ISSN - 2250 - 1533

BIITM

Since 1999

BIITM BUSINESS REVIEW

Volumes 8 No. 2 July - December 2017

RESEARCH PAPERS **Page No.**

Parental Encouragement as the Correlate of Academic Achievement of the Students at the Secondary Level 6-18
Ms. Kiranbala Das
Dr. Antima Das

Non-Performing Assets (NPAs): A Study on Indian Banking Sector 19-34
Dr. Kirti Ranjan Swain
Prof. (Dr) Anup Kumar Samantray

The Role of Workplace Spirituality on advancement of Organizational Citizenship Behavior of Faculties 35-45
Dr. Tulika Singh

Odisha Handloom Industry – Evaluating Inclusivity of Start up Business Models 46-62
Ms. Arunita Padhi
Dr. Saroj Kumar Sahoo
Mr. Tusar Ranjan Sahoo

Innovations in Marketing – Present and Future 63-72
Ms. Vikashita Mohanty
Ms. Lopamudra Praharaj

A Comparative Study of Conventional & Islamic Ethics in Accounting Profession. 73-81
Mr. Sk. Zakir Hossen

Optimizing capital in Indian Life Insurance Industries a need of the hour. 82-96
Mr. Bishnu Prasad Kar

A Bi-Annual Journal of

Biju Patnaik Institute of IT & Management Studies
(Approved by AICTE & Affiliated to Biju Patnaik University of Technology, Odisha)
www.biitm.ac.in

Chief Patron
Mr. P. K. Balabantray, Executive Director

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

Principal
Prof. (Dr.) P. K. Tripathy, Principal

Editorial Board

Dr. B. K. Bal, : Chief Editor
Prof. (Communicative English)

Dr. Saraju Prasad : Editor
Associate Prof. (Marketing)

Dr. Ranjan Bal : Member
Professor, Commerce Department, Utkal University

Dr. (Mrs.) Lipishree Das, : Member
Sr. Lecturer (Economics), Ravenshaw University

Mr. Bhagavan Behera : Member
Associate Prof. (Finance)

Mrs. Jayalaxmi Samal : Member
Asst. Prof. (HR)

Secretarial Support :
Mr. B.K. Sethi, Librarian
Mr. A. K. Bhoi, Computer Operator

About the Journal

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

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

All correspondence in relation to contribution of Articles, Comments and Suggestions may be addressed to :
Copyright :@Vol-4, No.2, 2013, BIITM, Bhubaneswar

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

From the Principal's Desk

I am happy to note that "BIITM Business Review" has entered its fourth year of publication with the release of the second issue of Volume 8. It has always provided a platform for young researchers in the faculty of management Institutes to publish their research papers. More importantly, it has made its humble contribution to the advancement of knowledge in the field of management.

It goes without saying that the standard of research contributions published in this journal have progressively improved. I hope, there will be remarkable improvement in the quality and get-up of the forthcoming issues of "BIITM Business Review."

Dr. P. K. Tripathy
Principal

From the Chief Editor's Desk

It is a great pleasure to announce that the 8th volumes of our Journal "BIITM Business Review" are going to be published with nine research papers. These papers provide rich inputs as well as research contribution in various domains of management. We extend our heartful thanks to the contributors from different institutions.

We are trying our best to improve the quality of the journal and are making continuous efforts in this direction. We hope the journal will meet its goal by providing quality inputs to students and researchers in the domain of business and to the academic fraternity as a whole.

The editorial board would like to extend heartful thanks to its Chief Patron, Mr. P. K. Balabantray, Prof. P. R. Pattanayak, Advisor (Academics), and Prof. P.K. Tripathy, Principal for their encouragement and support for the publication of these issues of BIITM Business Review.

Dr. B.K. Bal
Chief Editor

From the Editor's Desk

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

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

I would like to heartily thank our Chief Patron Mr. P. K. Balabantray, Prof. (Er.) P. R. Pattanayak, Advisor (Academics), Prof. (Dr.) P. K. Tripathy, Principal, members of the editorial board, the authors and other well-wishers for their cooperation and encouragement in bringing out this issue.

Dr. Saraju Prasad

Editor

CONTENTS

RESEARCH PAPERS **Page No.**

Parental Encouragement as the Correlate of Academic Achievement of the Students at the Secondary Level 6-18
Ms. Kiranbala Das
Dr. Antima Das

Non-Performing Assets (NPAs): A Study on Indian Banking Sector 19-34
Dr. Kirti Ranjan Swain
Prof. (Dr) Anup Kumar Samantray

The Role of Workplace Spirituality on advancement of Organizational Citizenship Behavior of Faculties 35-45
Dr. Tulika Singh

Odisha Handloom Industry – Evaluating Inclusivity of Start up Business Models 46-62
Ms. Arunita Padhi
Dr. Saroj Kumar Sahoo
Mr. Tusar Ranjan Sahoo

Innovations in Marketing – Present and Future 63-72
Ms. Vikashita Mohanty
Ms. Lopamudra Praharaj

A Comparative Study of Conventional & Islamic Ethics in Accounting Profession. 73-81
Mr. Sk. Zakir Hossen

Optimizing capital in Indian Life Insurance Industries a need of the hour. 82-96
Mr. Bishnu Prasad Kar

PARENTAL ENCOURAGEMENT AS THE CORRELATE OF ACADEMIC ACHIEVEMENT OF THE STUDENTS AT THE SECONDARY LEVEL

** Ms. Kiranbala Das*
*** Dr. Antima Das*

Abstract

The study intends to explore the extent of relationship between parental encouragement and academic achievement of the secondary school learners. A sample of 198 students of Class IX under Sonepur Education district was selected through Stratified Purposive Sampling Procedure. The sample consists of 106 boys and 92 girls covering both rural and urban area schools. The 'Test of Encouragement5 given by Parents (TEP)' by Mohan Sekhar (1980) was used for collection of data. The data was analyzed by using Mean, Standard Deviation and 't' Test. The study reports that there is a significant school – location variation (Urban – Rural) in the academic achievement of the secondary school learners. However, the study does not report gender variation in the learners' academic achievement. Further, it is reported that there is no gender variation as well as school location variation in the learners' parental encouragement. With regard to relationship between parental encouragement and academic achievement through Contrast Group Analysis (High and Low), it is reported that there is a significant relationship between high and low academic achievers having high and low parental encouragement. That means, higher is the parental encouragement, higher is the academic achievement and vice-versa.

Context :

In formal education, learner's 'Academic Achievement' is of vital importance. Broadly speaking Academic Achievement refers to the success achieved by the students in the developmental tasks set by the educational institutions. The most common indicator of Academic Achievement refers to students' performance in the academic subject areas such as Reading, Language, Mathematics, Science, History, Art, etc. as measured by achievement tests. In current practice

* *Lecturer in Education, Biju Patnaik Women's Junior College, Sonepur, Odisha*
** *Reader in Education, BJB (Autonomous) College, Bhubaneswar, Odisha*

cumulative GPA and completion or acquisition of degrees represent academic achievement. Academic achievement is commonly measured through examination or continuous assessments, but there is no general agreement on how it is best evaluated or which aspects are most important. However, it refers to the degree of success or the level of attainment by the learners in the curricular subjects prescribed within the syllabus.

Academic achievement is very important since it is strongly linked to the positive outcomes we value (Janelle Regier, 2011). A person with high academic achievement is likely to be employed and may have employment opportunities and stable employment compared to a person with low academic achievement; it may procure him/her higher salary; it may develop his/her self-esteem and confidence and may lower down his/her depression and anxiety; he or she may achieve occupational and economic success. It is on the basis high academic performance the students get selected to good schools and higher education institutions and better courses of study. It has become a yardstick of self-worth and further success.

The academic achievement / scholastic achievement of the learners is determined by both intellectual and non-intellectual factors. Intellectual / cognitive factors like intelligence, creativity, linguistic proficiency etc. and non-cognitive or psycho-social factors like anxiety, achievement motivation, self confidence, study habits, parental encouragements etc. have been considered the important predictors of learners' academic achievement. Many studies have been conducted on the "influence of intellectual factors on learners' academic achievement". Adequate studies have not been conducted on the influence of psycho-social factors on academic achievements of the learners, particularly factors like parental encouragements, study habits, mental health etc. of the learners.

Parental encouragement refers to the favourable attitude of the parents towards their children's study, their concern and support for building up the career of their children, and their initiative and direction towards their children's high academic achievement. Research studies report that parental encouragement and support, care and involvement count much for the children's academic achievement.

Parental Encouragement : A Correlate of Academic Achievement :

A number of research studies are found to have been conducted to study the relationship between parental encouragement and academic achievement of secondary school learners. The studies of Sekhar (1980), Sivappa (1980), Aggarwal (1986), Rath (1986), Trivedi (1987), Chandana, S.C. (1990), Posey (1992), Winn and Jeanl (1992), Lipreti (1994),

Wright (1994), Aggarwal, K. (1997), Parida (1999), Taj (1999), Bhat (2013), Sudhakar (2016), Lawrence (2016), Peerzada (2016) and Singh (2016) have reported a significant relationship between parental encouragement and academic achievement of the school learners. These research evidences could provide a conceptual framework to work out the rationale of the present study.

The Rationale :

The investigator has personally experienced that many students of affluent parents are found not doing well in classroom performance and in the examinations. On the contrary, students belonging to relatively less affluent parents are observed performing better than their counterpart affluent children in class room performance and examinations. Such observation raises a basic query as to "To what extent are the learners' parental encouragement and academic achievement related to each other?"

To answer the aforesaid query the investigator was intrigued to undertake a research study to find out the relationship of learners' parental encouragement with their academic achievement and thus the problem is stated as follows :

Title : "Parental Encouragement as the correlate of Academic Achievement of the Students at the Secondary Level"

Objectives :

The present study has the following objectives:

1. To study the academic achievement of secondary school students with reference to gender and school-location variations.
2. To study the parental encouragement of secondary school students with reference to gender and school-location variations.
3. To examine the relationship between parental encouragement and academic achievement of secondary school students.

Hypotheses :

The following null hypotheses were formulated for the present study.

H_{01} : There would be no significant difference in academic achievement of the secondary school students due to their gender and school-location variations.

H_{02} : There would be no gender and school-location variations in parental encouragement of the secondary school students.

H_{03} : There would be no relationship between parental encouragement and academic achievement of secondary school students.

Operational Definitions of Key terms :

- **"Parental Encouragement"** in this study refers to the attitude of parents towards their children's study and their concern for building up career of their children.
- **"Academic Achievement"** refers to the level of attainment of an individual or a group of individuals after completion of an academic programme. In the present study, academic achievement of a student refers to his / her academic attainment in terms of aggregate percentage of marks obtained by him / her in the last Annual School Examination.
- **"Correlate"** refers to mutual relationship between two or more related or complementary things in which one-thing affects or depends on the other thing (s). In this study, it refers to the nature of relationship that exists between parental encouragement and academic achievement of the secondary school students.

Delimitations :

The present study is delimited to :

- the secondary students of Class IX only;
- the secondary students of Binika rural area and Sonepur NAC under Sonepur Education District;
- only two sub-variables namely gender and school location (urban and rural)
- the study of academic achievement of the students (dependent variable) in relation to their parental encouragement (independent variable)
- primary statistics

Methods of Study :

Design :

Ex-post-facto type descriptive research design has been adopted.

Sample :

The sample consists of 198 students of Class IX (both boys and girls), selected from 02 (two) rural and 02 (two) urban high schools located in Binika block and Sonepur NAC area, respectively under Sonepur education district, by employing stratified purposive sampling procedure for the sake of convenience.

Table 1

Distribution of the sample according to Gender and School-location variation

Gender / School Location	Boys	Girls	Total
Urban	50	51	101
Rural	56	41	97
Total	**106**	**92**	**198**

Instruments :

a) The Test of Encouragement given by Parents prepared by Mohan Sekhar (1980) was used for estimating parental encouragement status of the students.

b) The aggregate percentage of marks secured by each student in the last annual school examination was considered for estimating his / her academic achievement.

Procedure :

The "Test of Encouragement given by Parents (TEP)" of Mohan Sekhar (1980) was administered on the sample by the investigator personally. For Academic Achievement of the students their last annual school examination marks were collected from the result register of the sampled schools. After scoring, the parental encouragement scores and the academic achievement scores of the students were subjected to statistical analysis. For testing the hypotheses, Means, SDs and 't' test were employed.

Plan of Analysis :

Keeping in view the objectives of the study and the nature of data collected, the following statistical techniques were used to analyze the date.

- Gender-wise and School-Location-wise Means, Standard Deviations of the academic achievement and parental encouragement scores of the students were calculated in order to know their comparative status thereof. The SE_D and 't' values of the academic achievement and parental encouragement scores were worked out to examine the significant of difference between the means of the variables.
- Contrast group Analysis (contrast groups mainly high and low, constituted on the basis of Q3 and Q1 values of Academic Achievement scores) was employed to explore the possible relationship between Parental Encouragement and Academic Achievement of the students.

Result and Discussion :

Estimation of Students' Academic Achievement :

Table – 2

Means and Standard Deviation of the Achievement Scores of Secondary School Students, separately for boys and girls in urban and rural areas

Location of the School	Mean / SD	Boys	Girls	Total
Urban	N	50	51	101
	Mean	69.5	66.16	67.82
	SD	10.80	12.19	19.60
Rural	N	56	41	97
	Mean	58.43	61.70	60.94
	SD	16.00	14.60	15.80
Total	**N**	**106**	**92**	**198**
	Mean	**63.65**	**65.48**	**63.89**
	SD	**14.50**	**15.50**	**14.36**

The table indicates that the mean achievement score of girl students (65.48) is greater than that (63.65) of the boy students under the sample. In case of urban and rural students, the mean achievement score of urban students (67.82) is greater than that of rural students (60.94). While the mean achievement score of urban boys is 69.05, it is 58.43 for rural boys. On the other hand such mean achievement score of urban girls (66.16) is greater than that of rural girls (61.70).

Thus, it appears from the mean achievement scores of the total sample that urban girls and boys have high academic achievement compared to their counterpart rural boys and girls. On the whole, the academic achievement of girls students is higher than that of their counterpart boys students.

The significance of gender variation in academic achievement of the students would be evident further from the Tables 3 and 4 below.

Gender Variation in the Academic Achievement :

Table – 3

Gender	N	Mean	SD	SE_D	"t"	'P'
Boys	106	63.65	14.5	2.14	0.86	Not Significant
Girls	92	65.48	15.5			
Total	**198**	**63.89**	**14.36**			

The table reveals the significance of mean difference in academic achievement scores of boys and girls under the sample. The 't' value of 0.86 indicates that there is no significant difference in academic achievement between boys and girls. Hence, the null hypothesis i.e. "there would be no gender difference in academic achievement of secondary school students" is retained. Such a result tends to presume that both boys and girls at the secondary level do perform equally well in their academic pursuits and have almost same level of academic achievement.

