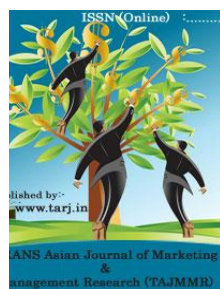


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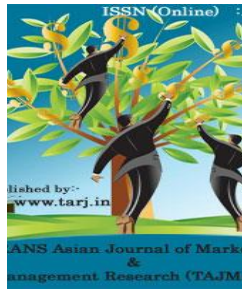


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CONFLICT MANAGEMENT

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INTRODUCTION

Conflict: “The process in which one party perceives that its interests are being opposed or negatively affected by another party.”

Functional (Constructive) conflict - serves the organization's interest.

Dysfunctional conflict - threatens the organization's interests.

Conflict is as unavoidable in a project or in an organization as change is. When team members of a project interact with each other during the course of their tasks and responsibilities, there is always a potential for conflict. In fact, it is impossible for people with diverse background, skills and norms to work together; make decisions, and meet their project goals and objectives without conflict. Project managers must identify and evaluate both positive and negative aspect of conflict and their effect on performance. They must learn how to stimulate conflict and thus use it to increase the performance of their team members.

VIEWS OF CONFLICT

The traditional view (dominant from the late nineteenth century until the mid-1940s) assumes that conflict is bad, always has a negative impact, and leads to declines in performance as the level of conflict increases. Therefore conflict must always be avoided. In this view conflict is

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closely associated with terms like violence, destruction, and irrationality. Thus emphasis is on reducing, suppressing, or eliminating conflict. Violent or disruptive confrontations between workers and management led people to conclude that conflict was always detrimental and should therefore be avoided.

The behavioural or contemporary view, also known as the human relations view, emerged in the late 1940s and held way through the 1970s. It argues that conflict is natural and inevitable in all organizations and that it may have either a positive or a negative effect, depending on how the conflict is handled. Performance may increase with conflict, but only up to a certain level, and then decline if conflict is allowed to increase further or is left unresolved. This approach therefore says that conflict should be accepted.

The newest perspective, the interactionist view assumes that conflict is necessary to increase performance. While the behavioural approach accepts conflict, the interactionist view encourages conflict as it believes that a harmonious, peaceful and too-cooperative project organization is likely to become static, stagnant, and unable to respond to change and innovation. This approach encourages managers to maintain an appropriate level of conflict which is enough to keep projects viable, creative, and innovative.

TABLE 1- A COMPARISON OF CONFLICT VIEWS

	Traditional View	Contemporary View	Interactionist View
Main Points	Caused by troublemakers Bad Should be avoided Should be suppressed	Inevitable between humans Not always bad Natural result of change Can be managed	Results from commitment to goals Often beneficial Should be stimulated Should aim to foster creativity
Effect on Performance	Performance declines as the level of conflict increases	Performance mainly depends on how effectively the conflict is handled. Generally performance increases to a certain level as conflict level increases, then declines if conflict is allowed to increase further or left unresolved	Certain level of conflict is necessary to increase performance. Performance increases with increase in conflict up to a certain level, then declines if conflict increases further or remains unresolved

CONFLICT IN PROJECTS

Breakdown in communication is the most common, and most obvious source of conflict in projects. A lack of trust, respect, effective listening skills, and perceptual differences can lead to serious communication problems. Misinterpretation of a design drawing, a misunderstood change orders delays in delivery of critical components, and failure to execute instructions are all results of some type of communication breakdown. Project managers and their teams must also develop effective communication skills (especially listening skills) to resolve project conflicts. They must learn to create an atmosphere that encourages open communication in order to deal with conflict and gain team members' acceptance of and commitment to project goals. In general, all potential conflict fits one of three categories:

- I. Goal-oriented conflicts are associated with end results, performance specifications and criteria, priorities, and objectives.
2. Administrative conflicts refer to the management structure and philosophy and are mainly based on definition of roles and reporting relationships and on responsibilities and authority for tasks, functions, and decisions.
3. Interpersonal conflicts result from differences in work ethics, styles, egos, and personalities of the participants.

MANAGING CONFLICT IN PROJECTS

Because of the significant impact that conflict can have on project success, managing it well is one of the most important skills a project manager must possess .

TABLE 2. PROJECT CONFLICTS AND RECOMMENDED SOLUTIONS.

Sources of Conflict	Definitions	Suggested Solutions
Conflict over project priorities	Project participant's views differ over sequence of activities and tasks to be followed. Includes goals incompatibility and differences in long-term versus short-term perspectives.	Develop a master plan compatible with long-term strategies.
Conflict over administration procedures	Conflicts over managerial and administrative issues of how the project will be organized and managed.	Clarify roles, responsibilities, and reporting relationships at the beginning of the project.

Conflict over technical opinions and performance trade-offs	Disagreements over technical issues, performance specifications, and technical trade-offs.	Use peer review and steering committees to review specifications and design.
Conflict over human resources	Conflicts concerning staffing and allocation of project personnel and where to get them and how.	Develop a work breakdown structure and a corresponding responsibility matrix.
Conflict over cost and budget	Conflict over cost estimates from support areas regarding work breakdown structures and estimating techniques.	Develop overall budgets supported by detailed budget and cost estimates of subproject tasks and activities.
Conflict over schedules	Disagreements about the timing, sequencing, and scheduling of project related tasks and information system to prepare and monitor project schedules.	Develop an overall schedule that integrates schedules for subprojects with staffing and other life constraints.
Personality conflict	Disagreements on interpersonal issues.	Emphasize team building and create an environment that emphasizes respect, diversity, and equality.

STIMULATING CONFLICT

The notion of stimulating conflict is difficult to accept because conflict traditionally has a negative view. There is evidence, however, that in some situations, an increase in conflict actually improves performance. Stimulating conflict is a proactive approach that aims at minimizing the impact of a negative conflict by the following ways:

Accept conflict as desirable on certain occasions. Conflict may result as the project manager insists on developing sufficient front-end planning with clear project priorities, scope definition, and administrative procedures. To a degree, conflicts at the front end should be viewed positively since a project manager's opportunity to participate in setting the project's budget and schedule is likely to decrease conflicts down the road.

Bring new individuals into an existing situation. Thoughtful questions and comments from newcomers or outsiders may provide a different and fresh perspective. They may encourage long-time team members to remove their blinders and think of new ways of doing things.

Restructure the project organization. The project organization structure may have to be changed to suit the circumstances. For example, freeform structure is good during planning to allow active participation and creative expression, whereas strong matrix forms work better during the execution and termination phases.

Introduce programs designed to increase competition. A manager of projects may introduce competition to encourage task managers to accomplish their work packages ahead of schedule and under budget without compromising quality. Project managers must understand the difference between competition and conflict in order to get positive results

Introduce programmed conflict. Some project participants may be keen in pushing their ideas. Project managers should play devil's advocate and use dialectical inquiry to develop and clarify opposing points of view.

RESOLVING STRUCTURAL CONFLICTS

Structural conflict resolution techniques focus on the structural aspects of the project organization (such as procedures, personnel, resources, and reporting relationships) that may be causing the conflict.

Procedural changes mainly refer to changing work procedures to avoid conflict. For instance, a project manager or technical expert on the team may evaluate and select a vendor for a technical contract. The purchasing department may then follow traditional departmental procedures, causing delays that may lead to conflict. Such disputes can be avoided by involving the purchasing department in the process of evaluating bids for complex technical contracts and thereby ensuring purchasing's cooperation and prompt service when needed to expedite the contract.

Personnel changes involve transferring individuals into or out of the project in order to resolve personality conflicts. For example, a personality conflict between two high-performing technical experts may be reducing overall project output. If one of the experts is transferred to another project, both people are then able to make a significant and positive contribution to their projects and to the organization as a whole.

Authority changes clarify or alter line of authority and responsibility to reduce conflict. Such situations usually arise in matrix structures, where functional managers may exert their authority over personnel who have been assigned to a specific project manager for the duration of the project. Clarifying or changing authority lines or reporting relationships in such circumstances will reduce typical structural conflicts between the project manager and the functional manager.

Layout changes rearrange work space to resolve conflict. This becomes essential when two project teams harass or disturb each other continually. It may be effective to build a physical separation between them to eliminate interaction.

Resource changes involve increasing resources so that the disputing parties can each have what they need. For example, a conflict may develop between two project managers over the priorities for purchasing and accounting personnel. A manager of projects can resolve the conflicts by getting an authorization to hire separate accounting and purchasing personnel for each project so that both project managers get what they need.

INTERPERSONAL CONFLICT RESOLUTION TECHNIQUES

1) WITHDRAWING- involves avoiding, denying, giving up, pulling out, or retreating and as such constitutes a refusal to deal with the conflict by ignoring it as much as possible. This style is appropriate when a cooling-off period is needed to gain better understanding of the conflict situation and also when the other party is both unassertive and uncooperative. Withdrawal, a passive, stopgap way of handling conflict, generally fails to solve the problem.

2) SMOOTHING OR ACCOMMODATING- is an approach that emphasizes on the areas of agreement while avoiding points of disagreement. It is appropriate to keep harmony and avoid outwardly conflictive situations. It works when the issues are more important than the personal positions and aspirations of the parties involved. Since smoothing tends to keep peace only in the short term, it fails to provide a permanent long-term solution to the undying conflict. Generally conflict reappears again in another form.

3) FORCING- implies the use of position power and dominance to resolve the conflict. It involves imposing one viewpoint at the expense of another and is characterized by a win-lose outcome in which one party overwhelms the other. Forcing is used when there is no common ground on which to bargain or negotiate and when both parties are uncooperative and strong willed.

4) COMPROMISING- is primarily bargaining: receiving something in exchange for something else. It involves considering various issues, bargaining, using trade-off negotiations, and searching for solutions that bring some degree of satisfaction to both parties. Neither party wins, but both get some satisfaction out of the situation. Both may temporarily feel hurt because they had to give up something that was important to them, but compromising usually provides acceptable solutions.

5) COLLABORATING- is an effective technique to manage conflict when a project situation is too important to be compromised. It involves incorporating multiple ideas and viewpoints from people with different perspectives. It offers a good opportunity to learn from others. Collaboration is not very effective when more than a few players are involved and their viewpoints are mutually exclusive.

Confronting or problem solving implies a direct confrontation, with disagreement addressed directly. Conflict is treated as a problem for which both parties are interested in finding a mutually acceptable solution. It involves pinpointing the issue and resolving it objectively by defining the problem, gathering necessary information, generating and analyzing alternatives, and selecting the best alternative under the circumstances.

FINDING THE BEST CONFLICT RESOLUTION APPROACH DEPENDS ON

- Type and relative importance of conflict
- Time pressure
- Position of the players involved
- Relative emphasis on goals versus relationships

Forcing, smoothing, and withdrawing techniques are generally not effective in resolving conflicts because they fail to deal with the real cause of the conflict. They may be appropriate when it is important to create a period of peace and harmony while the parties think about their next move. Techniques involving compromise are usually used in labour-management disputes, but they have some potential problems. For example, in compromising, each party gives up something, and neither gets exactly what it wants. Consequently, both parties may be unhappy with the final decision.

Under some circumstances, the best solution for managing project conflicts is the confronting/problem solving, or negotiation, mode. Since project management involves solving problems as the project progresses through its life cycle, this type of conflict management is very practical. This approach aims for a win-win strategy, which is best for both the project and the parties involved. It is important to bear in mind, however, that negotiation and confrontation take time. They simply cannot be managed in a rapid manner but instead require a significant commitment from the project manager in terms of time and willingness to allow all parties to air their grievances. Conflicts are managed effectively if they are resolved on a permanent basis.

TABLE 3. CONFLICT MANAGEMENT STYLE

Style	Description	Effect
Withdrawing/Avoiding	Retreats from an actual or potential conflict situation	Does not solve the problem
Smoothing / accommodating	Emphasizes areas of agreement rather than areas of difference	Provides only short-term solution

Compromising	Searches for and bargains for solutions that bring some degree of satisfaction to all parties	Provides definitive resolution
Forcing	Pushes one's viewpoint at the expense of others; offers only win-lose situations	Hard feelings may come back in other forms
Collaborating	Incorporates multiple viewpoints and insights from differing perspectives; leads to consensus and commitment	Provides long-term resolution
Confronting/problem solving	Treats conflict as a problem to be solved by examining alternatives; requires give-and take attitude and open dialogue	Provides ultimate resolution

STRATEGIES FOR MANAGING CONFLICT IN A PROJECT

1) PREPARING FOR CONFLICT

Realistic project managers know that conflict is a normal—and in some cases necessary—part of working in groups and teams. Preparing for conflict involves :

EXPECTING CONFLICT-The sources of conflict (schedules, priorities, human resources, technical issues, administration, personality, and cost) will vary with the phases of the project. Moreover, the focus of conflict will vary with the attributes of the team and the project goals. With an experienced team, the focus of conflict is within the team itself. If the project goals are vague and loosely defined, the focus of the conflict will likely be between the team and upper management or between the project team and the client, or both. The project manager should analyze the reasons or sources of conflict and how they vary with the phases of the project cycle before taking any action.

