2001) opined that the success or failure of organizations hinges on the ability to attract, develop, retain, empower and reward a diverse array of appropriately skilled people and is the key to improved performance hence the enthronement of democratic governance in 1999 brought some civil service reforms and Anambra State Civil Service Commission got vested with horizontal powers by law to manage the workforce of the civil service for greater efficiency. [9]

Nweke (2010) Successive constitutional reviews and Civil Service reforms have catalysed the evolution of the civil service as an institution for spearheading the rapid transformation of the state and ensuring continuity of administration.[10]

Armstrong (2005). Compensation management is one of the central pillars of human resources management (HRM). It is concerned with the formulation and implementation of strategies and policies that aim to compensate people fairly, equitably and consistently in accordance with their value to the organization.[11]

Hewitt (2009). Compensation Management as the name suggests, implies having a compensation structure in which the employees who perform better are paid more than the average performing employees. This encourages top-performers to work harder and helps to build a competitive atmosphere in the organization. [12]

Armstrong and Brown (2005) postulate that compensation management is an integral part of HRM approach to managing people and as such it supports the achievement of business objectives and it is strategic in the sense that it addresses longer term issues relating to how people should be valued for what they want to achieve; It is therefore integrated with other HRM functions, especially those concerned with human resources development. [13]

Armstrong (2005) in his own analysis says compensation management is all about developing a positive employment relationship and psychological contract that adopts a total compensation approach which recognizes that there are a number of ways in which people can be compensated.[14]

Bob 2001; Brown 2003; Anyebe 2003 states compensation management as being based on a well articulated philosophy- a set of beliefs and guiding principles that are consistent with the values of the organization which recognizes the fact that if HRM is about investing in human capital from which a reasonable return is required, then it is proper to the skills and competencies of employees in order to increase the resource-based capability of the organization. [15,16,17]

Harrison and Liska (2008) in their study posit that reward is the centre piece of the employment contract-after all it is the main reason why people work. This includes all types of rewards, both intrinsic and extrinsic, that are received as a result of employment by the organization. [18]

Brown (2003) sees compensation as a return in exchange between their employees and themselves as an entitlement for being an employee of the organization, or as a reward for a job well done. Employees' pay does not depend solely on the jobs they hold. [19]

Gehart and Milkovich (1992).Instead organizations vary the amount paid according to differences in performance of the individual, group, or whole organization as well as differences in employee qualities such as seniority, educational levels and skills.[20]

Dyer (1985) The notion that compensation policies are strategic, thereby affecting the missions of the organization, has considerable currency. This is part of the current popularity of all things strategic. While some may write it off as another fad, a less cynical view is that a strategic perspective on compensation is part of a growing recognition that macro-organizational issues are an important part of the study of human resource management.[21]

The Conference Board (1984) American Productivity Center (1987) The importance of a strategic perspective on compensation rests on three fundamental tenets. The first is that compensation policies and practices differ widely across organizations and across employee groups within organizations. To some students of organizations this may be self evident. But to others, such as economists using human capital models to examine compensation differentials, differences in organizations' compensation policies and practices are treated as random noise with little relevance. Anecdotal evidence and sporadic surveys of specific policies or practices report that differences do exist. [22, 23]

Dyer (1985) The term strategy is often used to refer to everything considered important. The danger is that if it refers to everything, it may mean nothing. Generally, strategy refers to the overarching, long-term directions of an organization that are critical to its survival and success. Strategies take advantage of the opportunities and manage the threats in the external environment by marshalling internal resources in some coherent, consistent direction. [24]

Mintzberg (1987) A strategy may be intended and formally articulated in some plan or document, or it may emerge through the patterns of decisions shown by the organization's behaviors. Thus, strategies are both plans for the future and patterns from the past. Strategy applied to compensation management is particularly ill defined. Analogous to the more general definition just discussed, the term connotes compensation decisions responsive to environmental opportunities and threats, and linked to or supportive of the overall long term directions and purposes of the organization.[25]

Schwab (1980) Being strategic about compensation implies support of the business strategy and sensitivity to anticipated environmental pressures. But such a general characterization does not provide much leverage for research or theory building. Nor does it offer much guidance for managing compensation. And the folly of undertaking research based on poorly defined constructs is well recognized. [26]