School Location Variation in the Academic Achievement :

Table – 4

Means, SDs and 't' value of the Academic Achievement Scores of Secondary School Urban and Rural Students

School Location	N	Mean	SD	SE_D	't'	'p'
Urban	101	67.82	19.60	2.52	2.73	Significant at 0.01 level
Rural	97	60.94	15.80			
Total	**198**	**63.89**	**14.36**			

In respect of the mean difference in academic achievement scores between urban and rural students, it is indicated in the table that- there is a significant difference in the academic achievement scores between urban and rural students, the 't' value being 2.73 which is significant at 0.01 level. Thus, the null hypothesis i.e. "there would be no school-location variation in academic achievement of the secondary school students" is rejected.

This result tends to interpret that the urban students might get ample facilities and scope for their studies as compared to their counterpart rural students. Besides, other support,

facilities for academic improvement of students are relatively more available in urban areas that might be facilitating the academic performance and achievement of the urban students.

Estimation of Parental Encouragement :

Table – 5

Means and Standard Deviations of the Parental Encouragement of Secondary School students separately for Boys and Girls in Urban and Rural areas

School Location	Mean / SD	Boys	Girls	Total
Urban	N	50	51	101
	Mean	50.1	52.44	51.28
	SD	8.4	8.00	8.20
Rural	N	56	41	97
	Mean	50.75	49.02	50.01
	SD	6.40	8.8	7.80
Total	**N**	**106**	**92**	**198**
	Mean	**50.44**	**50.91**	**50.66**
	SD	**7.71**	**8.54**	**8.11**

The table indicates that the mean Parental Encouragement scores of the total sample is 50.66 whereas such mean scores of boys and girls are 50.44 and 50.91 respectively. This shows that there is negligible difference in parental encouragement between boys and girls. On the other hand, the mean parental encouragement score of urban students (51.28) is greater than that of rural students (50.01). Whether such difference is significant or not, that would be evident from Tables 6 and 7 below.

Gender Variation in the Parental Encouragement :

Table – 6

Means, SDs and 't' value of the Parental Encouragement Scores of Secondary School Boy and Girl Students

Gender	N	Mean	SD	SE_D	't'	'p'
Boys	106	50.44	7.71	1.16	0.40	Not Significant
Girls	92	50.91	8.54			
Total	**198**	**50.66**	**8.11**			

It is indicated in the table that there exists no significant difference between boys and girls with regard to their parental encouragement, the 't' value being 0.40. So the null hypothesis i.e. "there would be no significant difference in parental encouragement between boys and girls" is retained.

This result tends to interpret that since now-a-days the parents are found not to discriminate between male and female child and they value them at equal footing without gender bias, they perhaps provide similar kind of support, motivation and encouragement for academic development of both boys and girls.

School Location Variation in the Parental Encouragement :

Table – 7

Means, SDs and 't' value of the Parental Encouragement Scores of Secondary School Urban and Rural Students

Location	N	Mean	SD	SE_D	't'	'p'
Urban	101	51.28	8.20	1.13	1.12	Not Significant
Rural	97	50.01	7.80			
Total	**198**	**50.66**	**8.11**			

It is revealed from the table that there is no significant mean difference in parental encouragement between urban and rural students, the 't' value being 1.12. So the null

hypothesis that "there would be no significant difference in parental encouragement between urban and rural students" is retained.

This result tends to conclude that perhaps all parents now-a-days, irrespective of their place of habitation / residence, are found very much conscious and serious about their children study and education, they do give appropriate emphasis on their children's study and academic improvement and encourage them to pursue higher studies. For these reasons, no significant difference could be observed in the parental encouragement of urban and rural students.

Relationship between Parental Encouragement and Academic Achievement :

Table – 8

Means, Standard Deviations and 't' values of the Parental Encouragement Scores of High and Low Academic Achievement groups

Contrast Group	N	Mean	SD	SE_D	't'	'p'
High & Low	34	72.74	10.49	2.59	5.68	Significant at 0.01 level
	47	58.01	12.88			

The table indicates that the difference in mean parental achievement scores between high and low academic achievement groups is significant at 0.01 level, 't' value being 5.68. It means the students having high score in parental encouragement do have also high score in academic achievement and vice-versa. Therefore, the null hypothesis "there would be no significant relationship between parental encouragement and academic achievement of the secondary school students" is rejected.

This result prompts to conclude that parental encouragement for the study of secondary school students improves their academic achievement and makes them motivated to pursue their higher studies.

Findings :

Students' Academic Achievement :

i) Urban girl and boy students have greater academic achievement scores compared to their counterpart rural boy and girl students. Thus, there exists

school-location variation in academic achievement of secondary school students

ii) Gender variation in respect of academic achievement of secondary school students is almost negligible, although it appears to favour the girl students.

Students Parental Encouragement :

i) There exists no gender difference among secondary school students in respect of their parental encouragement. Almost they receive same kind of parental encouragement and support for their learning and academic improvement.

ii) There is no school-location difference in respect of parental encouragement between urban and rural students.

Relationship between Parental Encouragement and Academic Achievement of the Students :

The parental encouragement and the academic achievement of the secondary school students are found to be related to each other. That means, higher is the parental encouragement, higher is the academic achievement of the secondary school students. Conversely, low is the parental encouragement level low is the academic achievement of the students.

Implications :

The findings emerging from the results of the study have the following implications.

i) In view of school-location variation in academic achievement of the secondary school students, disfavoring thereby the rural students, the school heads and teachers of rural schools need to take adequate and appropriate steps for academic improvement of their students.

ii) Although, there exists no statistically significant difference between boys and girls in respect of their academic achievements, the academic achievement of boys appears to be relatively low compared to girls. Therefore, academic improvement of the boy needs to be taken care of by the school and teachers.

iii) In view of the positive relationship between parental encouragement and academic achievement of the students, the PTA in the schools must be strengthened in order to ensure academic improvement and attainment of the students thereby making the parents more conscious and concerned towards their children's study and education.

Conclusion :

Since the parental encouragement is found to haved contribut substantially to the academic achievement of the secondary school students, the schools should make continuous efforts to develop cordial relationship with the parents of the students and community members and motivate them to provide all kinds of encouragement and support to their children, not only for academic improvement but also for ensuring their all round development.

References :

1 **Agarwal, K.L. (1986).** A study of the effect of parental encouragement upon the educational development of the students. *In M.B. Buch (Ed.) Fourth Survey of Research in Education,* Vol. I, New Delhi, NCERT.

2 **Agrawal, Kusum (1997).** A comparative study of parental encouragement amongst the different educational groups of urban and rural adolescent. *Experiments in education Vol. 25 (10), Indian Educational Abstracts, Issue – 5, July, 1998, NCERT*

3 **Bhat, M.A. (2013).** Academic achievement of secondary school students in relation to self-concept and parental encouragement, *International Journal of Recent Scientific Research*, Vol. 4, Issue : 30.

4 **Chandana, S. (1990).** Self-concept, Parental influence, socio-economic status and sex in relation to career attitudes among high school students. In M.B. Buch (Ed.). *Fifth Survey of Educational Research*, Vol. 11, New Delhi, NCERT

5 **Ferguson, G.A. (1976).** *Statistical Analysis in Psychology and Education*, Tokyo : Mcgrow-Hill Kogakusha Limited.

6 **Lawrence Arul, A.S. (2016).** Parental Encouragement in relation to Academic Achievement of Higher Secondary School Students, *IJARIIE*, Vol. 2, Issue. 6.

7 **Lipreti, Peter (1994).** Relationship between home environments and academic achievement among Italian Canadian Pre-school children in Toronta. *Dissertation Abstracts International*, Vol. 54, No. 9

8 **Parida, B. (1999).** Creativity, Intelligence and Academic Achievement. *The Educational Trends*, Vol. 8.

9 **Peerzada, N. and Yousuf, M. (2016).** Rural and Urban Higher Secondary School Students : Their parental encouragement and academic achievement. *International Journal of Applied Research*, June, PP 127-129.

10 **Posey, William Mark (1992).** Factors affecting teachers attitude towards parental involvement. *Dissertation Abstracts International*, Vol. 53, No. 4.

11 **Raj, Haseen (1999).** Academic achievement as a function of social class. Parent-child interaction, dependency behaviour and school management. *Indian Psychological Abstracts, Review*, Vol. 7 No. 2.

12 **Rath, A. (1996).** Parental Encouragement and study involvement as correlates of academic achievement. *M.Phil Thesis in Education*, Ravenshaw College (Autonomous).

13 **Sekhar, M. (1980).** Test of encouragement given by parents. *In D.M. Pastonjee (Ed.) Second Handbook of Psychological and Social Instruments*, New Delhi : Concept Publishing Company.

14 **Singh, M. (2016).** Relationship between Academic Achievement and Parental Encouragement. *International Journal of Engineering Science and Computing (IJESC)*, Vol. 6, Issue – 4.

15 **Sivappa, D. (1980).** A study on factors affecting the academic achievement of high school pupils. *In M.B. Buch (Ed.) Third Survey of Research in Education*, New Delhi : NCERT.

16 **Sudhakar, K. and Nellaiyapen, N.O. (2016).** A study on relationship between academic achievement and parental encouragement of higher school students. *International Journal of Development Research*, Vo. 6, Issue 4.

17 **Trivedi, V. (1987).** A study of the relationship of parental attitude, socio-economic background and feeling of security among the intermediate students and their academic achievement. In M.B. Buch (Ed.). *Fourth Survey of Research in Education*, New Delhi : NCERT.

18 **Winn Tutwiler, Sandra Jean (1992).** Parental involvement in education : An analysis of perceived roles and responsibilities among low-income single parents. *Dissertation Abstracts International*, Vol. 53, No. 4.

19 **Wright, Barbara Ann (1994).** Parent involvement : impact of students achievement, parent child interactions, students behaviour and attitudes. The efficacy of the mega-skills approach. *Dissertation Abstracts International*, Vol. 55 No. 6.

***

NON-PERFORMING ASSETS (NPAs): A STUDY ON INDIAN BANKING SECTOR

*Dr. Kirti Ranjan Swain
**Prof.(Dr)Anup Kumar Samantray

Abstract

One of the major challenges faced by the Indian banks in the present scenario is that of managing NPAs. The strength, soundness and efficiency of the banking system mainly depend upon the quality of the assets. In this paper we have made an attempt to analyze how efficiently public, private and foreign banks managed their NPAs. Basically secondary data have been collected for the selected categories of the banks from the RBI publications report for analysis.

Key Words: Non-performing assets, Commercial banks, Profitability, Financial Institution

Introduction :

In the developing countries like India, banking sector plays an indispensable role in economic development of a country. Banks takes crucial role in the field of mobilization of savings and deployment of funds to the various productive sectors for the development of the country. It is an established fact that a fragile banking system can, not only hamper the development of a particular economy but also it can deepen the real economic crisis and impose heavy social costs. So the health of the banking system should be one of the primary concerns of the government of each country. Currently the Indian banking sector is not in a good health. The symptoms of the disease are vastly apparent viz. rising NPAs, high labor costs, competition from mutual funds, bureaucratic hurdle etc. Most of these symptoms have been present in the Indian banking system since independence but it is only in the post reform era that they have became more ostensible.

Indian Banking Sector:

Banking in India in the modern sense originated in the last decades of the 18th century. Among the first banks were the Bank of Hindustan, which was established in 1770

* *Associate Professor (Finance & Accounting), Globsyn Business School, Kolkata*
** *Dean, Institute of Business & Computer Studies, Siksha "O" Anusandhan University, BBSR*

and liquidated in 1829-32; and the General Bank of India, established in 1786 but failed in 1791. In the 1970's and 1980's the Indian banking industry was marked by a high degree of regulation. In 1991, banking sector reforms were initiated with the following objectives; improving the macro-economic policy framework within which banks operate introducing prudent practices; improving the financial health and competitive condition of banks; building financial infrastructure relating to supervision, audit standards and legal framework; and strengthening the level of managerial competence and quality of personnel. In the 1970's and 1980's the banking industry was marked by a high degree of regulation. The banks functioned in a heavily regulated and controlled environment, with an administered interest rate structure, quantitative restrictions on credit flows, high reserve requirements, and pre-emption of a significant proportion of lendable resource towards the "priority" sector etc.

In the evolution of the industry can be classified into four distinct phases.

- Phase I- Pre-Nationalization Phase (prior to 1955)
- Phase II- Era of Nationalization and Consolidation (1955-1990)
- Phase III- Introduction of Indian Financial & Banking Sector Reforms and Partial Liberalization (1990-2004)
- Phase IV- Period of Increased Liberalization (2004 onwards)

In the wake of the financial reforms undertaken by the Government of India based on the Narasimhan Committee Reports I and II, Prudential norms were introduced by Reserve Bank of India to address the credit monitoring process being adopted and pursued by the banks and the financial institution, Government of India promulgated The recovery of Debts Due to banks and Financial Institutions Act, 1993 and the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

Non-performing assets of the banking sector :

The assets of the banks which don't perform are called Non Performing Assets (NPA) or bad loans. Bank's assets are the loans and advances given to customers. If customers don't pay either interest or part of principal or both, the loan turns into bad loan. According to RBI, terms loans on which interest or installment of principal remain overdue for a period of more than 90 days from the end of a particular quarter is called a Non-performing Asset. However, in terms of Agriculture / Farm Loans; the NPA is defined as under: For short duration crop agriculture loans such as paddy, Jowar, Bajra etc. if the loan (installment / interest) is not paid for 2 crop seasons, it would be termed as a NPA. For Long Duration Crops, the above would be 1 Crop season from the due date.

Review of Literature:

A number of papers have been written and gone through, and this part of this paper is attempting to present a review of all those are available in the same area of non-performing assets of the public sector banks, private sector banks and other banks. This survey has conducted a study on the existing papers, articles, journals, and reports provided by different authors, groups and committees from time to time.

Dutta. A (2014): This paper studied the growth of NPA in the public and private sector banks in India , and analysed sector wise non-performing assets of the commercial banks. For the purpose of the study data has been collected from secondary sources such as report on Trend and Progress of Banking in India, RBI, Report on Currency and Finance, RBI Economic Surveys of India.

Das, S. (2010): In this paper the author has tried to analyze the parameters which are actually the reasons of NPAs, and those are, market failure, willful defaults, poor follow-up and supervision, non-cooperation from banks, poor Legal framework, lack of entrepreneurial skills, and diversion of funds

Ahmad, Z., Jegadeeshwaran, M. (2013): The current paper is written on the NPA, and causes for NPA. Secondary data was collected for a period of five years and analysed by mean, CAGR, ANOVA and ranking banks. The banks were ranked as per their performance in managing the NPA s. The efficiency in managing the NPA by the nationalised banks was tested.