PLANNING AHEAD TO HANDLE CONFLICT- After analyzing the sources, intensity, and focus of conflict, project managers should plan how to deal with conflict. One of the planning tools is to develop a framework within which to view conflicts objectively by answering the following questions:

• Am I in or out? In this type of conflict, people are likely to ask themselves whether they belong to the team. They raise issues that are unimportant in themselves just to break the ice and initiate communication. -

• Where do I stand? (Am I up or down?) Are people at the top or at the bottom of a hierarchy? How will the group make decisions? How much responsibility does each team member have? How much authority, influence, and control does each individual on the project team have?

• Am I near or far? This question raises the issues of openness and affection. Team members must decide how close they want to get to each other without feeling stuck with them.

A second tool is to analyze the key players in the situation. Who are the people or groups contributing to the conflict? Project managers should analyze their personalities, interpersonal habits, values, and convictions. This knowledge will help create a cooperative and accommodating atmosphere. Open communication should be encouraged to help individuals involved in the conflict situation be more objective and prepared to deal with the situation. In planning ahead, the project manager answers the question: "Is the conflict primarily related to goals, authority, or personalities or some combination of these?" A final planning tool is to prepare for stress management. Conflict can cause stress that varies in intensity, and if it is not managed in a timely manner; it can cause severe physiological and psychological problems.

2) FACING THE CONFLICT

Although conflict is disliked by most of us, it is inevitable. People wrongly hope that conflict will go away if it is ignored. In fact, conflict ignored is more likely to get worse, which can significantly reduce project performance. The best way to reduce conflict is to confront it by :

- Personally absorbed aggression
- Communication and listening effectively
- Counselling the teams to maximize the output
- Encouraging openness, emotional expression, and new ideas
- Serving as role models in planning, delegating, and so forth
- Minimizing potential conflict whenever possible
- Stimulating conflict to foster creativity and innovation

SURFACE THE REAL ISSUES-Conflicts that remain below the surface can have negative impacts on a project in many ways, such as distorted or withheld information, slipped schedules, unplanned absences from project meetings, lack of initiative to solve problems, or not working

together as a real team. A successful conflict manager should handle these burning issues gently but firmly.

- **TREAT THE SURFACE ISSUE AS “REAL” TWO OR THREE TIMES-** Project managers should make every effort to address complaints or issues regardless of how trivial they may seem. They should encourage project personnel to bring the conflict into the open by themselves.
- **MAKE THE CONFLICT VISIBLE TO OTHER PARTIES INVOLVED-**Project managers can do this by using effective communication techniques and planning and organizing aids such as responsibility matrices, which are quite effective in resolving conflicts over administrative aspects of project management such as procedures, task breakdowns, and assignments of responsibility and authority.
- **GIVE AMPLE SUPPORT-**support is very important in a work relationship. Most people want to feel secure and worthwhile and receive encouragement, recognition, and praise.

3) RESOLVING THE CONFLICT

Due to the dynamic and sometimes unpredictable nature of projects, a substantial amount of management time is dedicated to resolving conflicts .The project manager, the project team, and all other stakeholders involved in a conflict situation must work together to achieve a win-win situation for everyone.

LOOK FOR WIN-WIN ALTERNATIVES-Of the interpersonal conflict resolution styles, confronting (negotiating and problem solving) is the most effective approach because it starts with an understanding by both parties that they must search for solutions that satisfy everyone. This can be done in the following ways:

- **DO THE DOABLE-** Project managers must be able to evaluate the situation and spend their efforts and energy in doing only whatever is really possible.
- **BUILD ON EARLIER MARKET ANALYSES-**Using the strategy of only doing the doable, project managers should build on earlier analyses of situations to give some insight into the conditions that would meet the other party's criteria for a win-win solution.
- **USE THE ASSERTIVE MODEL-** Build on the strengths of all parties while minimizing their weaknesses. Building mutual understanding and trust will help in reaching a win-win solution.
- **LOOK AT THINGS RIGHT SIDE UP-**It is a mistake to assume that the person is the problem and therefore start attacking the person instead of the problem.

• **AVOID CATASTROPHIZING**-It leads to lower team morale and confidence, increased frustration, and possibly project failure. Some common catastrophizing remarks are: “This is going to be a disaster.” “We will never get this done on time.” “This project is driving me crazy.” “I can’t stand the project structure.” Instead of catastrophizing, encourage project participants to be positive, and suggest solutions that are manageable and helpful.

• **PICTURE THINGS GOING WELL**- Visualize and imagine positive results. It is difficult to move onto something better without knowing what “better” is. To develop a clear picture of “betters” the project manager should picture things going as he or she wants them to, enlist the support of others and try to get their commitment, and deal with obstacles positively (using a problem-solving approach).

• **IDENTIFY PRIORITIES AND VERBALIZE THEM**- Sometimes people compromise so much in a conflict that no one wins, and everyone is dissatisfied. Successful project managers evaluate the priorities up front and identify the “must haves” and “nice to haves.” While resolving conflicts, he or she may compromise on “nice to haves” in order of importance. Project managers can rank priorities by asking which features would contribute most to project success and which features would contribute the least.

CUT YOUR LOSSES WHEN NECESSARY-Sometimes a project may have gotten too deep in the hole, which leads to conflicts. Should the project be continued, or should someone review the situation and then make a rational decision on whether to abandon the project? The project manager should avoid making such decisions based on ego and emotion. This can be done by:

KEEP A MENTALFILE OF THINGS THAT DO NOT FIT THE OVERALL PURPOSE OF THE PROJECT- It is easy to see what you expect to see instead of what is real. Project participants may say something but act differently. Project managers must watch out for the degree of real commitment and interest in doing certain parts of a project. When words and behaviour do not match, behaviour should be believed more—even if it is the words you want to believe.

FOLIATE THE RULE OF TWO (OR THREE)-Successful project managers cut their losses before costs skyrocket. They may not be able to recognize the inconsistency right away, but they should confront the situation and address it directly if it occurs a second or third time.

ESTABLISH A SYSTEM FOR CUTTING BACK INVESTMENT OF MONEY, TIME, EFFORT, AND EGO-This follows the common management principle, “Plan your work, and work your plan.” When something goes wrong in the project, people may go through the stages grief: denial, anger, bargaining, depression, stress, and—hopefully—acceptance. Project managers who become emotionally upset over losses on their projects are vulnerable to losing their self-esteem.

FORMULATE CONFLICT MANAGEMENT STRATEGIES-Conflict can be resolved or kept under control by using a proactive approach that anticipates conflict and its impact. When

using this approach, it is important to understand the project manager's relationship with other project stakeholders with whom the manager usually interacts throughout the project life cycle. Project managers must establish good understanding, trust, and rapport with all the stakeholders with whom they interact to minimize the probability of conflict by the following ways:

MINIMIZING CONFLICT WITH SENIOR MANAGEMENT INVOLVES KNOWING THEIR REQUIREMENTS- Project managers should put themselves in their boss's shoes and be sympathetic to the challenges, problems, and pressures of senior managers. It also helps to analyze the boss's thinking patterns and to act in ways that are consistent with that pattern. Similarly; it pays to listen and look for verbal and nonverbal components of the boss's message, just as a project manager might do with team members. It is important to take solutions as well as problems to the boss and explore alternatives and make recommendations. That makes the boss's job easier. It is wise to keep the boss informed of progress and plans. That way he or she can act as a mentor, and the project manager can get better support.

MINIMIZING CONFLICT WITH PROJECT TEAM MEMBERS MEANS DEVELOPING RAPPORT AND TRUST- Project managers can begin by discovering team members' personal and professional goals and matching tasks to those goals. That kind of matching is a key to motivation. Being clear about expectations about what is wanted, as well as why and when it is needed, ensures that communication is successful. It is also important to define control parameters through clear performance appraisals and discussions of forms and reports, and to clarify the frequency and intensity of controls with team members. Control should be based on facts, not on opinions. Successful project managers also develop a tolerance for failure. Everyone makes mistakes; the key is to use mistakes as opportunities for training and improvement—and future success.

MINIMIZING CONFLICT WITH A PROJECT MANAGERS PEERS INVOLVES RESPECT- As with relationships with senior management, it is important to understand peers' point of view, as well as their personal and professional goals. The best project managers look for ways to support peers' objectives and find areas of mutual interest rather than conflict. Operating in this way establishes a cooperative atmosphere, where everyone realizes that they need each other to succeed. Cultivating informal communication channels can also create many advantages. Whereas formal combinations may be slow and cold, informal communications increase comfort level and understanding, which are important in solving problems.

MINIMIZING CONFLICT WITH CLIENT AND USERS INVOLVES MANY OF THE SAME ELEMENT THAT APPLY TO OTHER PARTICIPANTS IN A PROJECT- The key to working with clients is effective communication and prompt response to their needs and requests. It helps to be supportive of the client's representatives, supplying them with necessary data and information so that they will also be inclined to help with issues that crop up throughout the project. Clients, like everyone else, hate surprises—unless they come in the form of good news. Effective project managers do not let problems build up. They tell clients what the problems are and what is being done to solve them. Informal relationships fostered through lunches, dinners, and sporting and social events allow everyone to develop a better

understanding and a stronger interpersonal sense of each other. Formal relationships need attention too.

USE EFFECTIVE NEGOTIATION TO RESOLVE CONFLICT- Negotiation is a fact of life in project environments where matrix structures necessitate that responsibility and authority are shared. Negotiation is the process of bargaining and reaching an agreement with project stakeholders concerning the transfer of resources, the generation of information, and the accomplishment of tasks. It is a persuasive process and is one of the most important skills needed to resolve conflicts and manage projects successfully

The two common methods of negotiation are soft and hard. Soft negotiators are friendly and make concessions readily to avoid conflict and the risk of spoiling future relationships. Hard negotiators, in contrast, take strong positions and try to win, even at the cost of relationships. A third type of negotiation, called principled negotiation, emphasizes deciding and resolving issues based on merits rather than on positions. It results in joint problem solving and often leads to a win-win situation.

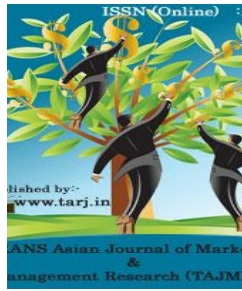
APPRECIATE CULTURAL DIFFERENCES- In addition to the differences in skills and expertise, project teams may have cultural differences that may significantly influence the project's success. Culture simply means a kind of "collective programming of the mind which distinguishes the members of one group of people from another." Cultural diversity among team members poses challenges in terms of communication and negotiation and may lead to conflicts. Project managers must appreciate major elements of culture (which include material culture, language, aesthetics, education, religious beliefs and attitudes, social organizations, and political life), what they mean in different cultures, and how they affect the project. There are six critical dimensions of cultural differences:

1. Power distance (how a particular culture deals with inequality)
2. Individualism versus collectivism (the role of the individual versus that of the group)
3. Masculinity-femininity (gender domination patterns)
4. Uncertainty avoidance (tolerance for ambiguity or uncertainty in the workplace)
5. Time horizon (long- or short-term orientation)
6. Attitude toward life (value system with respect to desire for material things)

Project participants must be aware of potential cultural differences and demonstrate respect for different cultures of their co-workers. Any failure to show respect and to appreciate culture differences may lead to serious conflicts.

CONCLUSION

Conflict can be healthy if it is managed effectively. Conflict management requires a combination of analytical and human skills. Every project participant/member should learn to resolve project conflicts effectively. Good conflict managers work at the source of conflict. To resolve it permanently, they must address the cause of the conflict and not just the symptoms of it. They size up possible clashes before “contact” is actually made and then prepare their action plans to handle potential trouble. They should concentrate on building an atmosphere designed to reduce destructive conflict and deal with routine frictions and minor differences before they become unmanageable. The key to resolving conflict with a positive outcome includes looking for a win-win situation, cutting losses when necessary, formulating proactive conflict management strategies, using effective negotiation and communication, and appreciating cultural differences among project stakeholders.

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EFFECTIVENESS OF 360 DEGREE PERCEPTUAL APPROACH IN SCHOOL EDUCATION

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ABSTRACT

PURPOSE

The demand for quality teachers, pressure from parents coupled with increasing attrition rate has put immense pressure on the administrators (principal) to strategically maintain their human capital. The aim of this paper is to examine and analyze the gap existing between the expectation and level of satisfaction of all stakeholders of school education system (principal, teachers, student, and parent). The results of the study would enable a better understanding of all factors which would in turn help the leaders of school education (principal) to make prudent decisions.

DESIGN/APPROACH

This study applies the I-S model on the PTSP framework where the importance and satisfaction values are taken into consideration to apply gap analysis for all factors of stakeholder perception both internal and external level.

ORIGINALITY / VALUE

Generally studies are conducted to measure the satisfaction of each stakeholder whereas this study applies I –S model in which the importance values are also taken into consideration. This is a 360 degree approach where each factor is analyzed in all dimensions.