Cooke (1976), Ellig (1981) & Salter (1973) The notion of compensation strategy originally surfaced in the literature on executive compensation. From a strategic perspective, compensation for executives was defined in terms of several basic elements: base pay, short- and long term incentives, benefits, and perquisites. The major strategic decisions focused on the deployment of total compensation among the basic elements to best achieve the missions of the organization. Long term incentive as a percent of total compensation is an example. Attention was directed at choices among various short-term versus long-term incentive schemes, the relative emphasis on corporate versus subunit performance, and the riskiness of the total compensation package.[27, 28, 29]

Lawler (1981), while not the longest, is perhaps the most inclusive. It includes the market position (level of pay relative to competitors), internal versus external orientation, hierarchy (the steepness of the pay structure and the basis--job versus skills--for the pay structure reward mix, and the basis of rewards (performance versus seniority, groups versus individual, criteria used, etc.). [30]

Carroll (1987) (performance measures, size of bonus, timing, etc.) seem consistent with Lawler's more broadly defined issues (e.g. basis for increases). The original issues proposed for executive compensation have also become more broadly defined and applied to all employees.[31]

Salter (1973) and Lawler (1981) also considered a series of process decisions to be strategic. These included congruency (consistency with other organization systems), standardization of pay systems across subunits, communications (the type of data to disclose, the channels to use, etc.), participation in decision making (levels of employees involved and nature of involvement), and organization change strategy (the role of compensation in organization change).[32,33]

Kerr (1985), focusing on the compensation of general managers, offered a somewhat different list (35 items in all), including the subjectivity versus objectivity of performance criteria, the time orientation (short versus long-term), the values orientation (performance versus membership), clarity of the performance-reward relationship, and the proportion of total compensation devoted to incentives.[34]

Heneman (1985) The expanding list of decisions claimed to be strategically relevant raises doubts about the efficacy of a strategic perspective. It brings to mind the multiple facets of job satisfaction and pay satisfaction that made the constructs more complex than originally conceived.[35]

Belcher (1987) Milkovich & Newman, (1987) and Carroll (1987) The first policy, the degree of competitiveness, can vary among organizations and among occupations within organizations. From a strategic perspective, competitiveness refers to positioning a firm's compensation relative to its competitors.[36, 37, 38]

Rabin (1987) The mix of pay forms, the risk-return tradeoffs in the pay forms, and the average pay level relative to competitors are all relevant aspects of a firm's policy regarding the competitiveness of its compensation. The risk-return tradeoff can be illustrated by considering two managerial pay schemes. Whether these two competitive positions are equivalent depends on the risk-return tradeoffs of prospect employees. A risk-return tradeoff incorporates both the proportion of bonus to total compensation and the likelihood of receiving the bonus.[39]

Balkin & Gomez-Mejia, (1984) Lawler, (1981); Salter (1973) The nature of an organization's strategy has been postulated to be the primary determinant of its compensation strategy. A convention in the organization literature is to distinguish among three levels of strategies: corporate, business unit, functional.[40, 41, 42]

Hofer & Schendel, (1978); Galbraith & Schendel, (1983) and Leontiades (1982) have seen as interrelated but distinct concepts). These three levels have been carried into the strategic human resource management literature. Since such a variety of definitions, typologies, and measures of strategies exists at each level, only those used in research directly related to compensation are discussed here. The two proxies for corporate strategy employed in the research on compensation strategy are diversification and life cycles. [43, 44, 45]

Rumelt, (1974) The lack of clarity in the meaning of these proxies is but one of the limitation inherent in this research. Diversification is the most widely used. With it, organizations are classified as to whether they exhibit a single, dominant, related, or unrelated product diversification strategy. [46]

Lawrence & Lorsch (1967) According to organization theory, greater diversification gives rise to the need for mechanisms to integrate and control the corporation's separate business units consistent with corporate objectives.[47]

Kerr (1985) The compensation system serves as a key integration and control mechanismavailable to management. Several studies of corporate diversification also examined compensation issues.[48]

Lorsch and Allen (1973) studied two conglomerates and one vertically integrated firm. The conglomerates used more formalized procedures with predetermined indices based on division results; managers' pay increases were tied to objective formulas and the conglomerates used financial end results criteria. The integrated firm used a less formal system based on corporate results, incorporating some intermediate measures as well as end results measures, which were not linked to pay increases by a formula. [49]

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A STUDY OF INVESTOR BEHAVIOR ON INVESTMENT AVENUES IN MUMBAI FENIL

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ABSTRACT

This is a project about the study of the analysis is to determine the investment behavior of investors and investment preferences for the same. The kind of volatility we witnessed in the asset class (Equity markets) in recent times is unprecedented. It is true with other asset classes like Gold, Currencies, and Bonds as well. This leaves the investor baffled at times. If we get into further details, it can be finding that the continuous volatility is affecting investor behavior in a big way. Therefore, one has to get into an investor's mind and experience the upheavals going on there.