Ranjan, R., Dhal, S.C. (2013): This paper explores an empirical approach to the analysis of the Indian commercial banks' nonperforming loans by regression analysis. The empirical analysis evaluates as to how the NPLs are influenced by three major sets of economic and financial factors, *i.e.,* terms of credit, bank size induced risk preferences and macroeconomic shocks.

Reddy, P.K. (2002): This paper deals with the experiences of other Asian countries in handling of NPAs. It further looks into the effect of the reforms on the level of NPAs and suggests mechanisms to handle the problem by drawing on experiences from other countries.

Joseph, A. L. (2014): This paper basically deals with the trends of NPA in banking industry, the internal, external and other factors that mainly contribute to NPA rising in the banking industry and also provides some suggestions for overcoming the burden of NPA.

Kamra, S. D. (2013): This paper analyses the position of NPAs in the selected nationalised banks namely State Bank of India (SBI), Punjab National Bank (PNB) and Central Bank of India (CBI). It also focuses on the policies pursued by the banks to manage the NPAs and suggests a strategy for the speedy recovery of NPAs.

Patidar, S.,Kataria, A. (2012): The study analyzed the percentage share of NPA as components of priority sector lending, the comparative study was conducted between SBI and Associates, Old Private Banks and New Private Banks and Nationalized Banks of the benchmark category, to find out the significant difference of the NPA and also find out the significant impact of Priority Sector Lending on the Total NPA of Banks using statistical tools like regression analysis and ratio analysis.

Arora, N., Ostwal, N. (2014): The present paper analyses the classification and comparison of loan assets of public and private sector banks. The study concluded that NPAs are still a threat for the banks and financial institutions and public sector banks have higher level of NPAs in comparison to Private sector banks.

Patnaik, B.C.M., Satpathy,I. (2012): The present paper made an attempt to analyse the causes of NPAs in working capital loans of Urban Co-operative banks. For the study purpose borrowers were surveyed through questionnaires, causes were analyzed and suggestions made to overcome the problem.

Patnaik, B.C.M., Satpathy, I. (2011): The present paper tries to analyze the quantitative trend and pattern the in growth of NPA with reference to the education loan scheme, in Odisha. An effort was made to find the cause, by questionnaire survey of the defaulters, who are students of different colleges, suggestions to overcome this problem was also given by the author.

Bhatia, B.S., Waraich, S., Gautam, V. (2013): This study was made on District Central Cooperative Bank of Punjab, the study tried to analyse the impact of some new product lines on non performing advances in cooperative banks and trends in NPA against loan schemes. Lastly a comparative analysis was made between bank wise and component wise to find out the lacunas and suggest measures for improvement in managing NPA.

Rajput, N., Gupta, M., Chauhan, A.K. (2012): This paper provides an empirical approach to the analysis of profitability indicators on NPA, it also discusses the factors which contribute towards NPA, and also analyses the solution for the same. All empirical findings were done by using statistical tools like correlation, regression and data representation techniques and DEA.

Ibrahim, M.S.,Thangavelu, R. (2014): In this paper, the author has analyzed the concept of NPAs, components of loan assets in public sector, private sector and other foreign banks, by an exploratory and diagnostic approach with the help of secondary data.

Srinivas, K.T. (2013): The present paper undertakes to study the reasons for loans and advances becoming NPA in the Indian Commercial banking Sector and give a suitable solution to overcome the mentioned problem.

Rai, K. (2012): The paper made an effort to evaluate the operational performance of the selected commercial banks, and the NPA Trends and issues, also the measures taken for managing the NPAs like reformulation of banks credit appraisal techniques, establishment of monitoring department, etc.

Satpal (2014): An attempt has been made in this paper to find out the actual definition of NPA and the factors contributing to the formation NPAs, reasons for high NPAs and their impact on Indian banking operations.

Rajeev, M., Mahesh, H.P., (2010): This exploratory paper examines the Indian trends of NPAs from various dimensions and explains how recognition of the problem continuous monitoring, can reduce it to a greater extent. The paper also discusses the functions of the joint liability groups or self help groups in enhancing the loan recovery rate.

Yadav, S. (2014): With the help of secondary data, the author in the present paper has tried to show the recent trends and its preventive measures to control NPAs in Indian banking industry.

Rakshit, D.,Chakrabarti, S. (2012): The paper deals with understanding the extent of NPAs in cooperative bank and the major causes behind an account becoming non-performing in cooperative banks

Kumar, M.,Singh, G. (2012): The paper focuses on the most significant factors, which contribute towards the non-performing assets problem from the view point of the top bankers of public sector banks and, some foreign banks in India and the measures required for managing the NPAs

Gupta, J., Jain, S. (2015): The present study deals with performance and the lending practices of some successful cooperative banks of Delhi, whose customers have taken more than one type of loans from the bank.

Pradhan, T.K. (2012): The present study is on Odisha, and depends on the mismanagement or diversion of fund, which are one of the main causes of NPA. The study is based on primary data which has been analyzed by percentage method. The data was collected from 50 bank officials through a structured questionnaire.

Rajput, N.,Arora, A.P., Kaur, B. (2012): This study focuses on management of non-performing assets of the public sector banks under stringent asset classification norms. The study tried to trace the movement of the nonperforming assets present in Indian public sector banks and also analysed the performance of the banks in managing the NPA.

Rajaraman, I.,Vasishtha, G. (2005): The paper performs a panel regression on the definitional uniform secondary data, on NPA available for a five-year period ending in 1999-2000. The paper studies 27 public sector banks, and investigates variations within a class that is homogenous on the ownership dimension and operational efficiency.

Gupta, B. (2012): In this paper, study has been made on SBI and Associates, and public sector banks, an effort has been made to understand the concept of NPAs, its magnitude and major causes for increasing NPA and also evaluate the operational performance in managing NPA.

Rajput, N.,Arora, A.P., Kaur, B. (2011): This study attempts to trace the movement of the NPAs presence in public sector banks of India, by analyzing the financial performance in managing NPA.

Ganesan, D., Santhanakrishnan, R. (2013): In this paper, an effort has been made to evaluate the non- performance assets of the SBI since 2002.

Stuti, Bansal, S. (2013): In this paper, an effort has been made to evaluate the operational performance of the Public Sector Banks and Private sector bank in India with the help of secondary data between 2003-04 and 2007-09, on NPAs Trends and issues. This paper analyzes how efficiently Public and Private sector banks have been managing NPA.

Pradhan, T.K. (2012): The present study, with the help of secondary data of six years, tried to analyse how reform measures helped in minimizing the NPA in public sector banks, the data has been analyzed by using percentage method.

Selvarajana, B.,Vadivalagan, G. (2013): The present study has been designed to illustrate the necessity and the nature of the non-performing assets in Indian Bank, Tamil Nadu. The study was done on the priority sector loan.

Tripathi, L. K., Parashar, A., Mishra, S. (2014): The present study, with the help of multiple regression model, attempts to investigate the impact of priority sector advances, unsecured advances and advances made to sensitive sectors by banks like SBI group and other nationalised banks on Gross NPAs of banks.

Jajashree, Kotnal, R., Ahmed, I.,Naikwadi, M. (n.d.): This study deals with understanding the concept of NPAs, its magnitude and major causes for an account becoming

non-performing, the study was made on Corporation Bank, Bagalakot and BDCC Bank, Bagalakot.

Kaur, H., Saddy, N.K. (2011): An attempt was made in the paper to know about NPA, the factors responsible for the contribution towards NPAs, the magnitude and reasons for high NPAs and their impact on Indian banking operations.

Satpathy, I, Patnaik, B.C.M. (2010): The present paper attempted to examine the causes of NPAs in home loans of commercial banks. For this borrowers of the loans were surveyed through questionnaires made for the purpose, and ultimately suggestions given to overcome the problem.

Chaudhary, K., Sharma, M. (2015): This paper has made an attempt to analyze how efficiently Public and Private sector banks have been managing NPA. A statistical tool for projection of trend was used for analysis.

GAP in research :

From the above literature review it was found that no study has been conducted from the period 2005 to 2015 in context of the objective stated earlier in the study. So the present scenario of Net NPA of banking sector was not depicted by the above researcher.

Objective of the study :

The present study is based on the following objectives-

1. To understand about the Non Performing Assets (NPA) in Banks.
2. To highlight the NPA position of selected public, private and foreign banks.
3. To find the trend in NPAs of selected categories of Indian banks.

Materials and methods :

This study is related to analysis NPA of public sector, private sector and foreign banks ten each. For this purpose secondary data has been collected from annual report of RBI, journals published on NPA of PSBs and other information provided on internet. For this paper the researcher collect the data from the period 2005-2015.

Tools and techniques :

The data collected from secondary sources are classified into table on the basis of different sectors and converted into diagrams. Interpretation is made as per analysis of data.

Classification of non performing assets :

Banks are required to classify the loan assets (advances) into four categories viz.

- Standard assets
- Sub-standard assets
- Doubtful assets;
- Loss assets

Standard Assets are those, which do not disclose any problem and do not carry more than normal risk attached to the business. Such assets are considered to be performing asset. A general provision of 0.25% has to be provided on global loan portfolio basis.

Sub-Standard assets would be one, which has remained NPA for a period less than or equal to 12 months. Such an asset will have well defined credit weaknesses that jeopardize liquidation of the debt and are characterized by distinct possibility that bank will sustain some loss. Accordingly a general provision of 10% on outstanding has to be provided on sub-standard assets.

Doubtful assets are the assets which have remained NPAs for a period exceeding 12 months and which are not considered as a loss advance. Banks have to provide 100 percent of the unsecured portion of the outstanding advance after netting realized amount in respect of DICGC scheme (Deposit Insurance and Credit Guarantee Corporation) and realized/ realizable amount of guarantee cover under ECGC (Export Credit Guarantee Corporation) schemes.

Loss Assets are those where loss has been identified by the bank or internal /external auditors or RBI inspectors but the amount has not been written off, wholly or partially. Any NPAs would get classified as loss assets if they were irrecoverable or marginally collectible and cannot be classified as bankable asset. Companies have to provide 100% of these outstanding advances.

Causes of non-performing assets in banks :

An account does not become an NPA overnight. An account becomes an NPA due to causes attributable to the borrower, the lender and for reasons beyond the control of both. The following factors basically contribute to NPAs.

- **Default** - One of the main reasons behind NPA is default by borrowers.

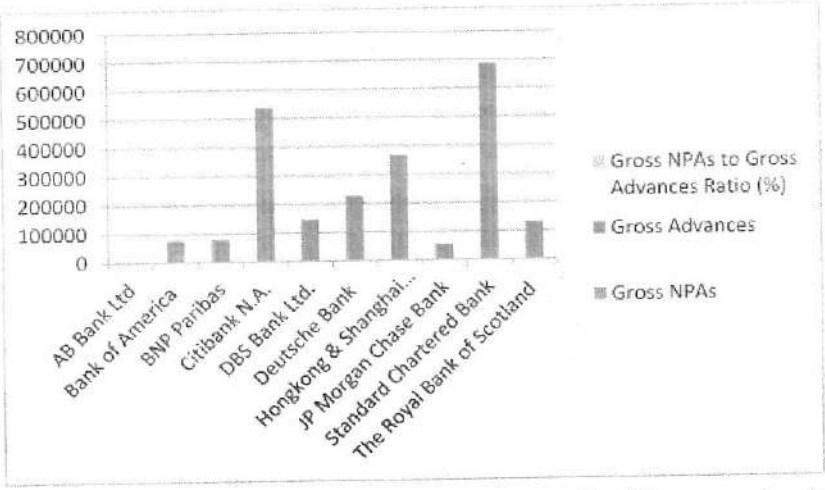
- **Economic conditions** - Economic condition of a region affected by natural calamities or any other reason may cause NPA.
- **No more proper risk management** - Speculation is one of the major reasons behind default. Sometimes banks provide loans to borrowers with bad credit history. There is high probability of default in these cases.
- **Mis-management** - Often ill-minded borrowers bribe bank officials to get loans with an intention of default.
- **Diversion of funds** - Many times borrowers divert the borrowed funds to purposes other than mentioned in loan documents. It is very hard to recover from these kinds of borrowers.

Analysis and Findings Table 1

Public sector banks gross non-performing assets, gross advances and gross NPA ratio

(Amount in `. Millions)

Banks	As on March 31, 2015		
	Gross NPAs	Gross Advances	Gross NPAs to Gross Advances Ratio (%)
	(1)	(2)	(3)
Public Sector Banks			
Allahabad Bank	51370	1309363	3.92
Bank of India	87653	2929679	2.99
Canada Bank	62602	2439358	2.57
Central Bank of India	84562	1762337	4.80
Corporation Bank	20482	1193540	1.72
IDBI Bank Limited	64500	2001347	3.22
Indian Overseas Bank	66080	1643665	4.02
Punjab National Bank	134658	3152440	4.27
State Bank of India	511894	10785571	4.75
UCO Bank	71301	1315691	5.42



From the table-1, it is depicted that the amount of public sector banks NPA (gross non-performing assets, gross advances and gross NPA ratio) of corporation bank is very low i.e. 1.72 and highest is UCO bank i.e. 5.42. Most of the public sector banks are more than 3.00% in Gross NPAs to Gross Advances Ratio. Gross NPA is the amount outstanding in the borrower account, in books of the bank other than the interest which has been recorded and not debited to the borrower account.

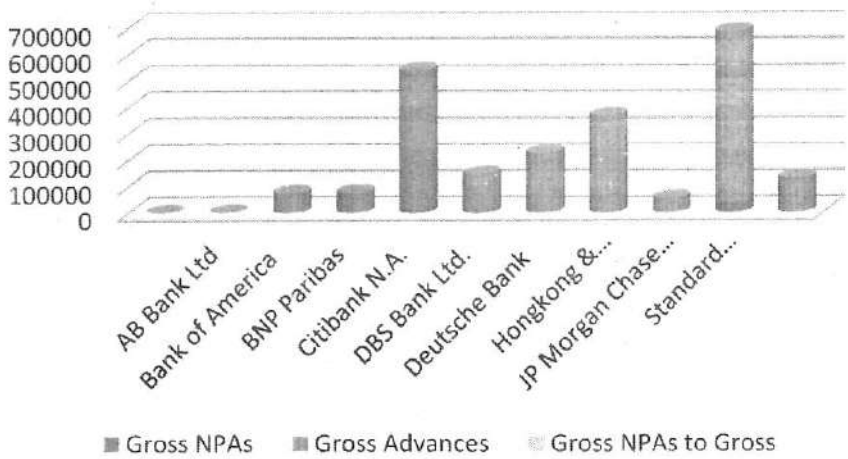
Table 2

Ten private sector banks (old &new) gross non-performing assets, gross advances and gross NPA ratio

(Amount in ₹. Millions)

Banks	As on March 31, 2015		
	Gross NPAs	Gross Advances	Gross NPAs to Gross Advances Ratio (%)
	(1)	(2)	(3)
Private Sector Banks			
Old Private Sector Banks			
Dhanlaxmi Bank Ltd.	3803	78963	4.82
Federal Bank Ltd.	15540	451946	3.44
ING Vysya Bank Ltd.	1214	318916	0.38
Lakshmi Vilas Bank Ltd.	4599	118923	3.87
South Indian Bank Ltd.	4339	320140	1.36
	52098	**2731197**	**1.91**
New Private Sector Banks			
Axis Bank Ltd.	23714	1989007	1.19
HDFC Bank Ltd.	20481	2413061	0.85
ICICI Bank Ltd.	96078	2984164	3.22
IndusInd Bank Ltd.	4578	446416	1.03
Yes Bank Ltd	943	470869	0.20
	155525	**8860233**	**1.76**

(Source: Department of Banking Supervision, RBI.)