KEYWORDS: *Teachers, principal, students, parents, education.*

INTRODUCTION

The educational expectations that held true during the industrial age are no longer applicable. Every year the number of schools that are being opened is in large proportion and there exists a tough competition between schools irrespective of the board of education. Due to the varied availability of schools parents find it easy to hop between schools when they are not satisfied with the performance of their children. However the underlying truth is how many schools truly satisfy the needs of parents, teachers and students? Hence this study views the needs of each stakeholder (student, parent and teacher) with their respective spectacles and analyses the gap existing between their expectation and level of satisfaction with respect to several factors. The objective of this study is to prioritize these factors thus giving a clear picture about the zone of improvement. In today's scenario education sector is widely viewed as a huge income generating business rather than a true service provider. External and internal customers exist in both industry and education. Parents and students can be classified as input customers while principal and staff as transformation customers and the society as output customers (kanji et al, 1999). Overlap relations of customer and supplier are the crux of continuous improvement.

Customer	Supplier	Service
Students	Teachers Administrators School/universities	Classroom management Curriculum design Knowledge delivery Role model System development Resource supply
Teachers	Administrators	Resource supply
Parents	School/universities	Knowledge ,wisdom, know-how of their children
Company/society	Schools/universities	Knowledge ,wisdom, know-how of their graduates

(Source: Deming related essays by Tribus)

To better explain about the customer supplier relation in the education sector the below three models can be used (Deming related essays by Myron Tribus)

MODEL 1

Teacher (supplier) ----- course (product) ----- student (customer)

MODEL 2

Teacher /school (supplier) ----- student (product) ----- parent/society (customer)

MODEL 3

Teacher (supplier) ----- student (semi-product) ----- other teacher (customer)

In model 1 the teacher supplies education as the product to the students. The extent to which the customer appreciates the product will vary from customer to customer. Some customers would make use of the entire product and equip him with the necessary knowledge to groom him for future whereas other customers wouldn't take up the entire product as it wouldn't be to his likes.

In model 2 teacher and school together supply facilities, knowledge skills and values to nurture the young generation for a good society. The service supplied to students should meet the expectations of parents and society.

In model 3 the teachers in lower class equip students with knowledge sufficient for the higher class teachers .Hence the students become semi products as they by pass each class until they pass out of school as a final product.

Bass, B. M. (1990) used three points to summarize the necessity for change in school education:

1. They need to change because our society is changing in so many ways.
2. They need to change because the nation's expectations for the schools have changed.
3. Schools need to change because competition between schools is increasing dramatically.

LITERATURE REVIEW

Over the last two decades, many studies have attempted to identify sources of teacher satisfaction and dissatisfaction by elementary and secondary school teachers (Farber,1991). Teachers viewed job dissatisfaction as principally contributed by workload, poor pay and perceptions of how teachers are viewed in the society (Spear et al,2000).The purpose of employee satisfaction surveys is not only to discover employee satisfaction levels but also to determine necessary improvements via the results of employee satisfaction surveys.

There can be a little doubt from an examination of research findings that leadership is important in developing effective, innovative schools and in facilitating quality teaching and learning, although as Serigovanni (1995, p83) has pointed out with respect to principal “their mere presence does not automatically result in the required leadership being provided”. Recent research has shown that rather being strong and decisive, effective leadership is intensely interpersonal involving working with groups to transform learning. Leader’s relationships with their followers have thus assumed greater importance than the more technical aspects of administration. Involvement of leaders with the rest of the stakeholders of schools gains higher importance (Owlia, 1997). Bass (1990) stated that, “Management is one of the most dynamic of all disciplines...” (p. 442). Robbins (2003) continued by stating that the role of the manager is to motivate, “... group leaders to maintain an ongoing minimum level of conflict –enough to keep the group viable, self-critical, and creative” (p. 396).

Many researchers have studied the role that parental involvement plays in the academic performance of adolescents (e.g., Grolnick, Ryan, & Deci, 1991; López, Scribner, & Mahitivanichcha, 2001). As the family is the central source of social support it is reasonable to expect that parental involvement is an important factor that affects the academic success of students. However, the meaning of parental involvement in academic work may vary across cultures. Researchers have begun to focus on this issue, but much of the research conducted has been in the form of case studies (López et al., 2001). Currently, many parents, school teachers and administrators define “academic parental involvement” as parents’ active involvement in the school setting, via various behaviors such as attending parent-teacher meetings, or being involved in extracurricular events (López et al., 2001).

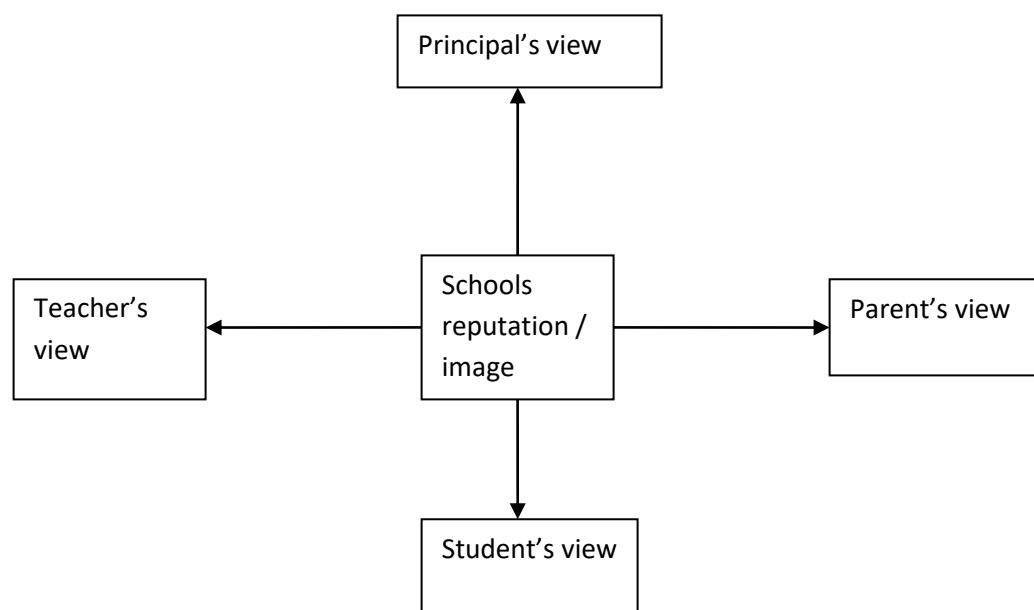
In particular, according to Zaczewski (1994) and Tribus (1993), in order to improve student performances, it is necessary to take action on the teaching process. Babbar (1995) shows that the adoption by the teacher of a creative approach to positively influence student outcome. Techniques such as ‘active learning’ and ‘cooperative learning’, together with the repeated evaluation of the results of a course can improve its quality (Felder & Brent, 1999).

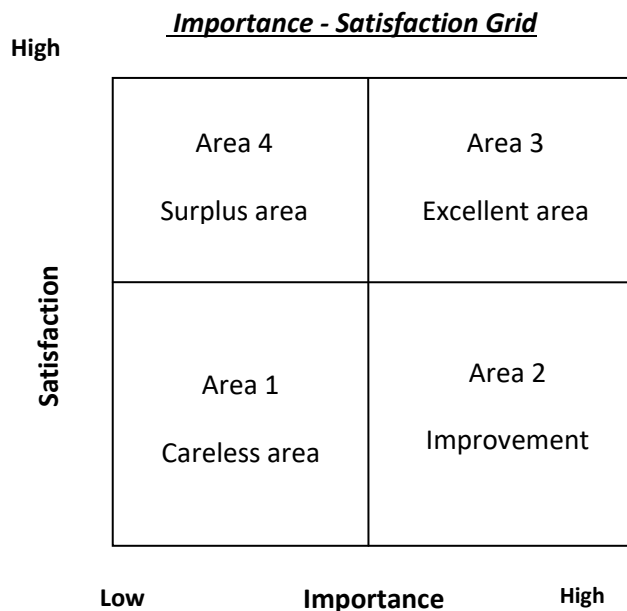
Stakeholder satisfaction is highly important in an organization because it is what productivity primarily depends on. Job satisfaction was proved to be an important construct in emotional and psychological employees’ well – being (Wagner & Gooding 1987). Employee satisfaction surveys commonly apply questionnaire and complaint analysis. However, complaint analysis is a passive method, which cannot fully determine employee satisfaction hence questionnaire surveys are used (Yang, 2003a). Comm and Mathaiel (2003) applied SERVQUAL to devise employee satisfaction surveys, and define “employee satisfaction” as the gap between the work related perception and expectations of employees. Some studies apply the SERVQUAL method to carry out employee satisfaction surveys which replace the satisfaction values with importance values. Yang (2003 b) has indicated that importance and satisfaction values are not equivalent and hence they should not be replaced. Hence this study applies the Importance –Satisfaction (I-S) model. I-S model plots importance values against satisfaction values in order to determine the placement of attributes as shown below. Stakeholder involvement is directly proportional to organizational commitment or organizational citizenship behaviour according to the affective

approach; commitment “is the relative strength of a person’s identification with and involvement in an organization”. (Mowday et al 1982). Usually studies concentrated on stakeholders’ attitude and satisfaction individually. However this study aims around a 360 degree concentration of stakeholders and thus evolved PTSP (principal –teacher –student – parent) framework.

DESIGN METHODOLOGY

PTSP FRAMEWORK



I –S MODEL (IMPORTANCE – SATISFACTION)**FIG 1: ADAPTED FROM YANG 2003**

The study orients around four dimensions namely principal, teachers, students and parents.

The factors under each dimension have been adapted from the studies of Oshagbemi (1997), Comm and Mathaisel (2000), Owlia and Aspinwall(1997), Tang and Zairi(1998) and kanji et al (1999).

The following are the factors for each dimension

PRINCIPAL

1. Vision
2. Teacher Focus
3. Student Focus
4. Parent Focus

TEACHERS

1. Work Environment

2. Principal Focus
3. Pay
4. Professional Development
5. Workload
6. Autonomy
7. Performance feedback system
8. Student Focus
9. Parent Focus
10. Reward and Recognition
11. Co-Workers

STUDENT

1. Process
2. Teacher focus
3. Principal focus
4. Study environment
5. Feedback system
6. Reward and Recognition
7. Classmates focus

PARENTS

1. Work Environment
2. Student Focus
3. Teacher Focus
4. Principal Focus

5. Feedback system

6. Reward and recognition

ANALYSIS

Most research studies have analyzed each dimension of the study by conducting various tests on the factors of the respective dimensions. In this study each factor is group as 3 –D, 2-D or 1-D and then mapped on the I –S graph. The grouping is done based on the commonality of the factor between dimensions. In the usual method of analysis all factors are studied with respect to one dimension whereas here common factors are analyzed with respect to 3 or 2 dimension whereas individual factors are analyzed under one dimension. This method gives more clarity of thought to analyze each factor and take appropriate decision.

3 –D factors are;

1. Environment
2. Teacher Focus
3. Parent Focus
4. Principal Focus
5. Student Focus
6. Resources
7. Performance feedback system
8. Reward and Recognition system

2-D factors

1. Co –workers

1-D factors

1. Vision
2. Professional Development
3. Pay
4. Workload

5. Autonomy

6. Work Process

CONCLUSION

On mapping the factors on I – S map for every dimension it is possible to have a clear idea in which quadrant the particular factor lies. The factors in the third quadrant which is the excellent area need no improvement whereas the factors in the second quadrant which needs high importance but has low satisfaction have to be attended to immediately. The factors in the fourth quadrant which is the surplus area needs to be carefully monitored as there might be excess of resources being spent on them. In this study since we attend to each factor from all possible dimensions it gives a wholesome picture of each factor aiding the management to take corrective actions.

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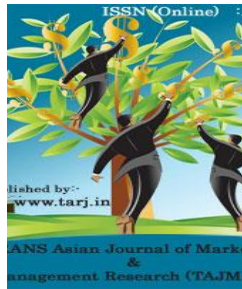
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HUMAN RESOURCE AUDIT: A METHOD TO EVALUATE THE EFFECTIVENESS AND EFFICIENCY OF HUMAN RESOURCES AND QUALITY CHECK ON HR ACTIVITIES

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ABSTRACT

A human resource audit aims at ascertaining the effectiveness of the HR department and its functions. The basic goal of an HR audit is to find out the HR interventions that will increase the firm's competitive advantage. It also ensures the compliance of the HR department with the goals, plan and policies of the organization. It helps in assessing the role and contribution of HR functions in the overall strategic planning of the organization. It assists the organization in the effective formulation of HR strategies which will align well with the overall corporate strategy.

The Management has to recognize the important role of Human Resource Department in order to successfully steer organizations towards profitability. It is necessary for the management to invest considerable time and amount, to learn the changing scenario of the HR department in the 21st century. In order to survive the competition and be in the race, HR department should consciously update itself with the transformation in HR and be aware of the HR issues cropping up. Since all the activities in an organization are accomplished by the people, for the people and with the people, the aspect of human resource management gains significance. Successful human resource management practices must meet company-specific requirements and targets.

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Also, they should be efficient, economical and lean, Against this background, different aspects of human resource audit framework have been discussed in this paper.