In earlier times investor had the option of investing in plain vanilla Bank Deposits, Government Bonds, Post Office schemes like NSC, Indira Vikas Patra, Kisan Vikas Patra and Monthly Income Schemes. If he wanted exposure in real estate, he was buying land primarily. He bought gold mainly for his personal use on occasions like festival, marriage and never seriously thought of it as an asset class.

The purpose of the analysis is to determine the investment behavior of investors and investment preferences for the same. Investor's perception will provide a way to accurately measure how the investors think about the products and services providedby the company. Today's trying economic conditions have forced difficult decisionfor companies. Most are making conservative decisions that reflect a survival mode in the business operation. During these difficult times, understanding what investors on an ongoing basis is critical for survival. Executives need a third party understanding on where investor's loyalties stand.

KEYWORDS: *Ability of investment decision, Investors optimism, Investors effort, Risk appetite, investor's behavior.*

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1. INTRODUCTION

In today's scenario there has been a major change i.e. economic prosperity all over. The entire world is talking about the robust growth rates in this part of the world. Higher income levels and booming stock markets have led to more and more numbers of high net worth investors (HNIs). This means the availability of huge investible surplus. The investors with higher risk appetite want to experiment and try new and exotic products in the name of diversification. This has resulted in emergence of new options within the same or fresh asset classes. There are more products available within each asset class be it Equity, Mutual Fund, Gold, Real Estate.

The common perception of investors is to buy when the market supports in uptrend and not to invest in the falling time. They wait for the stabilization in the market; so in this research, we would like to draw a clear picture on the trends of traders and investors. Markets have personalities because investors have emotions. Markets are ultimately driven by people and stock prices are what individuals make them out to be. People have a tendency to see their own actions and decisions as totally rational, when the truth is they may not be.

Key points on investor behaviors:

- Investments are often thought of as pieces of paper rather than part ownership of a company.
- Investors are often impatient to sell a good stock.
- Investors often make a distinction between money easily made from investments, savings or tax refunds and hard-earned money – found money is more readily spent or wasted.
- People tend to think in extremes – the highly probable news is considered certain, while the improbable is considered impossible.
- Investors often take a short-term viewpoint. Recent market losses lead to suspicion and caution, while recent gains lead to action.
- Investors may overestimate their skills; attributing success to ability they don't possess andseeing order in information or data where it doesn't exist.
- Investors follow the crowd, and are heavily influenced by other investors or compelling news;they fail to check out the real facts.
- Investors become obsessed with prices and trend-watching, rather than solid information.

Taken as a whole, these psychologies really have only one effect, that is - a financial decision is taken that lacks accuracy. And these errors are strongest when uncertainty, inexperience, attitudes and market pressures come together to undermine decision-making ability. Each person has his own personal psychology and response style. There are three elements that comprise the essence of success theory:

- The way in which, we as investors deal with loss and failure is just as important, if not more important, than the way in which we deal with success.
- Effectively controlling and channeling emotions are two very important issues in the equation for success.
- Those successful continue to be successful as investors, recognize the importance of market psychology and incorporate it in their work to a certain extent.

Success will tend to take care of itself, if one provides the proper psychological and behavioral background for it to occur. Goals are wonderful, without them we would be lost. Yet, the road to success must be paved with behavior, attitude, opinions and visualization. To be successful as an investor, one needs to develop and maintain similar attitudes, behaviors and opinions.

The main objective of the study was to find out the need of the current and future investors andto study on investors behavior. The purpose of the analysis is to determine the investment behavior of investors and investment preferences for the same. Investor's perception will provide a way to accurately measure how the investors think about the products and services provided bythe company. Today's trying economic conditions have forced difficult decision for companies. Most are making conservative decisions that reflect a survival mode in the business operation. During these difficult times, understanding what investors on an ongoing basis is critical for survival. Executives need a third party understanding on where investor's loyalties stand.

The objective of the study is briefly discussed below:

- To understand in depth about different investment avenues available in market.
- To understand the pattern of the investors at the time of investing.
- To find out the factors that investors consider before investment.

This study will help in gaining a better understanding of what an investors look for in an investment option. The study could also be used by the financial sector in designing better financial instrument customized to suit the need of the investors.