From the table-2, it is depicted that the amount of NPA (gross non-performing assets, gross advances and gross npa ratio) of Yes bank is very low i.e. 0.20 and highest is Dhanlaxmi Bank Ltd. i.e. 4.82. Most of the private sector banks are less than 3.00% in Gross NPAs to Gross Advances Ratio.

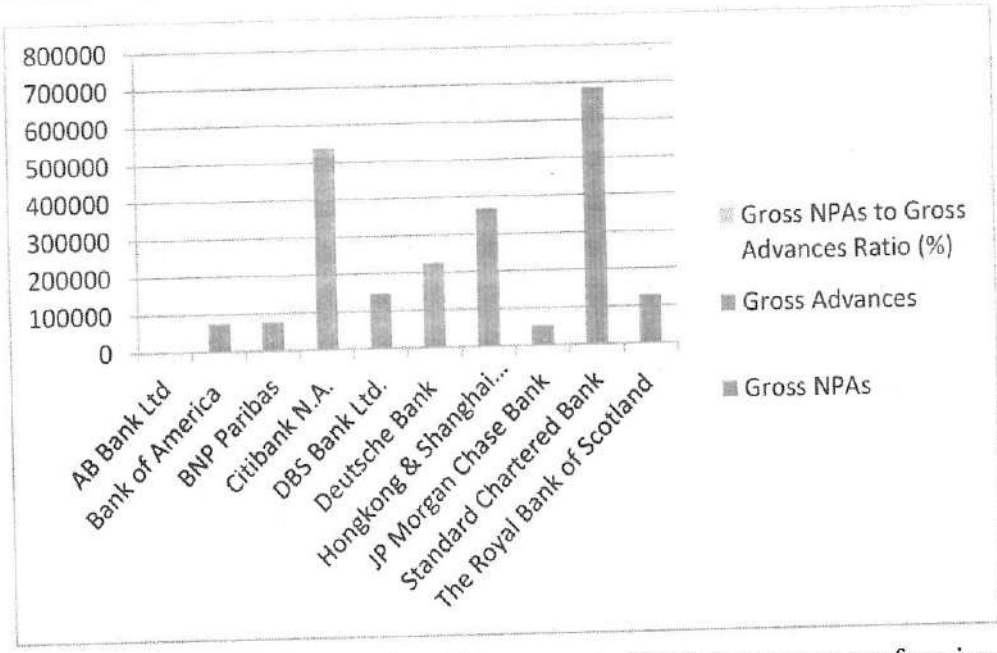
Table - 3

Ten foreign banks gross non-performing assets, gross advances and gross NPA ratio

(Amount in `. Millions)

Banks	As on March 31, 2015		
	Gross NPAs	Gross Advances	Gross NPAs to Gross Advances Ratio (%)
	(1)	(2)	(3)
Foreign Banks			
AB Bank Ltd	57	638	8.93
Bank of America	0	76230	0.00
BNP Paribas	163	77536	0.21
Citibank N.A.	13587	526288	2.58
DBS Bank Ltd.	5820	141111	4.12
Deutsche Bank	1544	224999	0.69
Hongkong & Shanghai Banking Corporation Ltd.	6408	362305	1.77
JP Morgan Chase Bank	244	53689	0.45
Standard Chartered Bank	38801	648317	5.98
The Royal Bank of Scotland	2796	127770	2.19

(Source: Department of Banking Supervision, RBI.)



From the table-3, it is depicted that amount of NPA (gross non-performing assets, gross advances and gross npa ratio) of BNP Paribas is very low i.e. 0.21 and highest is AB Bank Ltd i.e. 8.93. Most of the foreign sector banks are more than 3.00% in Gross NPAs to Gross Advances Ratio.

Findings :

The forgoing analysis reveals that there is phenomenal development in various banking sectors yet the public sector in particular is still lagging behind private and foreign sector banks in the major thrust areas such as asset quality, and profitability etc. The following suggestion will enable the banks to reduce their NPA's.

- NPA reduction and development of funds in quality assets: asset quality reflects the soundness of financial institutions.
- Public sector banks should disburse their funds in quality assets to reduce NPA level. As the risk profile of banks lending is diversifying, it is essential on the part of banks to pay adequate attention to quality of lending so that credit expansion could be on sustainable basis building upon higher profitability while ensuring financial stability.
- Suitable amendments to the existing laws must be made to enable the bankers to initiate legal proceedings against the willful defaulters e.g. Indian penal code, criminal procedure code, civil procedure code, Indian evidence act, Hindu laws, constitution of India etc, be amended with a view to impose heavy penalty and/or punishment on defaulters

- A list of big defaulters should be prepared separately and the banks must give due publicity to them in the print and the electronic media along with their photographs, and the same can be sent to all police stations.
- Banks should obey the RBI norms and provide facilities as per the norms, which are not being followed by the banks.

Conclusion:

In the recent past, corporate borrowers even after defaulting continuously never had any real fear of banks taking any action to recover their dues despite the fact that their entire assets were hypothecated to the banks. This is because there was no legal act framed to safeguard the real interest of the banks. The introduction of SARFAESI ACT 2002 whereby banks can send notices to their defaulters to repay their dues else make to get rid of sticky loans, thereby improving their bottom line. Banks were also able to contain the growth of gross and net Non-performing asset both in absolute terms as also in percent of net advances. Recently, our finance minister said in the inauguration of a public sector bank that the net NPA level now was 1.3 percent; efforts were being taken to bring it to one percent in one year. He expressed confidence that the public sector banks will be able to bring down the Net Non-performing assets (NPA) to below 0.5 percent in the future years.

References:

1. Dutta, A (2014) Empirical Study on Non-Performing Assets Management of Indian Commercial Sector Banks. Retrieved from, Perspective, Vol 6, no. 2. Pp. 18-22
2. Bartaria,I, Parveern,S (2014) Some Perspectives of Banking Industry in Global Scenario. Retrieved from International Journal Of Engineering Research and Management Technology, May- 2014 Volume 1, Issue 3 ISSN: 2348-4039
3. Patnaik, B.C.M., Satpathy, I, Patnaik,N (2012) Decoding The Npas In Working Capital Loan: A Survey (With Special Reference To Urban Co-Operative Banking Organizations In Selected Districts Of Odisha) Retrieved from IJRFM Volume 2, Issue 5 (May 2012) (ISSN 2231-5985)
4. Patnaik, B.C.M, Satpathy, I, Mohapatra, A.K.(2011) Demystifying Npas On Education Loan: A Survey (With Special Reference To Selected Urban, Rural Areas And Bank Officials Of Odisha). Retrieved from JBFSIR Volume 1, Issue 4 (July, 2011) ISSN 2231 – 4288
5. Bhatia1, B.S., Waraich, S, Gautam, V (2013) Critical Evaluation Of Non-Performing

Advances In Dccbs Of Punjab. Retrieved from Abhinav International Monthly Refereed Journal of Research In Management and Technology, ISSN – 2320-0073 Volume II, July 13

6. Rajput, N., Gupta,M., Chauhan, A.K. (2012) Profitability And Credit Culture Of NPAs: An Empirical Analysis Of Psbs. Retrieved from International Journal of Marketing, Financial Services and Management Research, Vol.1 Issue 9, September 2012,

7. Ibrahim, M.S., Thangavelu,R (2014), A Study on the Composition of Non-Performing Assets (NPAs) of Scheduled Commercial Banks in India. Retrieved from Journal of Finance and Bank Management, March 2014, Vol. 2, No. 1,

8. K T, Srinivas (2013),A Study On Non- Performing Assets Of Commercial Banks In India. Retrieved from Abhinav International Monthly Refereed Journal of Research In Management and Technology, Volume II, December 13 ISSN – 2320-0073

9. Rai,K (2012) Study On Performance Of NPAs Of Indian Commercial Banks. Retrieved from AJRBF, Volume 2, Issue 12 (December, 2012) ISSN: 2249 7323

10. Satpal (2014),A Comparative study of Non-Performing Assets in Public and Private Sector Banks in the New Age of Technology. Retrieved from International Journal of Current Engineering and Technology, Vol.4, No.4 (Aug 2014), E-ISSN 2277 – 4106, P- ISSN 2347 – 5161,

11. Rajeev, M., Mahesh, H.P. (2010) Banking Sector Reforms and NPA: A study of Indian Commercial Banks (Working Paper 252).Retrieved fromhttp://www.isec.ac.in/WP%20252%20-%20Meenakshi%20Rajeev%20and%20H%20P%20Mahesh.pdf

12. Yadav, S (2014) NPAs: Rising Trends and Preventive Measures in Indian Banking Sectors. Retrieved from Volume 2, Issue 1, January 2014, International Journal of Advance Research in Computer Science and Management Studies, ISSN: 2321 - 7782

13. Rakshit, D, Chakrabarti, S. (2012). NPA Management of Rural Cooperative Banks of West Bengal: An Overview. Retrieved from Volume-I, No.-3, January — June 2012 Business Spectrum ISSN-2249-4804

14. Kumar,M., Singh,G (2012)Mounting Npas In Indian Commercial Banks. Retrieved from International Journal of Transformations in Business Management, (IJTBM) 2012, Vol. No. 1, Issue No. 6, Apr-Jun ISSN: 2231-6868

15. Gupta,J., Jain, S.,(2012) A study on Cooperative Banks in India with special reference to Lending Practices. Retrieved from International Journal of Scientific and Research

Publications, Volume 2, Issue 10, October 2012, ISSN 2250-3153

16. Pradhan, T.K. (2012) Management of NPA in the Commercial Banks in Odisha: An Empirical Analysis. Retrieved from International Journal of Scientific and Research Publications, Volume 2, Issue 9, September 2012, ISSN 2250-3153
17. Rajput, N., Arora, A.P., Kaur, B (2012) Management Of Non-Performing Assets A Study Of Indian Public Sector Banks. Retrieved from IJMIE Volume 2, Issue 4, April 2012, ISSN: 2249-0558
18. Rajaraman, I., Vasishtha, G. (2005) Non-Performing Loans of PSU Banks: Some Panel Results (Discussion Paper),
19. Gupta, B. (2012) A Comparative Study of Non-Performing Assets of SBI and Associates and Other Public Sector Banks. Retrieved from SIT Journal of Management, Vol. 2.No. 2. December 2012.
20. Rajput, N., Arora, A.P., Kaur, B (2011) Non-performing assets in the Indian public sector banks: an analytical study. Retrieved from Banks and Bank Systems, Volume 6, Issue 4, 2011
21. Ganesan, D., Santhanakrishnan, R., (2013) Non-Performing Assets: A Study Of State Bank Of India. Retrieved from Asia Pacific Journal of Research, October 2013, Volume: I, Issue: X
22. Ahmad, Z., Jegadeeshwaran, M. (2013) Comparative Study On NPA Management Of Nationalised Banks. Retrieved from International Journal of Marketing, Financial Services and Management Research, ISSN 2277- 3622, Vol.2, No. 8, August (2013)
23. Stuti, Bansal, S., (2013) An Analysis Of Non- Performing Assets In Indian Banking Sector. Retrieved from Vignettes of Research, Volume - I, Issue - IV ISSN : 2320 – 1797 October – 2013
24. Pradhan, T.K. (2012). Non-Performing Assets (NPA) – A major source of weakness of Public Sector Banks. Retrieved from RJCBS: Volume: 01, Number: 12, October-2012
25. Selvarajana, B., Vadivalagan, G., (2013) A Study on Management of Non-Performing Assets in Priority Sector reference to Indian Bank and Public Sector Banks (PSBs). Retrieved from International Journal of Finance and Banking Studies IJFBS, Vol.2 No.1, 2013 ISSN: 2147-4486
26. Tripathi, L. K., Parashar, A, Mishra, S., (2014) A Comparative Study Of Advances Contributing To Non-Performing Assets Between Sbi Group and Nationalised Banks. Retrieved from International Journal of Marketing, Financial Services and

Management Research, ISSN 2277-3622, IJMFSMR, Vol.3 (7), JULY (2014)

27. Kotnal, J.R., Ahmed, I., Naikwadi, M (2012) A Study On Management Of Non-Performing Assets In District Central Cooperative Bank Retrieved from

28. Kaur, H., Saddy, N.K. (2011) A Comparative Study Of Non-Performing Assets Of Public And Private Sector Banks. Retrieved from International Journal of Research In Commerce and Management, Volume No. 2 (2011), Issue No. 9 (September) Issn 0976 – 2183

29. Satpathy, I., Patnaik, B.C.M., Pradhan, P.K., (2010) NpasIn Home Loan: A Survey (With Special Reference To Selected Districts Of Odisha). Retrieved from International Journal Of Research In Commerce and Management, Volume No: 1 (2010), Issue No. 8 (December) Issn 0976-2183

30. Chaudhary, K., Sharma, M., (2015) Performance of Indian Public Sector Banks and Private Sector Banks: A Comparative Study International Journal of Innovation, Retrieved from Management and Technology, Vol. 2, No. 3, June 2011

31. Ranjan, R, Dhal, S.C. (2003) Non-Performing Loans and Terms of Credit of Public Sector Banks in India: An Empirical Assessment. Retrieved from Reserve Bank of India Occasional Papers, Vol. 24, No. 3, Winter 2003

32. Reddy, P. K. (2002) A comparative study of Non-Performing Assets in India in the Global context - similarities and dissimilarities, remedial measures. Retrieved from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=361322

33. Joseph, A.L., Prakash, M (2014) A Study on Analyzing the Trend of NPA Level in Private Sector Banks and Public Sector Banks. Retrieved from International Journal of Scientific and Research Publications, Volume 4, Issue 7, July 2014 1 ISSN 2250- 3153.