KEYWORDS: *Human resources Audit, Human resources.*

INTRODUCTION

A human resource audit aims at ascertaining the effectiveness of the HR department and its functions. The basic goal of an HR audit is to find out the HR interventions that will increase the firm's competitive advantage. It also ensures the compliance of the HR department with the goals, plan and policies of the organization. It ascertain the HR policies followed uniformly across the entire organization, it helps in determining not only the efficiency of the HR policies and practices but also their cost to the organization. It helps in assessing the role and contribution of the HR functions in the overall strategic planning of the organization. It assists the organization in the effective formulation of HR strategies which will align well with the overall corporate strategy.

It is similar to traditional auditing expect that the latter focuses on financial functions while the former focuses on the HR functions of the organization. The information in an HR audit relates to the people, structures and HR philosophy of an organization. It covers HR functions like employee staffing, training and development, compensation, maintenance , including motivation, communication and leadership, safety and health, and industrial relations. It also focuses on the HR information system, HR research and record keeping, returns on HR investment and policies, procedures, and regularity compliance.

DEFINITIONS

“A human resource audit is defined as an investigative, analytical and comparative process that attempts to reflect the effectiveness of the human resource functions”.

-Jack J Phillips

“The human resource audit is defined as an investigation into size, skill, structure, and all other issues surrounding those currently employed by the organization and its future human resource needs.”

-David Campbell

COVERAGE AREAS OF HR AUDIT

An HR Audit can be conducted in every aspect of management of the human resources. Generally, no one can measurement the attitude of human being and also their problems are not confined to HR department alone. So it is very much broad in nature. It covers the following HR areas:

- Audit of all the HR function
- Audit of managerial compliance of personnel policies procedures and legal provisions.
- Audit of corporate strategy regarding HR planning, staffing, IRs, remuneration and other HR activities
- Audit of the HR climate on employee motivation, morale and job satisfaction.

In fact, the audit should start with the objectives prescribe for manpower management. It should evaluate policies with regard to wages, promotions, training and development to determine whether the changes are desirable. It should also evaluate programmes evolved for implementing policies such as the selection programme, training programmes and job evaluation.

PURPOSE OF HUMAN RESOURCE AUDIT

- To Examine the strengths and weaknesses related to HR areas and competencies to enable an organization to achieve its long-term and short-term goals.
- To increase the effectiveness of the design and implementation of HR policies and procedures.

FINDINGS AND HYPOTHESIS TESTING

RESEARCH HYPOTHESIS

A hypothesis is something that is yet to be proven true. It is usually a statement about population parameter.

Null Hypothesis (H_0) is an assertion about the value of a population parameter. We assert that it is true unless we have sufficient statistical evidence to conclude otherwise.

Alternate Hypothesis (H_a) is the counter claim or statement made against the value or range of the population parameter.

The study is in descriptive nature. A total of 280 employees are made to participate in this survey. The survey made, keeping in mind all department employees such as Production, Marketing, Finance, and HR.

HYPOTHESIS 1: Majority of the employees satisfied with the performance of HR Audit in the measurement of effectiveness of HR function.

NULL HYPOTHESIS H_0 : There is no significance difference between satisfied employees & dissatisfied employees on the performance of HR audit in the measurement of effectiveness of HR function i.e $H_0 = P=0.5$

ALTERNATE HYPOTHESIS HA: There is a significance difference between satisfied employees & dissatisfied employees on the performance of HR audit in the measurement of effectiveness of HR function (i.e $H_a = P \neq 0.5$)

By using Hypothesis testing for single population proportion, Table 3 shows that We found that (tabulated Z value 1.96) which is less than calculated Z value is 3.5. According to our decision rule: Accept H_0 if calculated Z value less than tabulated Z value & Reject H_0 if calculated Z value greater than tabulated Z value .

So we will reject H_0 & accept H_a . So that there is a difference between satisfaction level and dissatisfaction level of employees about the performance of HR audit process in measurement of effectiveness of HR function. Finally nearly 60% employees satisfied about the performance of HR audit process in measurement of effectiveness of HR function.

HYPOTHESIS 2: Majority of the employees have the Positive perception about HR Audit process implemented in the organization.

NULL HYPOTHESIS H_0 : There is no significance difference between the No of employees who perceived Negatively & Positively about HR Audit process implemented in the organization function(i.e $H_0 = P = 0.5$)

ALTERNATE HYPOTHESIS H_a : There is a significance difference between the No of employees who perceived Negatively & Positively about HR Audit process implemented in the organization function(i.e $H_a = P \neq 0.5$)

By using Hypothesis testing for single population proportion, Table 3 shows that We found that (tabulated Z value 1.96) which is greater than calculated Z value is 1. According to our decision rule: Accept H_0 if calculated Z value less than tabulated Z value & Reject H_0 if calculated Z value greater than tabulated Z value .

So we will Accept H_0 & Reject H_a . There is no significance difference between the No of employees who perceived Negatively & Positively about HR Audit process implemented in the organization i.e., Half of the employees(49% of all employees) have positive perception & the remaining has the Negative Perception about HR Audit process implemented in the Organization.

TABLE 1

On performance of HR Audit	Frequency	Percentage
Satisfied	160	57.14
Dissatisfied	120	42.86

Total	280	100
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TABLE 2

On performance of HR Audit	Frequency	Percentage
Satisfied	135	48.21
Dissatisfied	145	51.79
Total	280	100.00

TABLE 3

Particular	Null Hypothesis	Alternate Hypothesis	Table value of Z at 5% level of significance	computation	Test Statistic $ z = \frac{p-P}{\sqrt{PQ/n}}$	Conclusion
On performance of HR Audit	There is no significance difference between satisfied employees & dissatisfied employees on the performance of HR audit	There is a significance difference between satisfied employees & dissatisfied employees on the performance of HR audit	1.96	Here Total No of employees n 280 The No of satisfied employees 160 (table 1) proportion value p= 0.57 P=0.5 & Q=0.5	3.5	Reject Ho
Employees perception towards the	There is no significance difference	There is a significance difference		Here Total No of		

process of HR Audit	between the No of employees who perceived Negatively & Positively about HR Audit process implemented in the organization	between the No of employees who perceived Negatively & Positively about HR Audit process implemented in the organization	1.96	employees n 280 The No of satisfied employees 145 (table 2) proportion value $p=0.48$ $P=0.5$ & $Q=0.5$	1	Accept Ho
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CONCLUSION

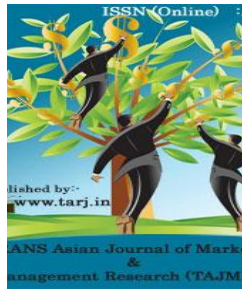
A Human Resource Audit can be used as a measure to evaluate the personnel activities of an organization. It gives feedback about the HR functions and HR specialists. It also provides feedback that how well managers are meeting their HR duties. The Audit is an overall check on HR activities in a department or a company and an evaluation of how these activities support the organization's strategy. It also gives information on HR compliance and with the legal provisions and company's policies and procedures.. HR Audit Proved that HR climate has an impact on employee motivation, morale and Job satisfaction.

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CAPITAL ACCOUNT LIBERALIZATION - A PRAGMATIC APPROACH

Dr. S.N. Ghosal*

INTRODUCTION

It has been universally realized fact that free flow of funds in and out of a country helps accelerated economic growth of a country. In fact this has been increasingly felt since 1997 when International Monetary Fund made an attempt to introduce 'the liberalization of capital movements' as one of the objectives of the institution. However the Asian Meltdown in 1997-98 led to rethinking as it was observed that even healthy and comparatively well managed economies like South Korea had to face the crisis due to heavy capital outflows and consequent currency volatility. It obviously raised a question mark whether such openness really generates accelerated growth of economy with stability and sustainability. Some economists felt that it would be possible but economists like Stiglitz and Rodrik expressed doubts in their policy recommendations to adopt capital account liberalization to give boost to economic growth of a country.

COST AND BENEFIT ANALYSIS

However at later stage it was felt that both costs and benefits of capital account openness perhaps have been misconstrued and appropriately framed and regulated. In fact the obvious benefit of capital account convertibility is to help less developed countries to boost their investment in tradable sector and thereby generate accelerated economic growth in the country. This may not often always as perhaps the country may not have made necessary preparation by developing strong and sound financial institutions to absorb and invest such funds to help economic growth of such countries. The increasing trend of foreign exchange reserves held by even non industrial countries and gradual but steady trade openness as revealed from the following diagrams clearly brings out the importance of need of free flow of funds to spur economic growth of a country, particularly the developing countries. It is however observed that there may not be any direct relationship but the fact that increasingly developing countries along with developed countries are leaning on such free flow and building huge foreign exchange reserves to improve the competitive edge of their tradable sectors clearly highlights the importance of capital account

liberalization. In fact following graphical representation sourced from IMF's International Financial Statistics vividly brings out the veracity of such dependence.

TABLE I FOREIGN EXCHANGE RESERVES HELD BY NON INDUSTRIAL COUNTRIES OF THE WORLD

Figure 1. Foreign Exchange Reserves Held by Non-industrial Economies (in trillions of U.S. dollars)

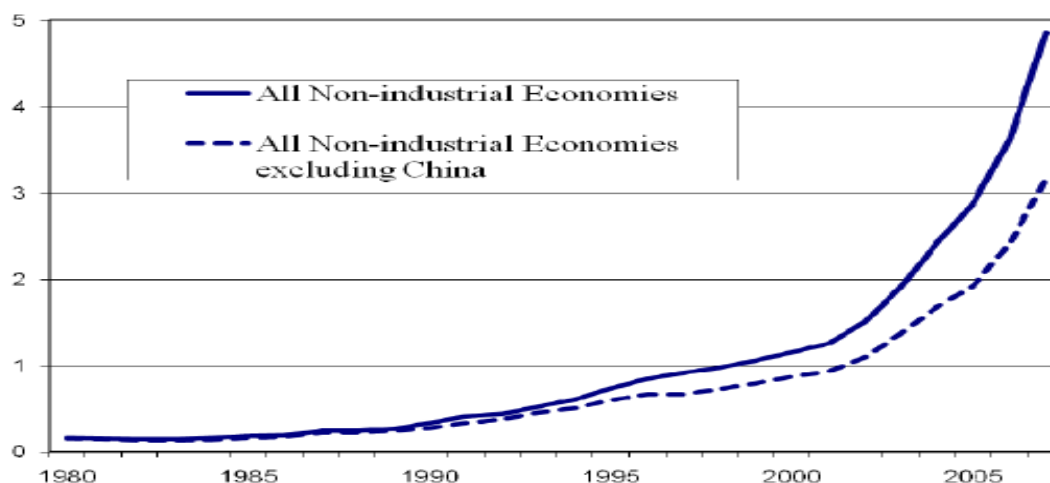
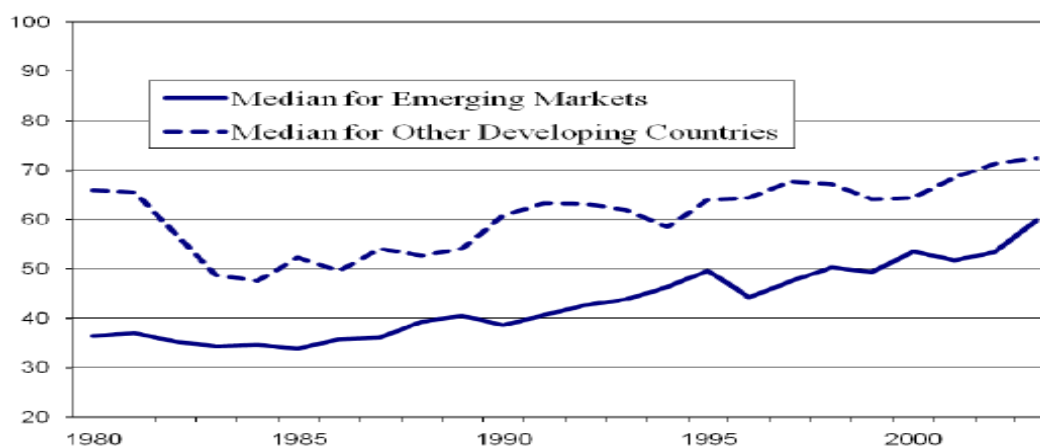


TABLE II TRADE OPENNESS

Figure 2. Trade Openness (the sum of imports and exports as a ratio to GDP, in 2000 constant prices)



COLLATERAL BENEFITS

It has therefore become necessary to refocus the use and consequent collateral benefits that may arise due to capital account convertibility adopted by any country, particularly by a developing

country. These benefits are more visible in the areas of improvement of governance of financial institution as such inflows not only bring fund but also help inducting better expertise and technology in the country. Similarly one should not forget to take stock of the cost of such free flow of funds that may arise due to overvaluation of real exchange rate and also due to loss of competitive edge at least for some period till the country also improves its managerial and technology at par with the developing countries. This explains that there are threshold levels of developing financial institutions of a country to help them to welcome flow of funds from other countries and also outflow of funds to other countries when benefits will exceed the cost of such flow of funds in a country

ADVANCE PREPARATION

It is therefore imperative for the policy makers of a country to make necessary preparation before opening up the country to capital flows. However this has to be undertaken at an early stage as otherwise due to continuous surge in trade globally there would arise several types of disguised conduits in the form of over and under invoicing to create disguised flow of funds which would be difficult to control and take note of as it would be invisible free flow of funds.