2. LITERATURE REVIEW

Many Organizations and individuals conducted several studies on the various aspects of the capital markets in the past. These studies were mainly related to various instruments of capital market, shareholding pattern, new issue market and scope, market efficiency, risk and return, performance and regulation of mutual funds. However, not much of research was done on investment patterns and investor's perceptions. Hence an attempt is made to review some of the studies relevant to the topic in order to get into in depth details of the chosen study. Jaakko (2011) study revealed that most investors had affected based extra motivation to invest in stock, over and beyond financial return expectations. Zaghlami (2009) study revealed that some psychological particularities that are not expected by the financial behavioral literature, the study was conducted on Tunisian investors. Mahendra (2008) study stated that irrational investment decision making is a widespread phenomenon. They study the perils of irrational decision- making in investments choice which finally can lead to great risk. Verma, (2008) identified the demographic profile and investor personality can be the two determinants for making perception about the investor psychology, which if scientifically studied could help the Wealth Management professionals to advice their clients better. Commins (2009) in their article discussed the hedonistic psychology of investors. It cites that the pursuit of happiness becomes hedonistic when people want to get the most of their investment and gaining wealth is no longer confining that one becomes overly materialistic.

The study conducted by SCMRD for Ministry of Company affairs (2004) found that majority of the retail investors do not regard mutual fund equity schemes as a superior investment compared to direct equity. Kent (19998) developed a theory of securities market under- and overreactions based on two well-known psychological biases: investor overconfidence about the precision of private information; and biased self-attribution, which causes asymmetric shifts in investors' confidence as a function of their investment outcomes. SEBI (1998) survey revealed that Risk appetite, investment objective of the investor,, income of the investor, funds available for investment, greatly influences the behavior of the investor in corporate securities at various levels.

The Institute of company secretaries of India in its Investor Education series III entitled, "Investment Decision making by a Lay Investor‟ (1991) explained the preconditions for investment decision making, analysis and evaluating risks.

3. RESEARCH DESIGN

A research design must contain the clear statement of the research problem, procedures and techniques for gathering information, the population to be studied and the methods used in processing and analyzing data (Kothari, 1999).

The research used in this study is Exploratory Research. Exploratory research provides insights into and comprehension of an issue or situation. It should draw definitive conclusions only with extreme caution. Exploratory research is a type of research conducted because a problem has not been clearly defined. Exploratory research helps determine the best research design, data collection method and selection of subjects. Given its fundamental nature, exploratory research often concludes that a perceived problem does not actually exist.

DESIGN OF QUESTIONNAIRE

A questionnaire is a reformulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives. Biases in research can be minimized if a questionnaire focuses on three areas: the wording of questions, general appearance of questionnaire and planning of issues of how the variables will be categorized, scaled and coded after receipt of the responses. It is important to conduct a thorough measurement analysis on survey instrument, which is used for research. Measurement analysis provides the audience with assurance that the findings reflect accurate measures and the results are believable.

Questionnaires are an efficient data collection mechanism when the researcher knows exactly what is required and how to measure the variables of interest (Sekaran, 2007). A questionnaire is a reformulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives. Biases in research can be minimized if a questionnaire focuses on three areas: the wording of questions, general appearance of questionnaire and planning of issues of how the variables will be categorized, scaled and coded after receipt of the responses. It is important to conduct a thorough measurement analysis on survey instrument, which is used for research. Measurement analysis provides the audience with assurance that the findings reflect accurate measures and the results are believable.

RELEVANCE

To be successful, questionnaire should be short and simple (Kothari, 1999). Questions should proceed in a logical sequence moving from easy to more difficult ones. Technical terms and expression with numerous interpretations should be avoided. Reliable and valid instrument provides practitioners with a tool for self-assessment and continuous improvement.

Questionnaire approval
The purpose of Questionnaire approvals:

1) To establish the most appropriate questions.
2) To check whether the questions asked in the questionnaire are easy to understand.
3) To ascertain the effectiveness of the measuring instrument.

SAMPLING DESIGN

A sampling frame is closely related to the population. A sample is a part of population, which is selected for obtaining the necessary information.

Methods are classified as either probability or non-probability. In probability samples, each member of the population has a known non-zero probability of being selected. Probability methods include random sampling, systematic sampling, and stratified sampling. In non- probability sampling, members are selected from the population in some non-random manner. These include convenience sampling, judgment sampling, quota sampling, and snowball sampling. The advantage of probability sampling is that sampling error can be calculated. Sampling error is the degree to which a sample might differ from the population. When inferring to the population, results are reported plus or minus the sampling error. In non-probability sampling, the degree to which the sample differs from the population remains unknown. The sample size for this research was 100 investors.