***

THE ROLE OF WORKPLACE SPIRITUALITY ON ADVANCEMENT OF ORGANIZATIONAL CITIZENSHIP BEHAVIOR OF FACULTIES

* *Dr. Tulika Singh*

Abstract

Spirituality is the unique inner search for the optimum personal advancement through involvement in inspirational secrecy. Workplace Spirituality is like an angel - insubstantial and attractive, but puzzling. Open expression of spirituality at workplace enables employees to experience a feeling of completeness at work. The current study is an endeavor to investigate the impact of "Workplace Spirituality" on Organizational Citizenship Behaviors (OCB). Spirituality may emphatically contribute more in the formation of more strong position for OCB to make a way into in a workplace. Each facet of Workplace Spirituality (feeling of community, significant job, and internal life) has a positive link with organizational citizenship behaviors, (afterwards OCB). OCB means the attitude of an employee that is beneficial to the organization; however such attitude is not explicitly recognized by the ceremonial reward scheme of an organization. The study tries to explore the association between workplace Spirituality and OCB of teaching employees of engineering colleges in relation to constructive organizational dedication among employees and whether the dedication conciliates the association among the two. This paper will try to discover the level of spirituality and OCB of teaching workforce in engineering colleges. Spirituality is our internal realization and way of self enlightenment. It is a specific form of job sentiment that stimulates action. This paper tries to identify the sagacity of Spirituality, and its impact on the teaching employees in private engineering colleges in Bhubaneswar. The researchers tried to find out the connection of these factors with organizational citizenship behavior exemplified by the academic workforce of an engineering college. In this research, the researchers are seeking to use the connection between two variables: workplace spirituality and OCB.

Keywords: Workplace spirituality, organizational citizenship behaviors, sense of community, work climate, job satisfaction, teaching employees.

* *Assistant professor (HR) - Department of Business Administration, C. V. Raman College ofEngineering, Bhubaneswar.*

Introduction:

The notion of spirituality heightens its growing importance and many scholars have pointed out its importance. Spirituality does not mean religious principles. It could be beliefs, value systems, or meaning of life of an individual. Kellehear, (2000) & Gawain (2000), revealed that, "in the modern society people are lost and a feeling of insecurity exist among them because of lack of an inner spiritual strength." Therefore, spirituality can help in retaining the discretion of the individual and exculpating the inner soul. It is the realization of individuality; it transforms superficial life and develops realization of the people, individual faith and value systems. Isen & Baron (1991) and Shaw (1999) found that Individuals who are in an authentic spiritual disposition demonstrate high-degree of achievement on their respective job. Spirituality in place of work has firm impact on employee's vigor and involves an employee in auxiliary-job related behavior which may be known as OCB. Employees committed in OCB go very far away from fixed task duties and strive to give their best to accomplish organizational objectives. OCB may result in several constructive outcomes for the organizations like enhanced prosperity, competence, and augmented output.

In today's business condition manifested by awful competition, a vigorous and strong commitment from employees is a demanding factor that can greatly assist an organization to compete efficaciously with its competitors and to acquire superior performance in the market. OCB is among one of the several factors that persuade employees to make positive contributions towards the organization. Ozer (2011), Podsakoff (2009),"OCB as an idea has been considered comprehensively in research. Studies have found that OCB has positive link to a range of organizational effectiveness and outcomes".

Taking into consideration the benefits that OCB could contribute to the success of an organization; this study recommends some workplace situation that can support OCB of employees. Precisely, the percussion of workplace spirituality on OCB of employees of engineering institute is the objective of this research. In the literature, several scholars have written about the benefaction of workplace spirituality on employees individual outcomes. The teachers who are capacitated to take part in decision making of the institute affect the learning environment. The empowered work environment assists in improving the leadership and professionalism among teachers.

"Teachers are more devoted towards their work when they perceive their work as significant" (Henkin, Dee, & Duemer, 2002). "The job atmosphere where management provides improved work-life practices provides impetus to the education offered in the institutes so that the institute can become a better learning institute"(Yong, 2000). A sound

academic system of a nation is treated as the backbone of that nation and academicians are the essential premise of that academic system. "The latent and brilliance of the academicians determines the success of an academic system" (Yeshodhara & Joolideh, 2008). Researchers have shown that the committed teachers give their strong contribution to their institutions and they also show high level of performance for their institutes. The present study will facilitate future investigators in understanding the effect of Workplace Spirituality and job satisfaction on OCB particularly in the framework of academic employees. The present study will also demonstrate the importance of OCB in enhancing the efficacy of the educational institutes and the influence of workplace spirituality on OCB of faculties. The current study will appraise the magnitude of OCB of teachers in the success of educational institutes.

Review of Literature :

Workplace Spirituality :

People give their whole hearted contribution to their work. When employees give endless efforts to their work they will obviously seek to find significance and aspiration, a type of accomplishment that means at the place of work employees can find intrinsic pleasure. Spirituality makes satisfaction of individual requirements specially sense of satisfaction. Spirituality in relation to workplace can be apprehended as "the positive reception that workers have an internal life that is cherished and sustained by significant work that takes place in the framework of society" Ashmos & Duchon (2000).

Ashmos and Duchon (2000), "There are three divergent magnitude of workplace spirituality: sense of society, purposeful work internal life. They found that the first dimension related to connection the employee has with other human beings in the workplace, the second dimension deals with conducting activities at work that give meaning to the person's life, and the third dimension is concerned with the understanding of one's inner power and its use in the wellbeing of workplace". Workplace spirituality contributes positively to individual outcomes of employees. Kolodinsky (2003), noted that this contribution can be understood as a person organization fit. It may be termed as "judgments in relation to similarity between an employee's personal value system and the culture of an organization" ,Cable & DuRue (2002), Kolodinsky (2008), found that when a constant relation exists between the employee's values and the organization's values, a positive relationship with individual outcomes will be seen. For instance, Milliman (2003) reported that "the magnitude of spirituality at workplace is not only positively allied with an employee's organizational dedication but also negatively linked to the intension to quit." In addition, Robert (2006) reported that there is an affirmative and strong alliance between workplace spirituality and job satisfaction.

Giacolone & Jurkiewics (2010), found that "spirituality means the various aspects of the workplace, either in the individual, the group, or the organization, that augment feelings of satisfaction .To elaborate, that process of work which facilitates sense of being connected to a nonphysical force that provide feelings of completeness and joy".

According to Ashar & Lane-Maher (2004), "Spirituality is an embedded and wide search for sublime meaning in an individual's life. They submitted that workplace spirituality incorporate some universal behavioral mechanism and also some kinds of devotion to do meaningful work which may serve the society at large". According to Neal (1997), "workplace spirituality is about employees watching their job as a divine pathway, which serve as a scope to develop individually and to devote something to humanity in a purposeful manner. It may be treated as learning process to become more cautious and sympathetic towards the co-worker, along with superiors and subordinates. It is about sincerity, reliability, being truthful. Workplace Spirituality means an individual's aspiration to live his values in the workplace. Or it may also be referring to as the way by which an organization transforms themselves to maintain the spiritual growth of its workers". Kale and Shrivastava (2003), narrated that workplace spirituality is not associated with religious custom or communication with God and it also not a religious ceremony. The study is supported by the viewpoint of Mitroff and Denton (1999), who argue that subsistence workplace spirituality were not associated to a particular religion, though religion could be a fine opportunity for introducing spirituality.

Organizational Citizenship Behavior (OCB) :

According to Graham (1991) and Organ & Ryan (1995), "OCB can be understood as the worker behaviors which support to endorse the efficient functions of the organization, and these behaviors are not overtly stimulated by the ceremonial reward structure of the organization. Theoretically, the concept of OCB is developed on the ground of the concept of social exchange theory provided by Blau (1964). According to Lavelle (2009), social exchange relationship can be narrated as "unfair, relationship-oriented arrangements between employers and workers symbolized by a replacement of social and psychological profit." OCB involves a combination of behaviors, such as taking and accommodating extra duty, loyalty to system and rules regulations of an organisation, maintaining a positive attitude, and avoidance of work related dissatisfaction. OCB is a set of responsible behaviors that are not exclusively incorporated in the job descriptions, but indirectly boost the wellbeing of business. "OCB reflects the willingness of the employees to devote themselves to the organization beyond their in-role duty" Moorman & Harland, (2002). Organ (1988), specified OCB as

"personal behavior that is optional, not documented by the ceremonial reward system, and that promotes the effective performance of an enterprise." To get accomplishment in today's cut throat competitive world, OCB supports enterprises to achieve newness and more productive measures to achieve success. Organizations cannot gain aggressive advantage just by giving products or services. Preservation of competent human resource definitely plays a crucial function in this regard. That's why many organizations are putting greater interest to worker motivation and their whole hearted commitment of to achieve organizational efficiency.

Workplace Spirituality and OCB :

The first element of workplace spirituality, sense of community, could be considered as an important factor that prompts employees to perform OCB. Sense of community is about working in a place where employees can have an impression that there is a strong relation among the coworkers Ashmos & Duchon, (2000). As stated by Schwartz & Bilsky (1990), workers having greater sense of community are more likely to exhibit prosocial behavior, which is the willingness to help, protect, or promote the welfare of others. Therefore, this pro-social behavior that employees have in their workplace can motivate them to make discretionary contributions to help their coworker and the organization beyond their regular responsibilities. Bartholomew & Manion (2004), pointed when in a place of work sense of society exists; individuals will be characterized by confined obligation of the members, the capacity to outline consent, a sense of adherence a contemplative personality, and a sense of safety. According to them, these characteristics will help create the environment of mutual trust that encourages employees to devote themselves to help other employees and the organization. According to Pandey & Gupta (2008), "Academics of Management had never been completely sightless to the spiritual aspects of job". Donde and Dennis (2000), advocated that workplace spirituality is a very effective approach which is required to stimulate employee's inner strength in organization functions. Long and Mills (2010), indicated that workplace spirituality is necessary for organizations and also for those employees who work in them to advance in their career. The impact of workplace spirituality has been studied in terms of overall performance of the organization and job attitude of the employees. Several studies preserve that organizations with high spiritual values outperform those without it, on the criterion of growth, efficiency and rate of return on investment. Spirituality does not embrace a belief or faith in a deity. When one approaches work with a sense of meaning and purpose that transform the instrumentalities of his work, one is capable of expressing his spirituality

through work. Though the interrelationship between workplace spirituality and OCB has been studied previously be Kazemipour (2012), Tepper (2003), the literature is incomplete. Tepper (2003) developed a model which shows that spirituality has indirect effects on OCB through three psychological states: indebtedness, sensitivity to the needs, and tolerance for inequality. However, Tepper (2003) focused mainly on how individual spirituality is related to OCB. However, the present article describes an empirical study targeting on workplace spirituality as an important component of the organizational culture. More specifically, we recommend that inner life, sense of association, and purposeful work are aspects presented in the organizational culture and may have an impact on OCB. Therefore, this research paper tries to contribute to the research in workplace spirituality by providing some practical support that would strengthen its importance.

Objective of the study:

Following objectives give the impetus to conduct the present study

- To find out the influence of Workplace Spirituality over Organizational Citizenship Behavior of faculties in private engineering colleges.
- To establish a relationship between Workplace Spirituality and Organizational Citizenship Behavior.

Research Methodology :

This section describes the samples, measures, and estimating technique used in the study. The study is based on primary data collected from 280 teaching employees working in various B.Tech institutes in Bhubaneswar city.. An analytical questionnaire based on Likert's five point rating scale was administered among the 280 respondents. Research variables are: Independent Variables: Workplace Spirituality: Dependent variable: Organizational Citizenship Behavior. This study employs the measure of workplace spirituality developed by Ashmos and Duchon (2000). This measure comprises three subscales corresponding to the three workplace spirituality dimensions: sense of community (9 items), meaningful work (7 items), and inner life (5 items). The subscales use a 5-point Likert-type scale (1 = strongly disagree, 5 = strongly agree). For the measure of OCB, the authors utilize the scale developed by Williams and Anderson (1991). The scale comprises 10 items: 7 items belong to OCBI, and 7 items belong to OCBO (either they are 14 items or which one has 3). These items use a 5-point Likert-type scale (1 = strongly disagree, 5 = strongly agree).

Analysis

Regression Analysis:

Regression analysis is a commonly used tool when two variables are said to be systematically connected by a linear relationship. In simple regression, we have two variables; one is independent variable (workplace spirituality) which is rooted in the cause of another behavior, defined as dependent variable (OCB). Regression can explain what exists physically i.e., there must be a physical way in which independent variable ((workplace spirituality) can influence dependent variable (OCB). In the present study, simple regression analysis has been used to depict the relationship among Spirituality and OCB.

Table 1

Simple Regression Analysis – Spirituality and OCB

Description	R^2	Value of adjusted R^2	Value of beta	Value of C	Sig.
Dependent Variable: OCB Independent Variable: Spirituality	.549	.542	.736	17.937	.000

Table-1 shows that Spirituality regressed to OCB with a beta value of .736 and constant value of 17.937. The analysis shows that for every unit increase in Spirituality of individuals there will be approximately .736 units increase in individuals OCB. Similarly, for every unit decrease in Spirituality there will be approximately two units decrease in OCB of individual investors. The present study has found a highly significant and positive interrelationship between the two variables i.e. Spirituality and OCB of employees of engineering college.

Correlation between Spirituality and OCB :

The hypothesis H_1 states that Spirituality in the Workplace has a powerful and positive impact on Organizational Citizenship Behavior. Pearson Correlation and Simple regression analysis was used to verify the correlation between Spirituality (independent variable) and OCB (dependent variable) as shown in table.2. It was found that the correlation between Spirituality and OCB, $R = 0.741$. It represents a highly positive correlation between the two variables. The model is good, as the coefficient of determination, $R^2 = 0.549$ which significantly explains 54.9% variability in OCB by Spirituality.

Table-2

Pearson Correlation	OCB	Spirituality
OCB	1.000	0.741**
Spirituality	0.741**	1.000
N	280	

*** Correlation is significant at the 0.01 level.*

Discussion and Conclusion :

This study contemplated augmentation of the workplace spirituality dimensions to OCB. The outcome of the Regression analysis revealed a significant impact of workplace spirituality on OCB. Specifically, the author found that every dimension of workplace spirituality is closely and positively associated with both OCB. Overall, these results supported the prior predictions about the linkages.