GROWTH THROUGH HOME SAVINGS—CHINA AND INDIAN EXAMPLE

It is true that developed internal financial institutions perhaps can garner high rate of savings in the country and also may develop and enhance investment opportunities and accelerate economic growth on their own. India and China perhaps could defer free flow of funds on capital account for quite some due to this. But it is equally true that due to globalization it is imperative to liberalize economy as otherwise not only growth of the economy would slow down but also encourage unhealthy inflow and outflow of funds in the country. It also insulates the country from competitions which may not always good for the country. In fact openness exposes the country to global competition and create spur to improve governance and improve quality of services and products both in financial institutions and also in other tradable sectors of the economy.

WAIT FOR THRESHOLD

It would be imperative therefore to wait for threshold and then open the economy for free flow of fund. However it is not very easy to determine when the country reaches threshold period particularly for developing countries as it has been observed that often liberalization help in developing financial institutions that are necessary reap the benefits of liberalization. It may therefore be beneficial for a country to open up just when its financial institutions are readying themselves to reap the benefits of liberalization and to grow both in technology and expertise to manage effectively and efficiently free flow of funds in the country.

PRAGMATIC APPROACH

It might be therefore suggested that developing countries could open up their capital account smoothly by adopting a pragmatic approach to it. In fact most of the developing countries have amassed large current account surpluses perhaps due to subdued investments having taken lessons from meltdown of 1990. Further as a result of capital inflows due to their attractive interest rates and stable and comparatively sound economic health, most of the developing countries have built up considerable amount of foreign exchange that helps them also check appreciation in exchange rate by regular intervention in foreign exchange market. This has also provided an opportune occasion to these countries to open up on capital account as they have built up adequate foreign exchange reserves to stave off any unexpected foreign exchange liabilities that might be unexpected but not unlikely as is evident from the recent sub prime mortgage lending crisis and usual speculative attacks on a currency.

It is therefore obvious that one can open up on capital account when economic environment is helpful and the country has groomed its financial institutions appropriately to welcome inflow and outflow of funds freely globally. However the prime need is to develop a pragmatic policy to trade off cost benefits of openness. A pragmatic policy in this regard could be developed only when following facts are duly reckoned with and policy decision in this regard emerges thereafter.

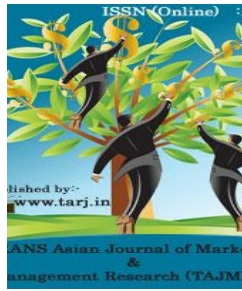
OUTLINES OF PRAGMATIC APPROACH

1. the financial institutions of the country are ready to welcome openness or in the final stage of such readiness;
2. the economic condition of the country is sound and stable and external economic environment is relatively helpful;
3. instead of intervention and sterilization by the regulatory authority it would be necessary to focus on more and more on portfolio investments internationally by domestic institutions and individuals;
4. it would be helpful to encourage pension funds and insurance companies to invest abroad and diversify their portfolios based on global opportunities;
5. banks and mutual funds may be encouraged to develop international portfolio for their affluent customers;
6. it would be necessary to introduce education campaign on the benefits of portfolio diversification internationally vis-à-vis national portfolio investments;
7. it could be recommended that in the initial stages policy measures should be framed in such a way that private sectors' outflow could be easily controlled whenever any crisis is observed internally and or internationally;

8. one feasible method could be to authorize close-ended mutual funds of the country to issue shares and use the proceeds to purchase foreign exchange from the central bank invest this abroad and build global portfolio and this way the central bank could control timing and amount of such outflows by stipulating the time amount they would make available to these mutual funds. This way the rigor of regulation could be avoided and outflow of fund would be self regulated;
9. alternative could be to build sovereign wealth fund by the central of the country but it would be much better proposal to allow financial institutions and at some later stage to affluent individuals to invest and build diversified international investment portfolio and optimize earning and minimize risk;
10. the policy measure should be such that would eliminate the risk of speculative runs on the currency and consequent debt crisis. It could be never be full proof as systemic risk is difficult to predict but to a large extent such risk could be avoided in case policy of openness could be framed on pragmatic considerations as could be identified at the time of opening up. However on the basis past experiences the points highlighted would perhaps take care of such crisis.

COLLATERAL BENEFITS

It would be wrong to assume that capital account convertibility is imperative for growth of all countries but it also could not be denied that it would help to smoothen reforms and also successfully counter the vicious impact of vested interests and power groups that generally block inclusive economic growth of a country. In fact China is an illustrious country in this regard as it has deployed foreign capital judiciously to spur competition and reform financial institutions particularly the banking sector not only by inducting capital but also technology and expertise. It would be equally important to emphasize the role of Reserve Bank of India in managing the exchange rate and allowing gradual but in a systematic way both outflow and inflow of foreign funds in the country to give boost to economic growth and to encourage healthy competition in financial markets and to strengthen these institutions by inducting fund, technology and guidance. It is true India could not keep pace with China in this regard but it is equally true that has been able to build much solid and stable financial institutions and markets by following cautious policy. However India could have done better than China if she could have developed public private partnership model for delivery institutions. In fact most of development funds earmarked for inclusive growth could not reach to the people for whom the fund was allocated as the delivery of such fund was entrusted to political institutions with no or limited accountability and transparency. India needs increasing dose of investment in infrastructure and also in agriculture along with manufacturing and service industries and for this it would be necessary to open up as much as possible and build up efficient institutions through optimum use of domestic and foreign funds, technology and knowledge.

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EVALUATION/ APPRAISAL OF SALES PROMOTION IN SOFT DRINK INDUSTRY IN INDIA

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INTRODUCTION

Sales promotion is one of the four aspects of promotional mix. (The other three parts of the promotional mix are advertising, personal selling, and publicity/ public relations.) Soft drink companies spend billions on promotion. Much of these promotional efforts are aimed at children through playgrounds, toys, cartoons, movies, videos, charities and amusement parks; and through contests, sweepstakes, games and clubs via television, radio, magazines and the internet. The huge increase in soft drink consumption is a direct link to the bottom line profit that is generated for the soft drink corporations. Coca Cola, for example, has set the goal of raising consumption of its products in the U.S. by at least 25 percent per year to do that. To meet that goal they have increased the size of the drinks from 61/2 ounces in the 1960's to the 20-ounce bottle of today. Restaurants such as McDonalds and Burger King offer 20-ounce drinks with free. All of these things are due to promotions from the soft drink corporations to increase sales. Sales promotion is a marketing activity that adds to the basic value proposition behind a product (i.e., getting more for less) for a limited time in order to stimulate consumer purchasing, selling effectiveness, or the effort of the sales force.

BACKGROUND

INDIAN SOFT DRINK INDUSTRY

The Indian Soft-Drink Industry is a 3500 crore rupee Industry comprised of consumers throughout the country, and of all ages. The industry has been comprised of all Indian Soft-Drinks manufactures and the multinational Coca-Cola up to 1976. From 1976 to 1989, the industry only comprised of Indian manufacturers namely, Parle, Campa-Cola and Dukes. Decades of 90's have brought changes in Government Policies of liberalization, which has helped user in two huge American multinational Pepsi-Cola International and Coca-Cola.

INDUSTRY CHANGES

The soft drink industry is affected by macro environmental factors of the industry that will lead to change. First, the entry/exit of major firms is a trend in the industry that will likely lead to change. More specifically, merger and consolidation has been prevalent in the soft drinks market, causing some firms to exit the industry and then re-enter themselves. Several leading companies have been looking to drive revenue growth and improve market share through the increased economies of scale found through mergers and acquisitions. One specific example is how PepsiCo acquired Quaker Oats, who bought Gatorade which will help expand PepsiCo's energy drink sector. This trend has increased competition as firms' diversification of products is increasing. A second trend in the macro environment is globalization. With the growing use of the internet and other electronic technologies, global communication is rapidly increasing. This is allowing firms to collaborate within the country market and expand into world markets. It has driven competition greatly as companies strive to be first-movers. Specifically, the global soft drink market's compound annual growth rate (CAGR) is expected to expand to 3.6% from 2009 to 2011. Third, changing societal concerns, attitudes, and lifestyles are important trends. In the United States and Europe, people are becoming more concerned with a healthy lifestyle. "Consumer awareness of health problems arising from obesity and inactive lifestyles represent a serious risk to the carbonated drinks sector. This trend is causing the industry's business environment to change, as firms are differentiating their products in order to increase sales in a stagnant market. Thus, the long-term industry growth rate, the fourth trend, shows low growth in recent years. Since 2000, the CAGR is 1.5 per cent. The low growth rates are of concern for soft drink companies, and several are creating new strategies to combat the low rates. This leads to the fifth trend of growing buyer preferences for differentiated products. Because soft drinks have been around since as early as 1798, buyers want innovation with the products they buy. In today's globalizing society, being plain is not good enough. The key for all of these beverage companies is differentiation. The giants have new formulations and appearances. Whatever the strategy, be it a new color, flavor, or formula, companies will strive to create the greatest brand awareness in the minds of the consumer in the hopes of crowding out its competitors." Thus, the last trend, product innovation, is necessary to combat buyers need for a variety of tastes. Firms are already differentiating by taste, with the Coca-Cola Company as an example. The firm's product line includes regular Coca-Cola, Diet Coke, Diet cherry Coke cherry Coke, Vanilla Coke, Coca-Cola with Lime, Coca-Cola with lemon and many more.

DOMINANT ECONOMIC FACTOR

Market size, growth rate and overall profitability are three economic indicators that can be used to evaluate the soft drink industry. The market size of this industry has been changing. Soft drink consumption has a market share of 46.8% within the non-alcoholic drink industry. Datamonitor (2010) also found that the total market value of soft drinks reached \$307.2 billion in 2009 with a market value forecast of \$367.1 billion in 2011. Further, the 2009 soft drink volume was 325,367.2 million liters. Clearly, the soft drink industry is lucrative with a potential for high profits, but there are several obstacles to overcome in order to capture the market share. The growth rate has been recently criticized due to the U.S. market saturation of soft drinks. This has led to the growth of other sectors of the non-alcoholic industry including tea and coffee (11.8%) and bottled water (9.3%). Sports drinks and energy drinks are also expected to increase in growth as competitors start adopting new product lines. Because of this, soft drink leaders are establishing themselves in alternative markets such as the snack, confections, bottled water, and sports drinks industries. In order for soft drink companies to continue to grow and increase profits they will need to diversify their product offerings. The soft drink sector is dominated by three major players...Coca-Cola is king of the soft drink-empire and boasts a global market share of around 50%, followed by PepsiCo at about 21%, and Cadbury Schweppes at 7%.” Apart from these major players, smaller companies such as Cott Corporation and National Beverage Company make up the remaining market share. The above three major players have prominent presence in the soft drink industry. According to the CocaCola annual report (2011), it has the most soft drink sales with \$22 billion. The Coca-Cola product line has several popular soft drinks including Coca-Cola, Diet Coke, Fanta, Barq’s, and Sprite, selling over 400 drink brands in about 200 nations. PepsiCo’s soft drink sales crossing \$18 billion for the two beverage subsidiaries-PepsiCo Beverages North America and PepsiCo International. The soft drink product line includes Pepsi, Mountain Dew and Slice which make up more than one quarter of its sales. Cadbury Schweppes had soft drink sales of \$6 billion with a product line consisting of soft drinks such as A&W Root Beer, Canada Dry and Dr. Pepper.

SOME SALES PROMOTION-RELATED ISSUES

KEY ENVIRONMENTAL ISSUES

The key environmental consideration of the soft drink industries is to be less dependent on finite resources such as fresh water, fossil fuels and other natural raw ingredients. The beverage industry is particularly exposed to water risk because: a) it is dependent on large quantities of water for production and b) a large proportion of this water needs to be very high quality for production. So in all, the portion of water available to these companies is limited. The key water challenges facing the industry include efficiency improvements (using less quantity of water per product); maintaining access to high quality water; and dealing with wastewater from the production process. Another environmental consideration is climate change and how far the industry has come in terms of managing the production of greenhouse gas emissions and conserving energy.

KEY SOCIAL ISSUES

For soft drink makers, stakeholder engagement will become an important focus as health issues mount relating to sugar intake and the use of artificial ingredients become increasingly common. Soft drinks, including juices, sodas, ready-to-drink teas, sports and energy drinks are becoming increasingly popular throughout Asia. Compared to leading global soft drinks brands, the social impacts of soft drinks are not well covered by Asian companies, including dietary or obesity related issues. This may be because the priority for Asian soft drink companies is to meet growing consumer demand rather than responding to less vocalized health concerns. Health and safety issues along the supply chain remain an important issue for all beverage products. The more complex and fragmented the supply chain, the less control a company has on production and the potential for problems relating to quality, safety and human rights abuses.