COLLECTION OF DATA

Data Collection helps the team to assess the health of the process. To do so, one must identify thekey quality characteristics one will measure. Data Collection enables a team to formulate and testworking assumptions about a process and develop information that will lead to the improvement of the key quality characteristics of the product or service. Data Collection improves the decision-making by helping oneself focus on objective information about what is happening in the process, rather than subjective opinions. Data collection has been done through Primary Data,which was done by personal Interviews with the investors.

4. ANALYSIS OF DATA

Analysis of data is a process of inspecting, cleaning, transforming, and modeling data with the goal of highlighting useful information, suggesting conclusions, and supporting decision making. Data analysis has multiple facets and approaches, encompassing diverse techniques under a variety of names, in different business, science, and social science domains.

TABLE 1: DESCRIPTIVE STATISTICS

Parameter	No. of investors	Percentag e
Gender		
Male	76	76%
Female	24	24%
Total	100	100%
Age Group		

Below 30	18	18%
30-50	68	68%
Above 50	14	14%
Total	100	100%
Qualification		
Under Graduates	16	16%
Graduates	53	53%
Post Graduates	31	31%
Others	0	0%
Total	100	100%
Marital Status		
Single	12	12%
Married	88	88%
Divorced	0	0%
Widowed	0	0%
Total	100	100%
Occupation		
Student	4	4%
Retired	13	13%
Self-employed	79	79%
un-employed	4	4%
Total	100	100%
Annual Income		
Below 0.5L	7	7%
0.5L-1L	2	2%
1L-3L	36	36%
Above 3L	55	55%
Total	100	100%
Experience in Investment		
Below 2yrs	9	9%
2yrs-5yrs	25	25%
5yrs-10yrs	31	31%
10yrs-15yrs	21	21%
Above 15yrs	14	14%
Total	100	100%
Frequency		
Daily	35	35%
Monthly	31	31%
Quarterly	15	15%
Bi-Annually	10	10%
Annually	9	9%
Total	100	100%
Investing Area		
Equity and stock	3260	32.60%
Debt Market	450	4.50%

mutual Funds	955	9.55%
Insurance	1195	11.95%
Real Estate	755	7.55%
Commodities	575	5.75%
Bank Fixed Deposits	1320	13.20%
Post Office MIS	1490	14.90%
Total	10000	100%
Sources of Investment		
Savings	5220	52.20%
Inherited Amount	2150	21.50%
Margin Financing	100	1.00%
Money Extracted from Business	2005	20.05%
Personal Borrowing	525	5.25%
Total	10000	100%
Objectives of the Investment		
Short Term Profit Seeking	2550	25.50%
Steady Income(Dividends)	3225	32.25%
Long Term Profit Seeking	4225	42.25%
Others	0	0%
Total	10000	100%
Perception For the Losses		
Incorrect Recommendation or Advice from broker/analyst/banker	21	21%
Incorrect Recommendation or Advice from family/friends	13	13%
The market has, in general, performed poorly	46	46%
Committed errors	13	13%
Sheer bad luck	7	7%
Total	100	100%
Perception For the Profits		
Professional help	24	24%
Friends advice and support	11	11%
Bullish market	47	47%
Own knowledge	13	13%
Sheer good luck	5	5%
Total	100	100%

5. RELIABILITY ANALYSIS

The concept of reliability has been used to cover several aspects of score consistency. Test reliability indicates the extent to which individual differences in test scores are attributable to “true” differences in the characteristics under consideration and the extent to which they are attributable to chance errors. These errors cannot be avoided or corrected through improved methodology.

Reliability Coefficients of investor's behavior towards investment and its factors was found to be 0 .8723

ASSESSMENT OF THE DEGREE OF ASSOCIATION OF FACTORS

In order to test the association of Engagement and its factors a detailed set of statistical analysis was conducted first being a confirmatory Pearson's Correlation as seen in below Table

TABLE 2: CORRELATIONS OF FACTORS TOWARDS INVESTOR'S BEHAVIOR

	Investor's optimism	Investors effort	Risk appetite	Investor's Behavior
Ability of invdecision	.403(**)	.486(**)	.201(*)	.732(**)
Investors optimism		.454(**)	.267(**)	.809(**)
Investors effort			.202(*)	.606(**)
Risk appetite				.533(**)

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

* Correlation is significant at the 0.05 level (2-tailed).