The results of this study offer an extra contribution to the existing literature. First, the findings provide an extra vision about a workplace condition that can improve employee OCB. Discovering new antecedents of employee OCB is important since it helps researchers identify major factors that can develop this positive behavior. Previous studies on the determinants of OCB focus on factors like dispositional traits, Job characteristics, and workplace environment Konovsky & Organ (1996), Lavelle (2009), Restubog (2008). In this study, workplace spirituality has been proven as another work condition that encourages employees to make extra contributions to the organization beyond their predefined responsibilities. This study has confirmed that employees who can accommodate their spiritual self with their work community and organization are more likely to develop emotional adornment to their workplace, thereby motivating them to express OCB to both their organization. Furthermore, since workplace spirituality is a new concept that still needs more empirical support, this study makes contribution to research in this area. The results of this research can provide guidance for institutes that would like to create or boost employees' commitment to their firm. Since OCB is considered a pivotal behavior that devote significantly to higher organizational performance (Podsakoff et al, 2009), the capacity of any educational institute to promote OCB can provide ample benefit to their performance. As a result, the results suggest that the origination or improvement of workplace spirituality within the institute can be one solution to actualize this objective. To conclude, we can state that the present study proposed that workplace spirituality can be a key factor to develop employee OCB in educational institutes. Empirical results also support the positive impact of the workplace spirituality on OCB. In general, the results highlight the importance of organizational leaders in contributing to a work climate that elevate employee spirituality at work to encourage the employees in engineering institute to perform OCB.

References :

1. Ashar, H., & Lane-Maher, M. (2004). Success and spirituality in the new business paradigm. Journal of Management Inquiry, 13(3), 249-260.
2. Ashmos, D., & Duchon, D. (2000). Spirituality at work: conceptualization and measure. Journal of Management Inquiry, 9(2), 134-145.
3. Blau, P. M. (1964). Exchange and Power in Social Life. New York, NY: Wiley.
4. Cable, D. M., & DuRue, D. S. (2002). The Convergent and Discriminant Validity of Subjective Fit Perceptions Journal of Applied Psychology, 87(5), 875–884.
5. Donde, P. A., & Dennis, D. (2000). Spirituality at work: a conceptualization and measure. Journal of Management Inquiry. 92. 134-146. Neal, J. (1997).
6. Giacalone & C. L. Jurkiewicz (Eds.) (2010a). Handbook of workplace spirituality and Organizational Performance (2nd ed.). Armonk, New York, NY: M.E. Sharpe. 181-190).
7. Graham, J. W. (1991). An Essay on Organizational Citizenship Behavior. Employee Responsibilities & Rights Journal, 4(4), 249-270.
8. Kale, S. H., & Shrivastava, S. (2003). The Enneagram system for Enhancing Workplace spirituality: The Journal of Management Development 224. 308-328
9. Kazemipour, F., Mohamad Amin, S., & Pourseidi, B. (2012). Relationship between Workplace Spirituality and Organizational Citizenship Behavior Among Nurses Through Mediation of Affective Organizational Commitment. Journal of Nursing Scholarship, 44(3), 302-310.
10. Kolodinsky, R., giacalone, R., & Jurkiewicz, C. (2008). workplace values and outcomes:exploring personal, organizational, and interactive workplace spirituality. journal of business ethics, 81(2), 465-480.
11. Lavelle, J. J., Brockner, J., Konovsky, M. A., Price, K. H., Henley, A. B., Taneja, A., & Vinekar, V. (2009). Commitment, procedural fairness, and organizational citizenship behavior: a multifoci analysis. Journal of Organizational Behavior, 30(3), 337-357.

12. Long, B. S., & Mills, J. H. (2010). Workplace spirituality, contested meaning, and the culture of organization: A critical sense making account Journal *of Organizational Change Management.* 233. 325 – 341

13. Manion, J., & Bartholomew, K. (2004). Community in the workplace: A proven retention strategy. The Journal of Nursing Administration, 34(1), 46-53.

14. Marques, J. (2005). HR's crucial role in the establishment of spirituality in the workplace. Journal of the American Academy of Business, 7(2), 27-31.

15. Milliman, J., Czaplewski, A. J., & Ferguson, J. (2003). Workplace spirituality and employee work attitudes: An exploratory empirical assessment. Journal of Organizational Change Management, 16(4), 426-447.

16. Milliman, J., Ferguson, J., Trickett, D., & Condemi, B. (1999). Spirit and community at southwest airlines: An investigation of a spiritual values-based model. Journal of Organizational Change Management, 12(3), 221-233.

17. Mitroff, I. I., & Denton E. A. (1999). A study of spirituality in the workplace *Sloan Management Review*.

18. Moorman, R. H., & Harland, L. K. (2002). Temporary Employees as Good Citizens: Factors Influencing Their OCB Performance. Journal of Business and Psychology, 17(2), 171-187.

19. Neal, J. (1997). Spirituality in management education: A guide to resources. Journal of Management Education, 21(1), 121-139.

20. Nunnally, J. C. (1978). Psychometric theory. New York: McGraw-Hill, 2.

21. Organ, D. W. (1988). Organizational citizenship behavior: The good soldier syndrome. Lexington, M.A.: Lexington Books.

22. Organ, D. W. (1990). The motivational basis of organizational citizenship behavior. In B. M. Staw & L. L. Cummings (Eds.), Research in Organizational Behavior, 12, 43–72.

23. Organ, D. W., & Ryan, K. (1995). A meta-analytic review of attitudinal and dispositional predictors of organizational citizenship behavior. Personnel Psychology, 48(4), 775-802.

24. Ozer, M. (2011). A Moderated Mediation Model of the Relationship Between Organizational Citizenship Behaviors and Job Performance. Journal of Applied Psychology, 96(6), 1328-1336.

25. Pandey, A., Gupta, R. K., & Arora, A. P. (2009). Spiritual climate of business organizations and its impact on customers' experience Journal of business ethics, 88(2), 313-332.

26. Schwartz, S. H., & Bilsky, W. (1990). Toward a theory of the universal content and structure of values: Extensions and cross-cultural replications. Journal of Personality and Social Psychology, 58(5), 878–891.

27. Tepper, B. J. (2003). Organizational citizenship behavior and the spiritual employee. In R. A. Giacalone & C. L. Jurkiewicz (Eds.), Handbook of workplace spirituality and organizational performance 181-190. New York, NY: M.E. Sharpe.

***

ODISHA HANDLOOM INDUSTRY – EVALUATING INCLUSIVITY OF START UP BUSINESS MODELS

* *Ms. Arunita Padhi*
** *Dr. Saroj Kumar Sahoo*
*** *Mr. Tusar Ranjan Sahoo*

Abstract

Ethnic Handloom cloth is one of the richest and resilient mediums of ethnic expression in Odisha. They represent the socio-economic well-being for the people of Odisha (Odisha Review, December 2009). In the current scenario, we judge new handloom start-ups on the actual social and economic value they create through their core business activities (Year End Review 2015: Ministry of Textiles). Hence it is essential to clearly demarcate the commercial enterprises from the inclusive ones to gain a comprehensive understanding of an inclusive business model. This article aims at analyzing the start ups in the Odisha handloom industry to determine the nature of their future business models with respect to inclusivity. The article develops an evaluation framework based on various social and economic parameters to judge the socio economic aspects of a business in Odisha handloom industry. In this context, a model is proposed that will take the start-up businesses in the path of inclusive growth of the country.

Keywords: Inclusive development, Start up business, Handloom products, model of stakeholder causal scope

Introduction :

Beauty lies in the eyes of the beholders. This statement seems to be relevant for the Indian ethnic products. Even being qualitative from most of the dimensions, customers are not realizing the value of the ethnic products. One of such products is handloom products of Odisha, which has given this state a special recognition. Handloom cloth is one of the richest

* *Lecturer in Modern Institute of Technology and Management, Odisha, India, PIN – 752054*
** *Asst. Prof. in PG. Dept. of Business Administration, Sambalpur University, Sambalpur, PIN - 768019*
*** *Research Scholar in PG. Dept. of Business Administration, Sambalpur University, Sambalpur, PIN - 768019*

and resilient medium of ethnic expressions and for the weaver weaving of cloth is not just commercial venture but it represents the philosophy and the way of life. Handloom Sector, next to the agriculture sector provides massive employment to the rural artisans. So far as the state of Odisha is concerned, it has a rich tradition of producing handloom products. Even the skill and knowledge imbibed over generations, has given the Odisha hand woven textiles an unparalleled depth, range, strength and vigor. Thus Odisha still retains its place of pride for unique and exquisite creations in all over the world. The only bottle-neck is the commercial viability that is lacking which makes both the current established businesses and start-up businesses. The current study addresses the issues relating to these business concerns and proposes a model to get rid of the above bottle-neck. With a reasonable hope that this study will be helpful to the start-up businesses, even with the tough competition, less initial capital, less awareness, less visibility of price-quality dyads, and with less product innovations.

Research Problem :

With any pros and cons, it is a commonly understood aspect that the handloom products are not getting appropriate attention of the customers. Not only the customers, but also reputed corporate houses, independent business, small retailers and other such stake holders are not considering the handloom products as their priority. This happens even after knowing the genuineness of the handloom products. Government becomes isolated as it is considered to be the only stake holder to shoulder this responsibility. In this context, the research problem of this study can be "Can the handloom products be acceptable as-it-is by the major stakeholders in the greater interest of society? The following are the objectives of the study on the basis of the above research problem.

Objectives :

- To understand the key relationships of major stake holders with the handloom business.
- To propose key areas of improvement through a model for the survival of the handloom business.
- To suggest the major roles of start-up businesses for the inclusive growth of this business.

Design & Methodology :

The current study follows the explorative research design, where the researchers put their analytical thoughts along with the entire experiences they have with these products and in the discussions with some of the businessmen relating to these products. Mostly the available literatures are reviewed with the logic of various management concepts, theory and models, which have enabled the authors to propose a model for the start-up businesses. The core dimension of these start-up businesses is proposed to be the inclusivity. The citation and references are done with Mendeley software.

The Industry Profile :

The Handloom Industry in Orissa is the largest cottage Industry providing employment and sustenance to 4 % of the population of the State ("Handlooms, textile & handicrafts Departments," n.d.). Right from producing superior artistic fabrics of excellence, this Industry also produces utility fabrics for the common masses at cheaper cost. However in face of teething competition in open market, the strengthening of the Industry and its diversification is the continuous need for its survival. Profile of the Handloom Sector in Orissa: The textile sector of the state mainly comprises of ginning and pressing, spinning, weaving and marginally small processing sector. The state produces raw cotton in some of the inland districts and therefore ginning activities have been started in the state. A recent census of ginning and processing factories in the countries by textile committees (2001-02) has recorded 14 units out of which 11 are working. Since the units have been established recently, they are considered relatively modern in terms of civil structures and modern machineries. The spinning industries are comprised of 14 units with 367440 spindles of which 4 are only working. The working units are also not utilizing the installed capacity in full. In the weaving sector, the only composite unit i.e the Orissa Textile Mill (OMT) is closed. Therefore, the weaving is mainly carried out in handloom and power looms. So far as processing is concerned, it is mostly carried out by hand processing in most unorganized manner. The processing activities are mainly carried out in tumble wash or by tie and dye techniques. The distribution of handloom indicates large number of units in west zone are (56.23%) followed by central (26.68%) and southern

(17.08%) zones. Since each unit owns a loom or two, the distribution of looms apparently show a similar distribution pattern of units as well as the weavers. Number of handlooms per unit is estimated at 1.21 while the number of weavers working per unit is 2.62 while per loom it is 2.15. The organizational set up of handloom industry of Orissa is largely controlled by the master weavers and the traders (61%). The cooperative movement has been less successful to bring the artisan units into the co-operative fold. About 24% of the artisan units are able to run their own business enterprises.

Importance of handloom products' marketing :

Gone are those days when people were searching for the genuine products or indigenous products, which not only satisfy their functional needs but also justifying their psychological needs. Indian customers, especially in Odisha, are simultaneously rational and trendy. Hence they expect exact returns to their money along with acceptance of modern fashions. It is astonishing that most of the Indian customers are not making the handloom products their first choice even after realizing the quality of handloom products as genuine. In consistence with the statistics of industry profile, it can be easily assumed that handloom products are not getting proper marketing backup. So logically it can be said that there is a huge opportunity for start-up businesses with such products. The current study proposes that the marketing backups are nothing but application of appropriate RM (relationship marketing) indicators to each and every stakeholder to justify the inclusive growth of this industry. Further, this study proposes that the start-ups must rely on inclusivity rather than relying on so-called rich customers only. The inclusive growth not only takes care of businessmen/corporate houses, but also the artisans, the customers, the intermediaries and the entire economy as a whole. The model mentioned below can give clear guidance in this regard.

The proposed model : 'Inclusivity by stakeholder causal scope' for the start-up Businesses of handloom products :

By analyzing various cases relating to web-based relationship marketing, Gide & Shams, (2011) developed the concept of *stakeholder causal scope* which combined various

promotional efforts with growth strategies, and finally, the RM centered 'Sustainable Growth Model' developed through the synthesis of the impact of the web-based RM indicators of the cases that are associated with stakeholder causal scopes and their relevance to the growth strategies. Gide & Shams (2011) argued that the model can be reinforced significantly for marketers in various industries to enhance competitive advantage aiming at sustainable organizational growth. In conformity with the logic, the current study proposes to extend this model to the marketing of handloom products, the typical indigenous product of Odisha. The acceptance of these products in terms of value return to the money and in terms of trendy nature is a matter of research now. So the current study proposes a little modification to the Gide & Shams' (2011) original model as mentioned below for the inclusive and sustainable growth of handloom products. Here the inclusivity is proposed as a strategic instrument for the start-up businesses.

Most of the factors out of 19 Relationship marketing (RM) indicators, studied by Gide & Shams, (2011) are relevant to the current research context. Further, the sum of effects of these indicators creates a unique business environment in Odisha, specifically in the handloom sector. Their generic explanation along with the applicability in Odisha context can be proposed by evaluating the 19 RM indicators in the Odisha specific handloom industry to understand the applicability of stakeholder causal scope model given above. Kurtz (2009) and Buttle (2009) enunciated that understanding stakeholder's contemporary and latent needs becomes the key to advanced customer satisfaction and this can be attained by delighting the customers who are major stakeholders for Odisha-based startup handloom companies through meeting and serving their latent or hidden needs. This is because relationship marketing unlike transactional marketing focuses on the fact that "retaining customers is more profitable than losing them". This is possible only by listening to them and collecting feedback from them which will eventually cater to their latent needs and help build the market growth strategy for the startup business models.