SALES PROMOTION AND PRODUCT LIFE CYCLE

The promotional tools vary in their cost effectiveness at different stages of the product life cycle. In the introduction stage, advertising and publicity have high cost effectiveness, followed by sales promotion to induce trial and personal selling to gain distribution coverage. In the growth stage, all the tools can be toned down because demand has its own momentum through word-of-mouth. In the maturity stage, sales promotion, advertising and personal selling all become more important in that order. In the decline stage, sales promotion continues strong, advertising and publicity are reduced and sales people give the product only minimal attention.

IMPACT OF SALE PROMOTION ON SALE VOLUME

Sales promotion has grown substantially in recent years. There are several reasons for this dramatic growth in sales promotion. First, consumers have accepted sales promotion as part of their buying decision criteria. It provides reluctant decision makers with an incentive to make choices by increasing the value offered by a particular brand. Second, the increasing tendency of businesses to focus on short-term results has helped spur growth in sales promotion, which can provide an immediate boost in sales. Product managers also tend to view sales promotion as a way to differentiate their brand from that of competitors in the short term. Third, the emergence of computer technology has enabled manufacturers to get rapid feedback on the results of promotions. Redemption rates for coupons or figures on sales volume can be obtained within days. Finally, an increase in the size and power of retailers has also boosted the use of sales promotion.

DISADVANTAGES OF SALE PROMOTION

- On the downside, the sales promotions, unlike other integrated marketing communication tools, work often on a short-term basis only.
- Also, unlike advertising or public relations, for instance, sales promotions strategies may have no lasting impact on the brand.

CONCEPT OF SALES PROMOTION/

LITERATURE REVIEW

SALES PROMOTION

Sales promotions are another way to advertise. Sales promotions are double purposed because they are used to gather information about what type of customers you draw in and where they are, and to jumpstart sales. The ultimate goal of sales promotions is to stimulate potential customers to action. Sales promotion signifies all those activities that supplement, co-ordinate and make the efforts of personal selling and advertising more effective. It is non recurrent in nature which means it can't be used continuously.

A study of 25 grocery brands across four countries showed that- For established brands, sales are not constantly high after the sales promotion is over. The benefit only lasts the length of the sales promotions and a negligible increase of just 1 per cent in sales was noticed. Buyers who bought during the sales promotions are actually familiar with the brands. Therefore, sale promotions have not really attracted new, additional buyers or encouraged brand switching. Price promotions only cater to a limited number of customers, usually 10-20 percent. In conclusion, it can be said that sales promotions do not really have long-term impact on sales. Increases in sales often last only during the entire period of sales promotions. Also, no after-effect on consumer loyalty is noticeable because the majority of extra buyers in a sales blitz have tried the brand already. Sales promotions may be effective in the short-term but these marketing strategies do not have long-term impacts.

THE CONCEPT

Sales promotion consists of diverse collection of incentive tools, mostly short-term designed to stimulate quicker and greater purchase of a particular product by consumers. Where advertising offers a reason to buy, sales promotion offers an incentive to buy. Sales promotion includes tools for consumer promotion (for example samples, coupons, prizes, cash refund, warranties, demonstrations, contest); trade promotion (for example buying allowances, free goods, merchandise allowances, co-operative advertising, advertising and display allowances, dealer sales contests); and sales-force promotion (for example bonuses, contests, sales rallies).

OBJECTIVES OF SALE PROMOTION

- **TO INTRODUCE NEW PRODUCTS:** To induce buyers to purchase a new product, free samples may be distributed or money and merchandise allowance may be offered to business to stock and sell the product.
- **TO ATTRACT NEW CUSTOMER:** New customers may be attracted through issue of free samples, premiums, contests and similar devices.

- **TO INDUCE PRESENT CUSTOMERS TO BUY MORE:** Present customers may be induced to buy more by knowing more about a product, its ingredients and uses.
- **TO INCREASE SALES IN OFF SEASON:** Buyers may be encouraged to use the product in off seasons by showing them the variety of uses of the product.
- **TO INCREASE THE INVENTORIES OF BUSINESS BUYERS:** Retailers may be induced to keep in stock more units of a product so that more sales can be effected.

RATIONALE OF SALES PROMOTION

- **SHORT-TERM RESULTS:** Sales promotion such as coupons and trade allowances produce quicker, more measurable sales results. However critics of this strategy argue that these immediate benefits come at the expense of building brand equity. They believe that an over emphasize on sales promotion may undermine a brand's future.
- **COMPETITIVE PRESSURE:** If competitors offer buyers price reductions, contest or other incentives, a firm may feel forced to retaliate with its own sales promotions.
- **BUYERS' EXPECTATIONS:** Once they are offered purchase incentives, consumers and channel members get used to them and soon begin expecting them.
- **LOW QUALITY OF RETAIL SELLING:** Many retailers use inadequately trained sales clerks or have switched to self service. For these outlets, sales promotion devices such as product displays and samples often are the only effective promotional tools available at the point of purchase.

TWO TYPES OF SALE PROMOTION TOOLS

1) CONSUMER PROMOTION TOOLS

- **SAMPLES:** Samples are offers of a free amount or trial of a product to consumers. The sample might be delivered door to door sent in the mail, picked up in a store, found attached to another product or featured in an advertising offer.
- **COUPONS:** Coupons are certificates entitling the bearer to a stated saving on the purchase of a specific product. Coupons can be mailed, enclosed in or on other products or inserted in magazine and newspaper advertisements.
- **CASH REFUND OFFERS OR REBATES:** These are like coupons except that the price reduction occurs after the purchase rather than at the retail shop. The consumer sends a specified "proof of purchase" to the manufacturer, who in turn 'refunds' part of the purchase price by mail.

- **PRICE PACKS:** These are offers to consumers of savings off the regular price of a product, flagged on the label or package. They may take the form of a reduced-price pack which is single packages sold at a reduced price (such as two for the price of one) or a banded pack, which is two related products banded together (such as a tooth brush and tooth paste).
- **PREMIUMS OR GIFTS:** These are merchandise offered at a relatively low cost or free as an incentive to purchase a particular product. Sometimes the package itself, is a reusable container may serve as a premium. A self-liquidating premium is an item sold below its normal retail price to consumers who request it.
- **PRIZES:** These are offers of the chance to win cash, trips or merchandise as a result of purchasing something. Pepsi-cola offered the chance to win cash by matching numbers under the bottle cap with numbers announced on television. Sometimes the prize is a person, offering the winner either cash or dinner with actor Sharukh Khan.
- **PATRONAGE AWARDS:** These are values in cash or in other forms that are proportional to one's patronage of a certain vendor or group of vendors. Most airlines offer "frequent flyer plans" providing points for miles traveled that can be turned in for free airline trips. Cooperatives pay their members dividends according to their annual patronage.
- **FREE TRIALS:** Free trials consist of inviting prospective purchasers to try the product without cost in the hope that they will buy the product. Thus, often we see, auto dealers encourage free test drives to stimulate purchase interest.
- **PRODUCT WARRANTIES:** These are an important tool, especially as consumers become more quality sensitive. When My TVS offered a two year car warranty, substantially longer than other competitors' customers took notice. They inferred that My TVS quality must be good or else the company would be in deep trouble. Companies must carefully estimate the sales-generating value against the potential costs of any proposed warranty programme.
- **TIE-IN PROMOTIONS:** These are becoming increasingly popular. In a tie in promotion two or more brands or companies team up on coupons, refunds and contests to increase their pulling power. Companies pool funds with the hope of broader exposure, while several sales forces push these promotions to retailers, giving them a better shot at extra display and ad space.
- **POINT-OF-PURCHASE DISPLAYS:** These take place at the point of purchase or sale. Display of visible mark or product at the entrance of the store is an example. Unfortunately many retailers do not like to handle the hundreds of displays, signs and posters they receive from manufacturers. Hindustan Lever often use this tool to promote its products in the retail market.
- **PRODUCT DEMONSTRATIONS:** Products are being shown in action. Consumers can visit the store and see the usage of product in live action so that doubts of the consumers can

be clarified in the store itself. When a new product is introduced in the market, the sales promotional tool is often used.

2) TRADE PROMOTION TOOLS

- **PRICE – OFF:** Manufacturers may offer a price – off, which is straight discount off the list price on each case purchased during a stated period of time. The offer encourages dealers to buy a quantity or carry a new item that they might not ordinarily buy.
- **ALLOWANCE:** Manufacturers may offer an allowance in return for the retailer's agreeing to feature the manufacturer's products in some way. An advertising allowance compensates retailers for advertising the manufacturer's product.
- **FREE GOODS:** Manufacturers may offer free goods, which are extra cases of merchandise to middlemen who buy a certain quantity of items.
- **PUSH MONEY:** Manufacturers may offer push money which is cash or gifts to dealers or their sales force to push the manufacturer's goods.
- **SPECIALTY ADVERTISING ITEMS:** Manufacturers may offer free specialty advertising items to the retailers that carry the company's name such as pens, pencil, calendars, paper weights, and memo pads.

RESEARCH OBJECTIVE

- To identify various type of sale promotional techniques and strategies in soft drink industry.
- To know the concept of sale promotion in soft drink industry
- To understand the objective of sale promotion.
- To explore the disadvantages of sale promotion.
- To identify the influence of sale promotional techniques on sale volume of the business.

EXPECTATIONS FROM SALE PROMOTION STRATEGIES

1. OBJECTIVES

The marketer should determine his sales promotion objectives. He should determine what is to be accomplished and what kind of buyer responses are desired. Sales promotion tasks should be objective oriented. These tasks are informing, persuading and reminding the customers about the products. The sales manager should inform consumers about his product and should highlight its special features. He has not only to inform the customers but persuade them to buy it.

2. COMMUNICATION

Sales promotion should attract the attention of the target audience. If the prices, discounts, off season facilities etc, are not adequately and effectively communicated, the effort of sales promotion would be wasted. A point to be noted here is that the audience evaluates not only the message but also the source of the message in terms of its credibility. The purpose of communication is to persuade potential customers to purchase the product. The sales manager determines the message to be aimed at the target market to gain product acceptance. The overall marketing objectives define the role of communication in sales promotion. Identifying the target audience is the main task of a sales promotion communication. The audiences response to the message source helps determine the effectiveness of the message.

3. MEDIUM OF REACH

Sales promotion may adopt different methods for approaching people. Strategic variables are taken into account while deciding a particular method of sales promotion. Consumer promotion has been considered a very effective mode of sales promotion; potential consumers are offered samples, coupons, etc; to promote sales. The point of purchase display is a silent strategy to trigger off buying decisions. Retailers rely on in-store displays to familiarize customers with their product. A showroom display makes it easy for prospective buyers to familiarize themselves with the different features of the product. Trade promotion through buying allowance, free goods, merchandise allowances, push money etc; help to enhance sales by retailers and traders. Packaging is another important form of promotion, particularly for consumer goods. It may carry selling messages and information about the product. A good package design attracts the shopper's attention.

4. SALES PROMOTION BUDGET

- **AFFORDABLE METHOD:** Many companies set the promotion budget at what they think the company afford. This method of setting budgets completely ignores the role of promotion as an investment and the immediate impact of promotion on sales volume. It leads to an uncertain annual promotion budget, which makes long range market planning difficult.
- **PERCENTAGE OF SALES METHOD:** Many companies set their promotion expenditures at a specified percentage of sales or of the sales price. Automobile companies typically budget a fixed percentage for promotion based on the planned can price. The major advantages are:
 - The percentage-of-sales method means that promotion expenditures are likely to vary with what the company can afford – which satisfies the financial managers, who feel that expenses should bear a close relation to the movement of corporate sales over the business cycle.

The major drawback of this method is that it does not provide a logical basis for choosing the specific percentage except what has been done in the past or what competitors are doing.

- **COMPETITIVE-PARITY METHOD:** Some companies set their promotion budget to achieve share-of-wise parity with their competitors. Two arguments are advanced for this method. One is that the competitors' expenditures represent the collective wisdom of the industry. The other is that maintaining a competitive parity helps prevent promotion wars. There are no grounds for believing that the competition knows better than the company itself what it should be spending on promotion. Company reputations, resources, opportunities, and objectives differ so much that their promotion budgets are hardly a guide.
- **OBJECTIVE-AND-TASK-METHOD:** The objective-and-task method calls upon marketers to develop their promotion budgets by defining their specific objectives, determining the tasks that must be performed to achieve these objectives and estimating the costs of performing these tasks.

5. PROMOTIONAL MIX

Companies face the task of distributing the total promotion budget over the four promotion tools of advertising, sales promotion, publicity and sales force. Within the same industry, companies can differ considerably in how they allocate their promotional budget. Companies are always searching for ways to gain efficiency by substituting one promotional tool for another as it becomes more favourable. Many companies have replaced some field sales activity with ads, direct mail and telemarketing. Other companies have increased their sales promotion expenditures in relation to advertising, to gain quicker sales. The trial and error method, past performance and corporate policies may influence the appropriate promotional mix.