There is a range of correlation coefficients between the factors as described below:

- The degree of relation between ability of investment decision and investor's behavior is 0.486 which is moderate.
- The degree of relation between investor's optimism and investor's behavior is 0.454which is also moderate.
- The degree of relation between investor's effort and investor's behavior is 0.486 which comparatively moderate levels.
- The degree of relation between risk appetite and investor's behavior is 0.267 which is comparatively lower.

TEST OF REGRESSION

Regression is the determination of a statistical relationship between two or more variables. In simple regression, there are only two variables; one variable (defined as independent) is the cause of the behavior of another one (defined as dependent variable). Regression interprets what exists physically i.e. there must be a physical way in which independent variable can affect dependent variable.

As the objective of this study is to identify and assess the effect of components on Investor's behavior, the method of multiple regression analysis has been chosen, as it helps in assessing the individual and the combined effect of independent variables (ability of investment decision, investor's optimism, investor's effort, risk appetite) on the dependent variable (investor's behavior**).**

TABLE 3: REGRESSION ANALYSIS OF INVESTOR'S BEHAVIOR AND ITSFACTORS

Model	R	R Square	Adjusted R Square	d. Error of theEstimate
1	.970(a)	.941	.939	4.155

a Predictors: (Constant), Ability of investment decision., Risk appetite, Investor's optimism,Investor's effort. R^2 = 0.939, that"s mean regression is 93.90% of the variance.

TABLE 4: F TABLE ANALYSIS OF INVESTOR'S BEHAVIOR AND ITS FACTORS

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	26241.992	4	6560.498	379.983	.000(a)
	Residual	1640.198	95	17.265		
	Total	27882.190	99			

a Predictors: (Constant), Ability of investment decision., Risk appetite, Investors optimism,Investors effort.

b Dependent Variable: Investor's Behavior.

TABLE 5: COEFFICIENTS ANALYSIS OF INVESTOR'S BEHAVIOR AND ITSFACTORS

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.219	2.201		.100	.921
	Investors optimism	1.155	.066	.514	17.606	.000
	Investors effort	.649	.171	.114	3.789	.000
	Risk appetite	1.083	.097	.290	11.158	.000
	Ability of inv decision	.934	.067	.411	13.999	.000

a Dependent Variable: Investor's Behavior.

In forward stepwise regression the algorithm adds one independent variable at a time – which explains most of the variation in the dependent variable „Y". The next step is of one more variable X_2, then rechecking the model to see that both variables form a good model. The process continues with addition of a third and more variables if it still adds up to the explanation of „Y" (Nargundkar, 2002). The steps used in conducting the regression analysis on the above sample are as follows:

$Y = A + B_1X_1 + B_2 X_2 + B_3 X_3 + B_4X_4$ ....(1)

Y = dependent variable representing the Investor's Behavior. B_1, B_2, B_3, and B_4 are the coefficients of the regression equation

X1 = Investors optimism, X2 = Investors effort,
X3 =Risk appetite, X4 = Ability of investment decision,A = Constant term.

From the above table we can analyze that the regression co-efficient (r) = 0.970 which showsthat the independent factors do have a significant impact on the Investor's Behavior.

Investor's Behavior (Y) = 0.219 + 0.514 Investor's optimism + 0.114 Investor's effort+ 0.290 Risk appetite + 0.411 Ability of investment decision…(2)

Out of 4 independent variables (Investor's optimism, Investor's effort, Risk appetite, Ability of investment decision) all the independent variables have an impact on Investor's Behavior quotient Y as shown in above equation.

CLUSTER ANALYSIS

Cluster Analysis is a multi-variant procedure (Nargundkar, 2002) is a group of similar objects. Cluster analysis is an exploratory data analysis tool for solving classification problems. Its object is to sort cases (people, things, events) into groups, or clusters, so that the degree of association is strong between members of the same cluster and weak between members of different clusters. Each cluster thus describes, in terms of the data collected, the class to which its members belong; and this description may be abstracted through use from the particular to thegeneral class or type.