Figure-1

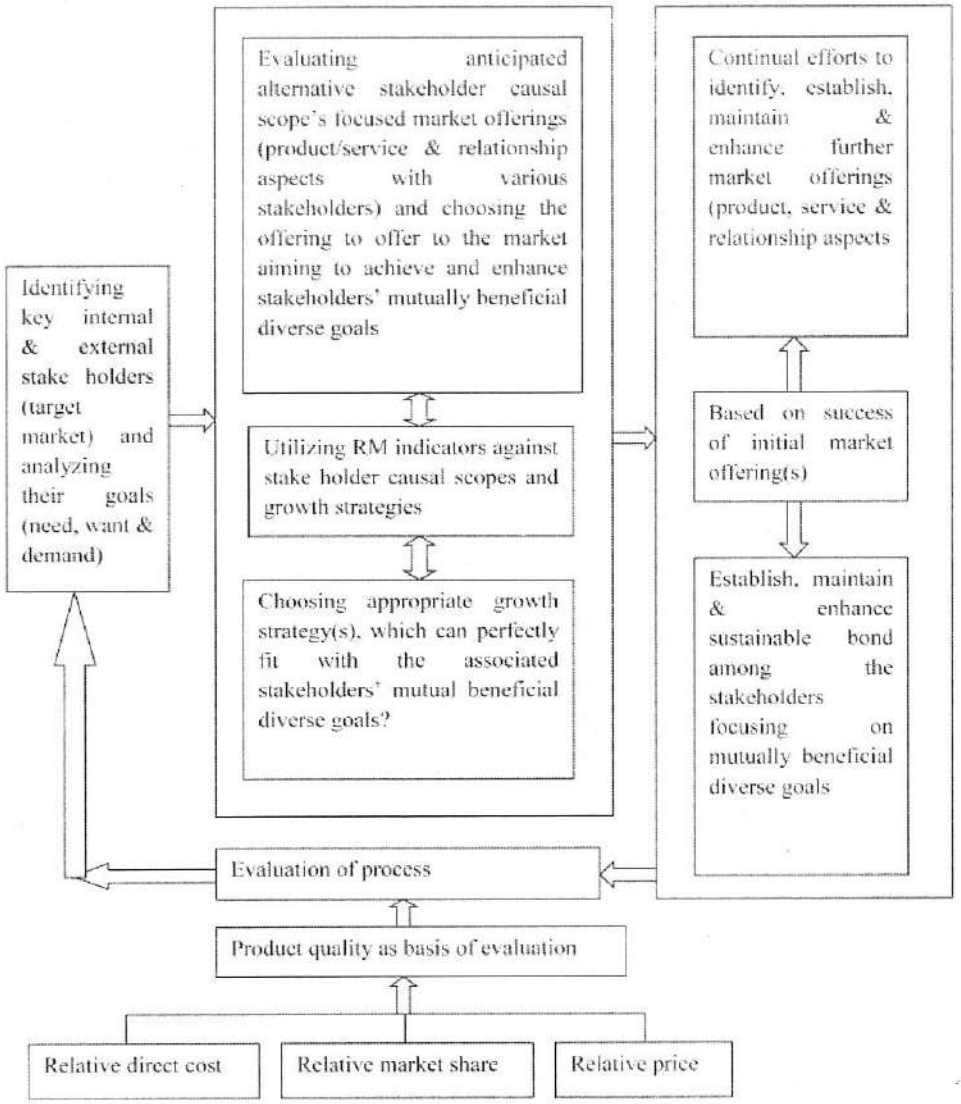


Figure-1: Proposed modified model: A stakeholder causal scope- centered relationship marketing model to enable organizational growth (adopted from shams, 2011; Gide & Shams, 2011)

Further segmentation of a segmented market or niche marketing with Innovative offering proposed by Donald (2007) suggests that strategic market relationship can impact

the innovation and the product & service development process. Taking this cue as a relationship indicator we suggest the Odisha specific handloom startup companies have to propel innovations from the product development stage to the whole product life cycle stages through proper interaction of the customers and other stakeholders in the network. The handloom sector of Odisha startup companies have to realize the importance of adopting innovative tools and modern production techniques for boosting the revenues. Waking up to the reality of increasing competition in the global market, the Odisha startups with the handloom weavers have to move their focus on the implementation of products, designs and market innovation strategies. A wide range of handloom units in Tamil Nadu, Jammu & Kashmir and West Bengal have opted for novel manufacturing tools for improvising on the production capacities and meeting the market demands and Odisha startup companies can learn from them. Innovation has become the main focus area for the small and medium enterprises engaged in the domestic handloom sector. The small handloom startup companies can plan to increase the export volumes in the international markets by executing small strategies and innovative methods of production. Referring Kotler (2009) innovative products, which can be supplied to niche markets within the country and abroad. There are two market segments in handloom sector, namely, Niche (domestic and export) and others (domestic only). The articles, design, branding and promotion for both market segments require differentiated marketing strategies. However, the fundamental requirements in both segments are reasonable rates for quality inputs and fair return to the weaver. Flexibility on customers and other stakeholder's preferences suggested by Looney and Seiler in 2002 and Customization suggested by Little and Marandi (2003) which was later on extended by Kurtz(2009) speaks that flexibility on customers' and other stakeholder's preferences as an independent Relationship marketing indicator is differentiated from customization from the logic of "all customized offerings can be proportionate with customers' preferences, but all offerings or promotional campaigns may not be customized but standardized".

Odisha Handloom RM should focus on highlighting customers' and other stakeholders' preferences in terms of alternative products and service offerings, product design, distribution, delivery, option of payments and so forth. As far as Odisha handloom sector is concerned they can get a better knowledge of their client's requirements and needs by building a social rapport over a number of service encounters and understand tailoring and customizing the product to client's specifications. Thus Odisha handloom start ups can help their customers

to decide the best suited product to be bought which simultaneously may be an offering to customer's preferences, as well as customized. For example : Start ups can provide flexible loyalty membership programs that will provide customized flexibility on customer's preference centered market offering wherein more potential customers through the membership offerings may broaden the stakeholder's causal scope opportunity from customer's point of view. This will definitely help the start ups with a product development growth strategy to create products with new or different characteristics which will offer new or additional benefits to the customer, as well as help them to utilize market penetration growth strategies by bundling the existing membership offerings with different options with the intention of increasing the market share of the offering. 'Joint power' as suggested by Kaufmann & Panni(2013) in his book, which is also a research result of Kurtz(2009), shows that relationship marketing formulates joint power among the stakeholders, which can help start ups to accomplish their goals by expanding further the stakeholder causal scope opportunities. The handloom start up retail stores in Odisha can integrate the activities of weavers and the customers being the facilitator, justifying the customization, which make the customers realize that they are getting what they expect. Ultimately customers go to the next level of loyalty by the virtue of this association or joint power of their commercial partner that broaden further Stakeholder causal scope opportunity. They can also figure out leading weavers and artisans to utilize them as brand ambassadors which will help the start ups businesses to authenticate their market-offerings in terms of the brand identity. Long time scale, lifetime value, and client retention suggested by Kaufmann & Panni, (2013) in his book speaks about the importance of extended relationship duration and keeping existing customers intact for the entire product life cycle is an important RM indicator to amplify stakeholder causal scope. This RM indicator when applied in the present context reinforce that like all other sectors handloom sector is predominantly service-based and the startup companies can increasingly derive revenue from the creation and sustenance of long-term relationships with their customers. In such an environment, marketing serves the purpose of maximizing customer lifetime value (CLV) and customer equity, which is the sum of the life-time values of the company's customers studied by Sunil Gupta Harvard University and Dominique Hanssens University of California, Los Angeles in their research paper "Modeling Customer Lifetime Value" by Marketing Science Institute. Long time scale suggests extending

the duration of the relationship of the stakeholders as a marketing tool to keep them intact in a relationship for a longer period of time.

In today's scenario there is an increasing pressure in companies to make marketing accountable. The Odisha handloom sector is no different to this. Like customer life time value, customer retention is the ability for a company to keep its existing customers. It is the measure of a company's ability to provide enough value with its products or services for customers to keep them coming back Leverin & Liljander(2006). Customers will have unique expectations from handloom industry. These expectations should always be satisfied by the handloomers and the Odisha specific start up business models should understand the importance of these indicators. Realizing this fact, in a research paper on Impact of marketing strategy on customer retention in handloom industry by Ismail & Safrana(2015) research conducted a study to know the relationship between the marketing strategies and customer retention for handloom (product, price, place, promotion). It was found that there is a strong positive relationship between people and customer satisfaction. It can also be recognized that this dimension has highest value of person correlation when compared with other variables. There is strong positive relationship between product and customer retention. Customer retention is also generally assumed to be a significant determinant of overall satisfaction, intention to recommend, perceived value for money and intention to repurchase as studied by Booms & Bitner(1981). Therefore, focus on customer retention is rooted in contemporary managerial tool for handloom industry thus playing as an important RM indicator for the industry.

Orientation to in benefits of knowledgeable customers and providing advantage through customers and other stakeholder's experiences studied by Kaufmann, Hans-Ruediger in his book illustrate two RM indicators which are described in conjunction with each other. This means that the relationship should be significant through customer's or other stakeholder's sufficient knowledge about the startup business model and its offerings. It's been suggested by Rajaobelina and Bergeron (2009) that more the client knowledge more is the relationship excellence. Relationship marketing also signifies that with more stakeholders' orientation more benefits can be reaped by the company. This way the Odisha specific startups can augment competitive advantage of their service offerings by placing their current and loyal customers

at the front of their promotional campaigns in the form of testimonials, gift vouchers etc where the loyal customer acts as the advocate of the startup company. Thus with this kind of a relationship enhancing exercise with the existing customers the startup companies can retain them as well as attract new customers through them.

Value breeding bond is an excellent RM indicator studied by Shams (2011) and further co-studied by Gide and Shams (2011). Value breeding bond is a set of social, business and expertise resources formed by the key stakeholders in order to generate and regenerate value chain within or beyond the network (Babylon, 2009). Talking about the Odisha specific handloom start ups the VBB would consist of all the stakeholders i.e the start up entrepreneur, weavers, government, customers, financial institutions and all those members whose contribution leads to reproduce the existing value potentials to further value potentials. High stakeholder service, stakeholder contact, and stakeholder commitment are one of the key contribution of Stavros in 2005 and further studied by Kurtz (2009) suggest that high stakeholder service, stakeholder contact and stakeholder commitment is key for a sustainable competitive advantage for any organization and its very much applicable for a handloom startup business models in Odisha. Similarly studying the strategic adaptation about Value-based sales process adaptation in business relationship by Paul Viio and Christian Grönroos adds to the understanding of how different modes of adaptation are contingent upon the type of item being sold and purchased. Managerial implications include that to strategically adapt, the seller could focus on the purchasing portfolio. This can always be taken into consideration when startup business models in handloom sector in Odisha are leveling themselves in different relationship of the various stakeholders.

Customer relationship management and database marketing as studied by Kurtz (2009) suggest that a handloom organization could utilize the Relationship marketing perspectives that are standardized as Relationship marketing indicators through their versatile market offerings in association with other stakeholders, by effectively smoothening the stakeholder causal scope and utilizing a growth strategy in order to attain and retain handloom industry organizational growth.

Quality is the concern of all logically described by Stavros (2009) and studied by Kurtz (2009) gives us an important insight into such an important relationship indicator.

Relationship marketing commits all employees (external stakeholders like business partners) to provide high quality product and services. This means that the handloom start up business models should establish a practice where the external stakeholders like the commercial partners (in this case the weavers tied up to the organization) are conscious about the significance of the quality which is the concern for all. Thus quality cannot be compromised under any circumstances.

Share of dependency, risk and uncertainty studied by Gummesson (2002) and further studied by Kurtz in (2009) and Relationship factor focused branding given by Anderson(2005) and further expanded by Lars and Bergrren (2010) elucidate these core relationship indicators which we have applied in the current context of Odisha handloom startup business models. We suggest the Odisha specific handloom business models to share dependency, risk and uncertainty with their commercial partners and other stakeholders including customers. This will motivate all the parties concerned especially the commercial partners like independent weavers and weaver's association to provide product and service in such a way which will ensure a strong financial platform for the start up without compromising on quality and helping to build a strong life time financial value. They can establish and enhance their mutual commitment towards each other, where all involved stakeholders have the contributory scope while they work interdependently towards mutually beneficial goals.

As suggested by Little and Marandi (2003) and further confirmed by Kut2 (2009) customer or other stakeholder share instead of market share perfectly replaces market share with stakeholder share as an important relationship indicator for any business to sustain for a lifetime. The handloom startup business models of Odisha can expand further by tie ups from major private retail chains like Future group, RP Goenka group etc and open small stores within their premises and sell the product offerings through sponsorships and partnerships for longer time periods like five years, ten years, and even for the lifetime period through franchisees. Such sponsorships and partnership contracts allow the start ups to utilize market development growth strategy by increasing the scope of availability for the customer.

Relationship and service values instead of bureaucratic legal values proposed by Gummesson (2002) illustrate relationship marketing promotes relationships and services values to the customer rather than bureaucratic legal values. Another indicator is adaptation which

keeps a keen eye on changes so that the organization can promptly adapt on any transforming circumstances or can flourish further opportunity. The handloom sector in Odisha specifically has been a victim to lethargic and inefficient bureaucracy. A weaver from Bargarh district mentions "No doubt the product of power loom is cheaper and handloom product is sold at a higher price but handloom is in the blood of a weaver. Even if people buy a power loom product we cannot stop weaving a handloom product. Day will come when there will be demand again for this traditional handloom product. Till that time we have to keep patience. And if we get the attention of the government, then only we can flourish better. But it will again be a wrong decision for us to seek the help of the government. As no Government irrespective of the party in power has taken any drastic steps to improve the conditions of the workers, the concerned beneficiaries have to make their own destiny, said by Akash Meher in an interview for a research paper called "conflicting technological systems in Odisha textile industry", in IIT Guwahati December 2013.

Instead we suggest that there should be organizations which will provide weavers and artisans with designs which are trendsetters so that whatever they make should not get stuck in the market to obstruct further orders. The fusion of some technological advancement with traditional methods of handloom production can also increase the production of handlooms and make it easy and cost-effective for customers and weavers thus increasing the stakeholders' causal scope ensuring that technical up gradation does not happen at the cost of traditional methods but is in harmony with them. This can be planned by the Odisha specific start up business models to keep the originality of handloom production intact and adapted.

Cherishing barren Meadow as studied by Kurtz (2009) and co studied by Gide and Shams in 2011, explains another important indicator for effective relationship marketing. According to them the term CBM i.e. cherishing barren meadow arises while analyzing some of the stakeholder causal scope of the grown organizations where the organizations invested time, money, skills and other efforts even in the market segments which initially looks financially non lucrative. However the organizations invested all of these efforts even in the barren segments of the market in the hope of considerable long term return of the investment from today's barren segment of the market. To explain this Kurtz (2009) described that one of the aspects of Relationship marketing is to have deeper orientation on opportunity evolvement through

relationship practice and less orientation on initial financial gain. Specifically talking about the Odisha handloom sector and the new startup business model it extremely crucial that there are ample of cherishing barren meadow opportunities in terms of new distribution channels. The Odisha specific handloom start ups can have their own e commerce sites and capitalize on export marketing which may not look lucrative initially but can definitely build a long term return on investment after a certain number of years provided it is marketed effectively. E commerce involves all aspects of an organization's electronic interactions with its stakeholders, the people who determine the future of the organization. Thus, Electronic Commerce includes activities of establishing a Web page to support investor relations or communicating electronically. Electronic Commerce or E Commerce involves the use of information technology to enhance communications and transactions with all of an organization's stakeholders. Such stakeholders include suppliers, customers, financial institutions, employees, government regulators, mangers and the public at large. The Internet raises quality of life, and it has the potential to perform this miracle on a global scale.