6. STRATEGIC APPROACH

The kind of promotional mix employed determines the promotional strategy. Generally speaking a particular combination, type or amount of sales promotion, personal selling, publicity and advertising are brought into the promotional mix, which becomes the promotional strategy in the course of implementation. The marketing strategy as much guides the determination of the promotional strategy, which may be divided into sale promotion strategy, personal selling strategy, publicity strategy and advertising strategy.

7. EVALUATION OF SALES PROMOTIONAL STRATEGY

Sales promotional strategies should be evaluated twice. First at the stages of implementation and secondly after the final performance because implementation control' will suggest improvements during the application of the promotional strategy, while 'performance control' will be a guide for the future. Implementation control covers initial planning, objectives, promotional packages, and printing of special premiums and packaging materials, distribution to retailers, etc. Even though it has proved successful whenever tried, very few firms adopt this strategy. Many manufacturers believe only in performance control. Performance is evaluated in the light of planned objectives. Consumer surveys and consumer experiments are used to evaluate how far

the sales promotion techniques have been effective in increasing sales through motivating consumers and sellers, and point the way to improvement in sales promotion.

RECOMMENDATIONS

Recommendations for competitive success within the soft drink industry branch from the trends of the macro environment. Primarily, constant product innovation is imperative. A company must be able to recognize consumer wants and needs, while maintaining the ability to adjust with the changing market. Size of the organization, especially in terms of market share is very important. Large distributors have the ability to negotiate with stadiums, universities and school systems, making them the exclusive supplier for a specified period of time. Additionally, they have the ability to commit to mass purchases that significantly lower their costs. They must implement effective distribution channels to remain competitive. Taste of the product is also an important factor for success. Furthermore, established brand loyalty is a large aspect of the soft drink industry. Many consumers of carbonated beverages are extremely dedicated to a particular product, and rarely purchase other varieties. This stresses the importance of developing and maintaining a superior brand image. Price, however, is also an important factor because consumers without a strong brand preference will select the product with the most competitive price. Finally, global expansion is a vital factor in the success of a company within the soft drink industry. The United States has reached relative market saturation, requiring movement into the global industry to maintain growth looking towards the future, the most important recommendation to Coca-Cola is continuing product innovation and expansion of their product line. The soft-drinks industry is fully saturated with competitors. Also, the industry is no longer expanding, and market share is actually decreasing as more consumers are looking to healthier options. By continually introducing new products, Coca-Cola will be able to increase their profits and allow the company to continue to grow. Also, having a diverse product line will make the corporation very stable, which is appealing to investors and creditors. A second recommendation would be to sustain or increase the global market share. Coca-Cola is very well-established globally, and is the global soft-drinks leader. This is very important to sustain because it is the source of the majority of their profits. If they lose global market share, their profits will decline dramatically. A final recommendation for Coca-Cola is to maintain and try to increase their brand loyalty. Diet Coke has the second highest brand loyalty of all the soft-drink competitors' brands, and solid advertising campaigns will help maintain the brand loyalty. They can also strive to obtain higher brand loyalty in all other brands, not solely Diet Coke. The brand loyalty is important because it will allow Coca-Cola to sustain profits and maintain their market share.

SOME SPECIFIC RECOMMENDATIONS

ON THE ENVIRONMENTAL SIDE

1. Soft drink Companies need to first assess to what extent they and their suppliers depend on water and the associated risks. This should be done in consultation with key stakeholders.

2. Companies should measure their water footprint and look to how they can best manage water resources through enhanced processes and infrastructure.
3. Companies should implement rigorous water testing and monitoring systems and install treating equipment. Water pollution and treatment is already a focus of Asian listed companies and with the growing emphasis on regulation and enforcement this looks set to increase.
4. Companies need to realize that global commitments to improve water efficiency can only be implemented locally, requiring versatility and local management support.
5. Companies should disclose water performance and the initiatives that they are putting in place.
6. Companies need to assess their contribution to climate change, put in place measures to reduce emissions and waste and report on progress.

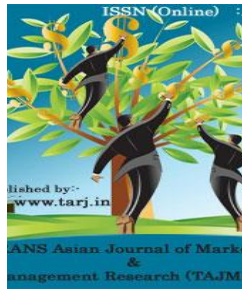
ON SOCIAL ISSUES

7. Soft drink companies are advised to anticipate government regulations, particularly in relation to their marketing approaches to children.
8. Companies need to be innovative in creating healthier soft drink products as in the case of PepsiCo and Coca Cola focusing on a low sugar, natural sweetener for their products and Vietnamese and Chinese brands tapping into the demand for alternatives to carbonated soft drinks.
9. Companies should assess their supply chain risks and put in place codes of conduct, monitoring and capacity building initiatives to prevent these. As consumers become more aware of supply chain issues, good supply chain management can create a competitive advantage.
10. Companies that rely on agricultural supply chains, particularly large numbers of small holding farmers, should look to developing partnerships with government, local NGOs and international agencies to better manage social risk.

CONCLUSION

Sales promotion is a tool used to get customers to buy a product or try a service. Typically, before a sales promotion is put into action, a company evaluates its market. If a sales promotion is warranted, the company comes up with a clear, measurable objective they'd like to accomplish through the promotion. A sales promotion is done to inform customers about a new product either by an advertisement in a local paper explaining the product or inviting customers to visit a Web site for a coupon offer. An activity like this can be measured by tracking the number of people who receive the paper, the number of people who visit the Web site, the number of people who download the coupon and the number of people who actually use the coupon. Reminding customers about a product or service is just as important as an initial product introduction. Something as simple as setting up an in-store display with coupons or having customers

complete a survey to indicate how often they use the product keeps brands fresh in consumers' minds. Information gathered from the survey can expose how often customers use a product, how familiar they are with a product and if they plan to use it more in the future. Couple this with a discount coupon and you can even track the number of people who make a purchase after completing the survey. A follow-up survey can assess things like customer satisfaction and likelihood for a repeat purchase.

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INDIAN RURAL MARKET: CHALLENGES AND WAYS AHEAD

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INTRODUCTION

Rural India accounts for around 50 per cent of India's gross domestic product (GDP) and houses nearly 70 per cent of the country's population. The market is a unique mix of burgeoning incomes and growing aspirations of around 850 million consumers who inhabit about 650,000 villages in the country. Some of India's biggest companies generate one-third of their consumers or business from the hinterlands. Hindustan Unilever (HUL) generates about 40 per cent of its total business from these rural markets which also accounts for 30 per cent of Coca-Cola and Maruti's turnover. Of Airtel's 8.6 million DTH customers, about a third comes from rural regions in the country.

Consumption habits of people in rural regions are progressively mirroring those in urban areas. Due to this changing trend and the massive market, the hinterlands offer tremendous investment opportunity for private players. Rural India housed 75 per cent of all new factories built in the country in the last decade. Also, factories in these areas account for around 70 per cent of new manufacturing jobs.

MARKET SIZE

Rural India is now being seen as a major hub for investment by India Inc. In the period 2009–12, spending in rural India reached US\$ 69 billion.

The per capita gross domestic product (GDP) has grown at a compound annual growth rate (CAGR) of 6.2 per cent since 2000, in the country's rural areas.

Rural consumption per person is said to have risen by 19 per cent yearly in the period 2009–12, which includes some impulse-driven categories.

At the end of 2013, mobile penetration in rural India was 41 per cent, while handset penetration was a little over 30 per cent. According to industry estimates, there are more than 250 million handsets in rural regions of the country, of which nearly 30 million users access the Internet on mobile phones.

INVESTMENTS

The following are some of the major investments and developments in the Indian rural sector:

- Honda Motorcycle and Scooters (HMSI) is establishing a ‘rural vertical’ in an effort to compete with market leader Hero MotoCorp which has an extensive rural distribution network. Honda plans to improve its 100cc bike segment and bring about a new entry point for HMSI in the country. The company will build its distribution network through the addition of 1,000 sales points within a year, of which 70 per cent will come from rural markets.
- Canara Bank has extended its support to Biocon Foundation and Orissa Trust of Technical Education and Training (OTTET) for a public–private partnership (PPP) with the Odisha government, for an e-healthcare programme aimed at the betterment of rural regions in the state. Under this partnership, Biocon Foundation and OTTET will establish an electronic diagnostic facility, an e-Health centre managed by local entrepreneurs, at all Primary Health Centres (PHCs) in Odisha. Canara Bank will provide financial assistance for the entrepreneurs while Biocon Foundation and OTTET will provide the necessary training.
- Bajaj Electricals Ltd plans to set up an integrated research and development (R&D) centre that will help the company create cutting-edge technology and drive innovation across its three business verticals. The company is seeking to increase its focus on non-urban regions, and plans to make appliances aimed specifically at the needs of the rural market, such as irons and mixers. “The R&D centre will study market needs and make what the consumer wants,” said Mr Shekhar Bajaj, CMD, Bajaj Electricals.
- The Tata Group has asked its companies to cooperate with each other in a bid to serve the country’s rural regions in a more effective manner. This ‘routes-to-market’ strategy is the first of other major initiatives being tried out by the company. The plan is still nascent but it is believed that Tata Strategic Management Group, the Group’s in-house management consulting arm, is working with the companies and will likely launch a pilot project shortly.

ROLE OF RURAL MARKET IN INDIAN ECONOMY

Majority of the villages are well connected to the urban areas. With the advent of various technologies, the communication is fast and rural consumers get to know about the various products and brands in the way well understood by them. Everything from FMCG, consumer

durables, insurance, telecom etc all industries have an easy reach to the rural markets. Even the companies are well targeting the rural markets as the increasing competition in the urban markets is making these markets stagnant. The rural markets are giving the companies a good share in the market. Even the rural consumers are well adapting to the modern way of living. The increasing level of education among the rural people makes it easy for the marketers to pass on their message across the rural markets. The Indian consumer base is highly supported by the rural population (about 70 per cent of the country's population), which drives revenues for many major conglomerates operating in diverse markets in India. For many years, rural India was not much acknowledged by the retailers. But as the "bottom of the pyramid" is getting empowered with education, higher purchasing power and awareness, companies are looking for opportunities in hinterlands.

The concept of Rural Marketing in Indian Economy has always played an influential role in the lives of people. In India, leaving out a few metropolitan cities, all the districts and industrial townships are connected with rural markets. The Rural market in India is not a separate entity in itself and it is highly influenced by the sociological and behavioral factors operating in the country. The Rural population in India accounts for around 627 million, which is exactly 74.3 percent of the total population.

Some of the important features or characteristics of Rural Marketing in Indian Economy are being listed below:

- With the initiation of various rural development programmes there have been an upsurge of employment opportunities for the rural poor. One of the biggest cause behind the steady growth of rural market is that it is not exploited and also yet to be explored.
- The rural market in India is vast and scattered and offers a plethora of opportunities in comparison to the urban sector. It covers the maximum population and regions and thereby, the maximum number of consumers.
- The social status of the rural regions is precarious as the income level and literacy is extremely low along with the range of traditional values and superstitious beliefs that have always been a major impediment in the progression of this sector.
- The steps taken by the Government of India to initiate proper irrigation, infrastructural developments, prevention of flood, grants for fertilizers, and various schemes to cut down the poverty line have improved the condition of the rural masses.

CHALLENGES FACED BY RURAL MARKET IN INDIA

The peculiarities of the rural markets and rural consumers pose challenges to the marketers in reaching them effectively. While making out a case for opportunities that are rapidly developing in rural markets, one should not underestimate the several daunting problems in planning for growth. Due to these problems marketing efforts are constrained in several ways. There are a

large number of small villages which are not easily accessible because of all weather roads. Rural consumers are far less homogeneous than urban consumers. Similarly the rural market is facing various challenges in India, that are as follow:

- **LOW PER CAPITA INCOME:** Per capita income is lower in rural areas compared to those in urban areas. Again, the distribution of rural income is highly skewed, since the land holding pattern, which is basic asset, itself is skewed. Thus the rural population presents a highly heterogeneous spread in the villages.
- **SEASONAL MARKETING:** The main problem of rural marketing is seasonal demand in rural areas, because 75 percent of rural income is also seasonal. For example, the demand for consumer goods will be high during the peak crop harvesting period, because this is the time at which the rural people have substantial high cash flow. Rural marketing depends upon the demand of rural people and demand depends upon income and consumer behavior.
- **PACKAGING:** It is the first important step of product processing. If the packaging cost is high, it will increase the total cost of products. It is suggested that the marketers should use cheaper materials in packaging for the rural markets. For example, small polypack of refined oil is more popular than in containers of the same product due to its lowest cost. One more important factor is the size package e.g. the size of the package should be small.
- **LOW RATE OF LITERACY:** The literacy rate is low in rural areas compared to urban areas. This again leads to the problem of communication for promotion purpose. Print medium becomes ineffective and to an extent irrelevant in rural areas since its reach is poor.
- **TRANSPORTATION PROBLEMS:** Transportation infrastructure is quite poor in rural India. Nearly 80 percentages of villages in the country are not connected by well-constructed roads. Marketing activities require transportation facilities. Due to poor transportation facilities, farmers and marketers find it difficult to reach markets.
- **WAREHOUSING:** In the rural areas, there are no facilities for public as well as private warehousing. Marketers face problem of storage of their goods.
- **MEDIA PROBLEMS:** Media have lots of problems in rural areas. Television is a good medium to communicate message to the rural people. But due to non-availability of power, as well as television sets, majority of the rural population cannot get the benefits of various media.