Cooper and Schindler (2007) have identified five basic steps:

1) Selection of sample to be clustered.
2) Definition of the variables on which to measure the objects.
3) Computation of the similarities through correlation.
4) Selection of mutually exclusive clusters.
5) Cluster comparison

TABLE 6: NUMBER OF CASES IN EACH CLUSTER

Cluster	1	34.000
	2	15.000
	3	33.000
	4	18.000
Valid		100.000
Missing		.000

TABLE 7: FINAL CLUSTER CENTERS

	Cluster			
	1	2	3	4
GENDER	1	2	1	1
AGE	2	2	2	2
M.S.	2	2	2	2
Occupation	3	3	3	3
Education	2	2	2	2
Income P.A.	4	3	3	3
Ability of investment decision	22	7	19	26
Investor’s optimism	17	7	9	25
Investor’s effort	10	8	8	13
Risk appetite	20	17	20	24
Investor's Behavior	70	37	55	87

Cluster 1: The above table explains that there exists homogeneity in considering the impact of the components mentioned above and the Investor’s Behavior between samples in the age range of 30-50 years and gender of male investors whose marital status is married and qualification is up to Graduation whose occupation is Self-employed and annual income is above 3 lakhs.

Cluster 2: The above table explains that there exists homogeneity in considering the impact of the components mentioned above and the Investor’s Behavior between samples in the age range of 30-50 years and gender of female investors whose marital status is married and qualification is up to Graduation whose occupation is Self-employed and annual income is in the range of 1 lakh to 3 lakhs.

Cluster 3: The above table explains that there exists homogeneity in considering the impact of the components mentioned above and the Investor’s Behavior between samples in the age range of 30-50 years and gender of male investors whose marital status is married and qualification is up to Graduation whose occupation is Self-employed and annual income is in the range of 1 lakh to 3 lakhs.

Cluster 4: The above table explains that there exists homogeneity in considering the impact of the components mentioned above and the Investor's Behavior between samples in the age range of 30-50 years and gender of male investors whose marital status is married and qualification is up to Graduation whose occupation is Self-employed and annual income is in the range of 1lakh to 3 lakhs.

FINDINGS

- According to the data that have been collected among the recipients 76(76%) were male and the rest 24(24%) were female, from this it can be seen that investing is mostly a man's game although women are doing their investment in some way or another but they are very less doing it through financial instruments.
- People like to invest in Stock market as compared to any other markets, even if they face huge losses.
- Most of the people whose survey was done mostly were retired persons or the age group between 35-50; this suggests that youth of India is unaware about investment opportunities.
- According to the data that have been collected people give more preference to savings and safety but at the same time they want higher interest at low risk in shorter span.
- According to the data that have been collected people are having less knowledge of managing their income and assets.
- Most of the investors possess higher education like graduation and above.
- Most investors opt for two or more sources of information to make investment decisions.
- Most of the investors discuss with their family and friend before making an investment decisions.
- Percentage of income that they invest depend on their annual income, more the income more percentage of income they invest.
- The investor's decisions are based on their own initiative.
- Most of the investors are financial illiterates.
- Increase in age decrease the risk tolerance level.
- Women are attracted towards investing gold than any other investment avenue.

6. CONCLUSION

Mumbai is a financial capital of India. Therefore the awareness of investment knowledge, investment opportunities is quite high. These people are helped by financial portals, financial news channels, financial newspapers; various markets related T.V. shows, Expert talks, magazines. For Indian public money is everything. So they are more sensitive about their money. They will think hundred times before investing in any market and will expect more than that. They feel that they are having enough money, time, resources and opportunities with them for investing. Though they are having sound knowledge of financial market and economic condition of India yet they lack the edge above the others as this field is very unpredictable and vast hence they must be backed up by a financial planner.

Some of the recommendations are:

- Day trading is an addiction which can ultimately prove disastrous. Encouragement should be given to invest in equity for the long term.
- We can encourage participation from household should own PSU shares so that company will

also get customer base and the margin will increase.

- We must put up some "financial literacy campaign" as many people are still unaware of stock market and in India there is youth which is untapped.
- The communication should be increased and more personalized service should be given to investors to earn trust and long run relationship.
- The company must also provide more value added services to investors.
- People give more importance to savings so as per their likings more opportunities should be provided.
- Many times it may happen that people land up in mess or huge losses due to not proper information or guidance, and if they want to know where they are going? A financial planner would do a world of good to them.

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APPENDIX: QUESTIONNAIRE

1. Name: ____

2. Sex: Male □ Female □

3. What is your age? (In years) : □<30 □ 30-50 50+

4. Marital Status? □ Single □ Married □ Divorced □ Widowed

5. Do you have children? □ Yes No

If yes, please specify: □ No. of Children > 20 years_____□ No. of children < 20 years: _____

6. What is your occupation? □ Student □ Retired □ Self-employed □ Un-employed

□ Salaried

Salaried Individual (specify job title/designation) _____________________________________

7. What is your level of education? ____

8. What is your average gross annual income? (In Lakhs)0.5L

<□ 0.5L-1L □ 1L-3L >3L

9. What is the distribution of investment across different financial Instrument? (In %)

□ Equity and Stock ____________ □ Debt Market _____________ □ Mutual Funds ____________

□ Insurance ____________ □ Real Estate ____________ □ Commodities ____________

□ Bank Fixed Deposits____________ □ Post office MIS ________

10. What is the source of investment? (In case of more than one source describe their relative proportions/percentages)

□ Savings ____________ □ Inherited amount ____________ □ Margin Financing ____________

□ Money extracted from business____________ □ Personal Borrowing ________

11. What are your investment objectives? (If more than one objective describe relative proportions/percentages of investment for each)

□ Short term profit seeking ____________ □ Steady income (Dividends) ____________

□ Long term profit seeking ____________ □ Others __________

12. I was_years old when I started investing in Stock.

13. Total no. of accounts with Brokers: ____________

14. Investment experience in stock (In years): ____________

15. How many different types of stock do you own on the average? ____________

16. What is your total investment (In all types of financial Instrument)? ____________

17. How frequently do you monitor your investment?

Daily ☐ Monthly ☐ Quarterly ☐ Bi-Annually ☐ Annually

18. DETERMINANTS OF INVESTOR BEHAVIOR

Please rate the following statement from **1(S.DA=strongly disagree) to 7(S.A=strongly Agree).**

	1	2	3	4	5	6	7
18. 1. Ability Of Investment Decisions:							
am confident of my ability to selectfinancial instruments for investment.							
take full responsibility for the result of my investment decisions.							
am confident to manage myinvestment.							
have complete knowledge of available financial instruments.							
18. 2. Investor Optimism:							
resently I will hold my stock in thestock market.							
plan to increase my investment in the stock market in next 12 months.							
'he price of stock will increase innext 12 months.							
d. If the KES index drops by 3% tomorrow, I would suggest that it							

will recover most of its losses in afew days.							
18. 3. Investors Effort:							
am actively involved in trade activity and observation of index.							
I make investment for getting returnquickly.							
18. 4. Risk Appetite:							
try to invest in risky stock forbetter return.							
I usually invest in companies whichI know and trust.							
c. My risk appetite is high.							
invest mostly in companies withstable expected returns.							

19. INVESTMENT DECISION PLEASE RATE THE FOLLOWING FACTORS IN TERMS OF HOW IMPORTANT THEY HAVE BEEN IN YOUR INVESTMENT SELECTION PROCESS FROM 1(LEAST IMPORTANT) TO 7(MOST IMPORTANT).

	1	2	3	4	5	6	7
19. 1. Technical Analysis:							
Use of past price movement topredict future price.							
b. Daily price fluctuations.							
c. Use of charts, Patterns, and trends.							
d. Active trading volume/turnover.							
19. 2. Fundamental analysis:							
a. Use of company‟s annual reports.							

b. Price to earnings ratio.							
c. Company"s dividend ratio.							
d. Debt equity ratio of the company.							
Return on Equity/Ret. Oninvestment.							
Government Regulations/intervention.							
g. Quality of top management.							
19. 3. Market Psychology:							
a. Rum our driven market.							
b. News stories in the media.							
Recommendation/advice of professional investors/broker.							
Recommendation/advice of somefriend, family, peer.							
Major institution and corporations currently buying the stocks of the company.							

20. If you have incurred losses, according to you, what is your perception for the loss, what is the responsible factor? (Please tick)

a. Incorrect recommendations or advice from broker/analyst/banker ☐

b. Incorrect recommendations or advice from family/friends ☐

c. The market has, in general, performed poorly ☐

d. Committed errors ☐

e. Sheer Bad luck ☐

21. If you have earned profits, to what you want attribute it to? (Please tick)

a. Professional help. ☐

b. Friends advice and support ☐

c. bullish market ☐

d. own knowledge ☐

e. sheer Good luck ☐

Review Process

Each research paper/article submitted to the journal is subject to the following reviewing process:

1. Each research paper/article will be initially evaluated by the editor to check the quality of the research article for the journal. The editor may make use of ithenticate/Viper software to examine the originality of research articles received.
2. The articles passed through screening at this level will be forwarded to two referees for blind peer review.
3. At this stage, two referees will carefully review the research article, each of whom will make a recommendation to publish the article in its present form/modify/reject.
4. The review process may take one/two months.
5. In case of acceptance of the article, journal reserves the right of making amendments in the final draft of the research paper to suit the journal's standard and requirement.

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