Similarly, to get the survival in the competitive in market, the marketers have to cope up the various challenges before them like educating the rural consumers about the requirements and uses of the products. The marketers should also make the rural consumers understand how their product is different from similar products offered by competitors. This leads to better

involvement on part of buyer and fosters long lasting relationship between consumer and company.

FUTURE OF INDIAN RURAL MARKET

Consumption patterns in rural markets are undergoing a change. Brands are no longer a novelty and premium products are a regular feature. Products which have traditionally been difficult to deliver in these regions are slowly penetrating the market. Amul, for one, has opened parlours in rural areas with their sales believed to be outstripping those from urban areas. There is also big demand for products once viewed as being exclusively urban, such as chocolates, cheese and pizzas.

Nielsen estimates that rural India's FMCG market will touch US\$ 100 billion by 2025. Online portals are expected to play a vital role for companies trying to access these markets. The Internet allows for a cost-effective means to increase a company's reach by overcoming geographical barriers. Today, with rural India being gradually empowered with computers and smartphones, the Internet will soon gain a foothold.

There are many opportunities waiting to be exploited in the area of rural marketing.

- There is an increasing convergence between urban and rural consumers especially the young consumers, who have almost same aspirations as that of a young urban consumer. Thus, the marketers can target a certain section of rural consumers in the same manner as they are targeting the urban ones.
- The purchasing power of rural families has grown rapidly. Rural Marketing Association of India (RMAI) confirms that rural income levels are on a rise. Income from non-farm sector is likely to touch 66% of net rural income by 2020. Market size would thus, nearly double. Average rural spending would grow 6 times from current levels in 20 years. Moreover, the percentage of Below Poverty Line (BPL) families declined from 46% to 27%.
- The various infrastructural problems have been tackled to a great extent. Work is in progress for the better connectivity by roads; more than 90% of villages are electrified. Rural telephone density has gone up by 300% in last 10 years. Rural literacy rate has also improved from 36% to 59%.
- As its fact, India's rural population accounts for 12.5% of the world's total population, 600,000 villages with 700 million people; the country side thus, offers a huge consumer base and huge opportunity for rural marketers in India.
- Lastly, the per capita income of top 20%-30% of rural segment is not much different from urban middle class. This means that the affordability of the segment of rural consumers will be almost equal to that of the urban middleclass. Thus, marketers can tap this segment as well with the product he is targeting the urban middle class.

GOVERNMENT INITIATIVES

The Ministry of External Affairs together with CSC e-Governance Services India Ltd is set to launch Passport related services through the extensive network of more than 100,000 common services centres across the rural regions. This would help bring down the digital divide in India. Under the Passport Seva, the Ministry of External Affairs has made it compulsory to complete the form filing process online, which would include payment of applicable fee and scheduling appointments for seeking Passport related services.

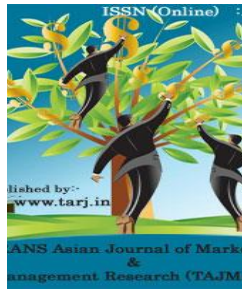
State Bank of India (SBI) has announced a one-year fellowship programme for rural areas named 'SBI Youth for India (SBI YFI)' for 2014, which aims to draft and encourage India's youth to become change agents in the rural regions. The fellowship programme targets young professionals and graduates, who are passionate about leading the change for a better country.

With the rising demand for skilled labour among Indian industries, the Indian government plans to train 500 million people by 2022, and is seeking participation of entrepreneurs and private players in the space. The Centre is constantly taking steps towards improving rural education, with rural India, too, embracing online learning in a big way. Several corporate, government, and educational organisations are putting in the effort to train, educate, and produce skilled workers. Job-oriented vocational courses are today offered online which equip students with specific skill sets as well as a degree.

India's growth move is highly driven by the development of the rural people. Players in various industries such as retail, fast moving consumer goods (FMCG), consumer durables, automobiles, are looking towards the untapped potential hinterlands possess. The household consumer expenditure survey for 2009-10, released by the National Sample Survey Office (NSSO), reveals that rural Indian households are spending more on consumer goods like durables, beverages and services as compared to their expenses on such things five years back. The Indian rural market is an area of darkness to Indian corporate. Rural area is vast in size but amorphous in detail. And yet, the rural market represents the largest potential market in the country. With over 70% of India's population residing in rural areas, capturing these markets is becoming one of the most lucrative options for all sectors. In the wake of economic crisis, while the urban markets remain subdued due to cash crunch, rural economy has remained largely unaffected. A good harvest has further added to their respite. As a result, marketers are focused on small towns and villages with dedicated workforce. At present, rural consumers spend about USD 9 billion per annum on FMCG items and product categories such as instant noodles, deodorant and fabric, with the pace of consumption growing much faster than urban areas. The McKinsey report (2007) on the rise on consumer market in India predicts that in twenty years the rural Indian market will be larger than the total consumer markets in countries such as South Korea or Canada today, and almost four times the size of today's urban Indian market and estimated the size of the rural market at \$577 Billion. It is no wonder that even MNCs have cottoned on to the idea of a resurgent rural India waiting to happen. Similarly this paper attempts to analyze the growth of rural market in the competitive world and determine the various challenges and opportunities on the way of its development.

CONCLUSION

The rural market is where the markets of the future are likely to be. Urban markets are becoming increasingly competitive for many products. In some cases they are even saturated. On the other hand, rural markets offer growth opportunities. Rural market is the market of the new millennium. Marketers will have to understand the rural customers before they can make inroads into the rural markets. Thus, looking at the challenges and the opportunities, which rural markets offer to the marketers, it can be said that the future is very promising for those who can understand the dynamics of rural markets and exploit them to their best advantage. A radical change in attitudes of marketers towards the vibrant and burgeoning rural markets is called for, so they can successfully impress the 230 million rural consumers spread over approximately six hundred thousand villages in rural India.

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ACADEMICIANS' PERCEPTION TOWARDS BTT IN INDIA: A COMPARATIVE STUDY OF PRESENT INCOME TAX SYSTEM & PROPOSED SINGLE BANKING TRANSACTION TAX

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ABSTRACT

Present study is about expected impact of proposed single transaction tax based on academician perception based on primary data with the objectives to examine the impact of Banking Transaction Tax (BTT) on Academician, to analyzing the problems faced by the Academician in present tax system and to suggest measures boost up the services in BTT for the betterment of the society. Primary data has been collected from the academicians selected by convenience sampling with the help of pre-structured questionnaire using 5 point likert scale. To find out the patterns of relationship that exist among data-groups, tools which are used for this purpose are Standard Deviation, T-test etc. Data has been analyzed with the help of Statistical Package of Social Science.

KEYWORDS: *academician, Tax, BTT.*

INTRODUCTION

In our country at present people are paying 32 types of taxes in the form of direct and indirect taxes, out of which Income tax is the most complicated direct tax but the present system of tax is

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very complex. To overcome the complexities of present system, an institute proposed single banking transaction taxes. According to the proposed system i.e. single banking transaction taxes, only certain deduction will be made on bank transactions say, 2 percent by abolishing all direct and indirect taxes and the deducted amount will be distributed among central government, state government, local authorities and bank in the proportion of 0.7 percent, 0.6 percent, 0.35 percent and 0.35 percent respectively. According to single banking transaction tax when an amount is credited in the account of receiver he has to pay tax on that amount, when the amount is credited in his account. The main purpose of BTT (Banking Transaction Taxes) is to simplify the present tax system. BTT is very simple and has negligible compliance cost and it will simplify the present tax system but the main drawback of this BTT is that many adult people do not have bank account so a large proportion of people who do not have bank account will not pay tax due to the absence of universal banking. Many people use their black money in purchasing of jewellery, land, property etc., so to stop the black money government should band the cash purchasing of more than Rs. 2000 so that blank money can be minimize. After BTT banking can be universal because to make a transaction of more than 2000, person should have a bank account through which he can make payment and if a person makes cash transaction of more than Rs. 2000, that transaction will be illegal. So after this system there will be transparency in tax and it will become very simple.

SCOPE OF THE STUDY

The present study has been conducted to know the academicians perceptions towards BTT in India: A Comparative Study of Present tax system & Proposed single Banking Transaction Tax.

OBJECTIVES OF THE STUDY

The main objective of the study is to examine the academicians perceptions towards BTT in India: A Comparative Study Of Present tax system & Proposed single Banking Transaction Tax

In this broader framework, the following are the specific objectives of the study:

- (i) To examine the impact of BTT on Academician.
- (ii) To analyzing the problems faced by the Academician in present tax system
- (iii) To suggest challenges in BTT for the betterment of the society.

RESEARCH HYPOTHESES

- (i) There is no relationship between demographic variables and impact of BTT on Academician.
- (ii) There is no significant difference in problems faced by academicians in present tax system

RESEARCH METHODOLOGY**SAMPLE DESIGN**

The universe for the purpose of this study comprises of all the academicians in Delhi & NCR. For the present study, judgmental sampling is used for sample selection of 25 academicians. Delhi and NCR area.

SIGNIFICANCE OF THE STUDY

The present study would be beneficial to the tax policy makers, bankers, assesses and researchers to know the problems in present tax system, its impacts on BTT, suitable strategies for overcoming the tax system.

DATA COLLECTION

The present study includes both primary and secondary data. Primary data has been collected from the academicians selected by convenience sampling with the help of pre-structured questionnaire using 5 point likert scale and secondary data has been extracted from articles published in various journals, magazines, newspapers and websites.

DATA ANALYSIS

To find out the patterns of relationship that exist among data-groups, tools which are used for this purpose are Standard Deviation, T-test etc. Data has been analyzed with the help of Statistical Package of Social Science (SPSS, version latest).

ANALYTICAL VIEWPOINT OF ACADEMICIANS

We first found out whether the age is associated with following variables: & Average Agreement on problems in present tax system with different parameters. Average Agreement on impacts of single banking transaction tax. Being the qualitative investigation, scores were gathered through the interview to capture academician's perceptions and views regarding the effectiveness and usefulness of BTT. Additional discussions with experts were combined and then compared with their feedback in order to understand the extent of outcomes. The results are given in Table 2.

TABLE 2: STATISTICAL VIEWPOINT OF ACADEMICIANS
(ALL T-VALUES ARE SIGNIFICANT AT 0.01 LEVELS)

Parameters	Mean	SD	Mean	SD	T value
Complex	4.2	0.42	4.3	0.48	0.63
Insufficient Operating Guidance	3.3	0.95	4.2	0.79	0.03
Limited Scope	3.4	0.70	3.7	0.48	0.28
Lot of Mental Effort	4	0.00	4	0.00	#DIV/0!
Inefficiency	3.7	0.48	3.6	0.52	0.66
Falsified Transactions	2.7	1.06	3.9	0.88	0.01
Accountability	3.6	0.52	3.8	0.42	0.36
Scams	4.1	0.32	4.6	0.70	0.06
Impairment of Funds	3	0.00	3	0.00	#DIV/0!
Accounts Information	3.7	0.48	3	0.94	0.06
Efficient Management of Funds	3.5	1.08	3.1	0.32	0.29
Easy to Use	3.7	1.34	4.5	0.85	0.13
Customers' Status	3.7	0.48	2.9	1.45	0.13
Quickness	3	1.05	2.6	0.84	0.36
Economical	3.9	0.74	4.6	0.52	0.03
Reduction in the waiting time	3.7	0.95	3.3	0.67	0.29
Service Efficiency	4	0.00	4	0.00	#DIV/0!
High Quality of Decisions	3.4	0.52	3.5	0.53	0.67
Better control					
Valuable					

Above results reveals that maximum average scores of impact after BTT are higher than the earlier which indicates the positive change as it will be reduce prices of petrol, cylinder. there will be reduction in FDI but for some points falsified transaction, easy to use etc. average scores are reduced as many rural people even do not have bank account it will be very complex for them, it will not be economical since its start as about 3 lakhs of villages do not have banks, high quality of decisions with lot of infrastructure will be required. Difference of both groups is also significant which has been measured in terms of t-value. About account information, lot of mental effort and better control academicians does not find any variation in earlier tax system and proposed BTT. Although perception of academicians is subjective in nature, it may vary after practice of BTT.

CONCLUSIONS

BTT looks very attractive as there are very complexities in present tax system & is out of reach to understand for a layman paying income tax. BTT may simplify the process but there are some loopholes also, if cigarettes, Alcohol become tax-free it will be very harmful for society. others problems like infrastructure capital for forming new banks in rural area and opening accounts for

lakhs of people in a short period is the most challenging task. Impact of BTT can be viewed after a sincere implementation only. If BTT is applied Income tax Department will be of no use. Thousands of employees will be jobless or to be adjusted at other work. BTT law will be required to come in to force and preset Income Tax act and other tax act will have to be deleted also. So it is a debatable issue at national level.

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