In order to be acceptable to all stake holders and diverse target customers, the 'relative product quality' may be taken as the basis for 'evaluation of processes of the above said model. As suggested by Sudharshan(2002) through Simplified version of Phillips, Chang and Buzzell model the relative product quality is influencing the 'relative direct cost', 'relative market share' & 'relative price', which are very much relevant for business growth of the handloom products. The current study is emphasizing on the inclusive growth, mainly through the start-up businesses. The inclusive growth is directly proportional to the relative market share. In context of Indian market, the relative market share is mostly depend upon relative price because only when the customers will realize that they are getting value return to the high price (as handloom products are assumed to be highly priced), they consider these products as the alternative to the concerned choices. It is the relationship marketing, especially for the start-up businesses, which can be instrumental for such realization. In this article stakeholder relationship marketing is studied which involves creating, maintaining and enhancing strong relationships with customers, employee, supplier, community and other stakeholders with the goal of delivering long term economic, social and environmental value in order to enhance sustainable business financial performance (Murphy, Maguiness, & Pescott, 2005).

Conclusion :

Together relative direct costs, relative market share and relative price exert a strong positive influence on product quality as a basis for evaluation which eventually effects business profitability to achieve organizational growth. But this is only possible by utilizing the RM indicators mentioned above in Odisha specific handloom startup business models to establish, maintain and enhance sustainable bond among the stakeholders focusing on mutually beneficial diverse goals. Business models that have both larger share and better quality than their leading competitors earn return on investments that are dramatically higher than the latter. The whole credit will be shared by the stakeholders' causal scope model that has been extended in the current business context. The net effect seems to be that as we move from bottom to top of the model there is always a better chance of establishing and sustaining the Odisha specific handloom startup business models in terms of perfectly enabling organizational growth.

This study is based up on review of published research works, surveys, case studies and news articles. Hence, future researchers can prove or challenge it empirically. The proposed model is addressing limited number of dimensions of stake holder concept, which have been established according to relevant literature. So, further studies can be made by taking more number of factors that are capable of explaining the stake holder concept more clearly with respect to inclusivity of start-up business. The relationships in the model have been logically established by taking the relevant contents of available literature. So, more literature and discussion with experts can make these relationships stronger in the model. The research results of this study will be fully substantiated only after repeated investigation of the Odisha specific handloom startup businesses in relation to the proposed models after a time lag.

References :

1 Anderson, A. K. (2005). Affective influences on the attentional dynamics supporting awareness. *Journal of Experimental Psychology: General, 134*(2), 258–281. https://doi.org/10.1037/0096-3445.134.2.258

2 Babylon (2009), 'Definition of value network', Babylon, viewed 09 March (2010), http://dictionary.babylon.com/Value%20network .

3 Berggren, B., & Silver, L. (2010). Financing entrepreneurship in different regions. *Journal of Small Business and Enterprise Development*, *17*(2), 230–246. https://doi.org/10.1108/14626001011041238

4 Booms, B. H., & Bitner, M. J. (1981). Marketing Strategies and Organization Structures for Service Firms. *Journal of Marketing of services*, *1*(1), 47–51.

5 Buttle, F. (2009). *Customer Relationship Management: Concepts and Technologies.*

6 Cooperatives at work: Handloom industry in orissa. (2002). *Orissa State Development Report*, 86–101. Retrieved from http://shodhganga.inflibnet.ac.in/bitstream/10603/31041/13/13_chapter 4.pdf

7 Dash, N. (2007, 2008). Handloom Potentiality Study In Boudh District. Vasundhara.

8 Donald, J. (2007). Internationalization, diversity and the humanities curriculum: Cosmopolitanism and multiculturalism revisited. *Journal of Philosophy of Education*, *41*(3), 289–308. https://doi.org/10.1111/j.1467-9752.2007.00572.x

9 Draft consultation paper on handlooms. (2014, October). Planning Commission Government of India. Retrieved from http://planningcommission.nic.in/reports/genrep/drft_cosulpapr_1410.pdf

10 Dutz, M. A. (2007). *Unleashing India's innovation/ : toward sustainable and inclusive growth.* World Bank.

11 Gide, E., & Riad Shams, S. M. (2011). The role of web-based promotion on the development of a relationship marketing model to enable sustainable growth. *Procedia Computer Science*, *3*, 1060–1073. https://doi.org/10.1016/j.procs.2010.12.174

12 Gide, E., & Riad Shams, S. M. (2011). The role of web-based promotion on the development of a relationship marketing model to enable sustainable growth. *Procedia Computer Science*, *3*, 1060–1073. https://doi.org/10.1016/j.procs.2010.12.174

13. Gummesson, E. (2002). Relationship marketing and a new economy: it's time for de programming. *Journal of Services Marketing*, *16*(7), 585–589. https://doi.org/10.1108/08876040210447315

14. Handlooms, textile & handicrafts Departments. (n.d.).

15. How to obtain Capacity Building Training in Handloom Sector. (n.d.).

16. Indian Handloom Sector Goes High On Innovation/ : An Insight. (2014, May 22).

17. Ismail, M. B. M., & Safrana, M. J. (2015). Impact of marketing strategy on customer retention in handloom industry (pp. 16–25). Presented at the 5th International Symposium 2015 IntSym, SEUSL.

18. Kaufmann, H. R., & Panni, M. F. A. K. (2013). *Customer-centric marketing strategies/ : tools for building organizational performance*. 701 E. chocolate avenue: Business Science Reference.

19. Kaufmann, H. R., Fateh, M., & Panni, A. K. (2013). *Hans Ruediger Kaufmann, Mohammad Fateh Ali Khan Panni*.

20. Kotler, P. (2009). *Marketing Management*.

21. Kurtz, H. E. (2009). Acknowledging the racial state: An agenda for environmental justice research. *Antipode*, *41*(4), 684–704. https://doi.org/10.1111/j.1467-8330.2009.00694.x

22. Leverin, A., & Liljander, V. (2006). Does relationship marketing improve customer relationship satisfaction and loyalty? *International Journal of Bank Marketing*, *24*(4), 232–251. https://doi.org/10.1108/02652320610671333

23. Little, E., & Marandi, E. (2003). *Relationship Marketing Management*.

24. Maznah Mohamad. (1996). *The Malay handloom weavers/ : a study of the rise and decline of traditional manufacture*. Regional Social and Cultural Studies, Institute of Southeast Asian Studies.

25. Murphy, B., Maguiness, P., & Pescott, C. (2005). Using A Strategic Stakeholder Market Orientation To Predict Sustainable Business Performance. *Strategic Marketing and Market Orientation*,68-71. Retrieved from http://www.anzmac.org/conference_archive/2005/cd-site/pdfs/17-Strategic/17-Murphy.pdf

27 Niranjana, S., & Vinayan, S. (2001). Report on Growth and Prospects of the Handloom Industry. Study Commissioned by the Planning Commission. Retrieved from http://planningcommission.gov.in/reports/sereport/ser/stdy_hndloom.pdf

28 Prusty, J. R. (2013). Conflicting Techological Systems in Textile Industry: A Study of Selected Handloom and Powerloom Industries in Odisha. Retrieved from http://gyan.iitg.ernet.in/handle/123456789/456

29 Rajaobelina, L., & Bergeron, J. (2009). Antecedents and consequences of buyer seller relationship quality in the financial services industry. *International Journal of Bank Marketing*, *27*(5), 359–380. https://doi.org/10.1108/02652320910979889

30 Sudharshan, D. (2002). *Marketing strategy/ : relationships, offerings, timing & resource allocation, Englewood Cliffs*. Englewood Cliffs: Prentice Hall.

31 Tripathy, G. S. (2009). *Odisha Handlooms/ : Problems and Perspectives*.

32 Year End Review 2015: Ministry of Textiles. (n.d.).

***

INNOVATIONS IN MARKETING – PRESENT AND FUTURE

* *Ms. Vikashita Mohanty*
** *Ms. Lopamudra Praharaj*

Abstract

Marketing in its shortest definition is creation of need for a product or a service. In today's world of competition, the concept of marketing is undergoing a lot of changes in order to keep itself abreast of the changing requirements of the consumers and competition. Understanding the need of the hour marketing is adapting to various innovations in its different fields. The innovations that are adapted in marketing are applied in its various areas starting from procurement of raw materials to manufacturing, and from advertising and promotion to sales .The innovation is also carried out in the services towards the customers to after-sales services. The organizations have understood that it is mandatory to respond to the growing demands of the market in their own exclusive and innovative way. It is important to create a niche for itself in the moment of competition when one is surrounded by similar kinds of products and services. There is a serious need to set oneself apart in the crowd of competition so that one is visible to the eyes of the consumer vividly. This is otherwise known as differentiation i.e., one is required to be different by creating a different image for itself, which is unique in its own way and which is also fulfilling the demand of the customers positively besides being profitable to the organization. There is no need to mention that for any organization the marketing is the life and blood to keep it running. The way we market ourselves decides out the future that we are heading to. In order to ensure that we sustain in this world of tough competition and in order to survive profitably in this era of dynamism we have to be innovative, exclusive, and creative in almost everything and we need to have some competitive advantage. This paper studies the various innovations that are taking place in marketing. It also studies their impact on the organizations. The paper studies the challenges that are faced and

* *Assistant Professor, Gandhi Institute for Technology (GIFT) MBA, Bhubaneswar*

** *Assistant Professor, Gandhi Institute for Technology (GIFT) MBA, Bhubaneswar*

also studies the future opportunities. The paper is an honest attempt to add certain value to the topic i.e innovations in marketing.

Keywords: Competitive advantage, Differentiation, Innovation, Niche marketing Positioning, Target market.

Introduction to Marketing and Innovations in marketing :

Marketing is a vital process of management that deals with the activity of producing, promoting, delivering and exchanging goods and services for the customers. It is a broader concept that covers the process from procurement of raw material to after-sales service of the product. It also includes market research and also studies the ways of communication to the customers and to the stakeholders and to the society at large. According to the American Marketing Association, "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large". Marketing in today's definition is creation of needs. Marketing is all that a company is doing to acquire customers and to maintain a relationship with them. Even the minute tasks like that of writing letters of gratitude, or thank you letters, having a candid time with a prospective client, returning calls promptly and keeping regular contacts with a past client and meeting him occasionally without any official reasons is also a way of marketing. In fact they are the kinds of innovations. The ultimate aim of marketing is to create a point of equilibrium where the company's products and services produced are equally demanded by the people thereby ensuring profitability. Innovation on the other hand is a process of coming up with new ideas that will be able to bring positive impact to the business such as new products or services or new ways of promotion and advertisements. Damanpour and Gopalakrishnan (2001) and Damanpour (1996) explains innovations as the current generation and need of the hour, new development, and application as well as implementation of innovative ideas with relation to a product, service, packaging etc. Just like literature of the innovation, the literature of marketing is diverse on what encompasses marketing (cf, Bartels, 1974; Hunt, 1976; Stidsen and Schutte, 1972). The main purpose of innovative marketing is to create new markets thereby leading to an increase in the business' sales. Innovative marketing aims at positioning new business' products as well as successfully addressing the customers' needs. As the dynamics of business keep changing on a daily basis, so are the marketing strategies. Digitalization is a breakthrough that has opened more than one ways for innovation in different industries. The major past focus on product and

production process innovations, citations of the phrase "marketing innovation" in key research areas in academics are sparse. And most of the times when it is cited, it is often inappropriately put up with product or process (production or administrative) innovation (cf, Arrighetti and Vivarelli, 1999; Johannessen, Olsen, and Lumpkin, 2001; Levitt, 1960, 1962).

Marketers in most of the organizations are aware that innovation through development is vital to remain competitive. These innovation decisions are not only affecting the products but can affect almost all areas of marketing.

Marketing as a whole is made up of the seven P's product, place, price, promotion, process, person and physical evidence. Let us see how innovation has been affected and applied in these areas of marketing.

Products are those items that an organization intends to sell. When one is dealing with product, questions are asked such as, what product is being sold? What differentiates the product from its other competitors? Can the product be marketed with any other secondary product? And are there any substitute products in the market? Innovation is being applied to this aspect of marketing in most of the cases. Using innovation in products helps the organization in creating new digital products/services. Moreover using innovation into existing product/ service enhances its value by offering improved quality, features & reliability at a lower price.

Price refers to how much the product is likely to cost in its monetary terms or the monetary value that we attach to the product. When the organization is deciding on the price, it needs to consider the cost of per unit, marketing and promotion costs and distribution and logistics expenses. Using innovation in pricing also helps the organization in creating a spot for itself by enabling the use of dynamic pricing methods and also flexible and friendlier pricing ways.

Place in marketing is that space where the product is being displayed and from where it is distributed. It is a space where the exchange of goods takes place. Major considerations include whether the product is going to be sold through a physical store front, online or made available through both distribution channels? An innovation in marketing with respect to place creates various new channels of distribution. The innovations are also making it easier for buyers to place orders from their own place of comfort and choice. Allows more control over inventory management and closer monitoring of product shipment.

Promotion in marketing refers to the consolidated and integrated communications of marketing campaign. Promotional activities include advertising, personal selling, sales

promotions, public relations, direct marketing, sponsorship and guerrilla marketing. Promotions vary from product to product and it is also dependent on what stage of product life cycle the product is currently in. Marketers must be aware that consumers associate a product's price and distribution with its quality, and would be prudent to take this into account when devising the overall marketing strategy. New ways of innovations and creative techniques in promotions and advertising in marketing is raising the probability of sales and is also making the products stand out in crowd. The innovations in promotions help the organizations in making it easier for sellers to offer product suggestions and promotional tie-ins.

Processes in marketing deal with the way the product or the service is being delivered to the customer .So how the service is delivered is once again part of what the consumer is paying for. Innovations are applied here and are helpful here as well to create a difference.

People in marketing are another important aspect. All the companies are reliant on the people who run them-from frontline Sales staff to the Managing Director. Having the right people is essential because they are as much a part of your business offering as the products/ services you are offering. Innovations in the form of approach by the people can be applied and can be helpful.

Physical evidence is the aspect of marketing that includes some physical elements even if the bulk of what the consumer is paying for is intangible. For example, a restaurant would provide their client with a complete luxurious and comfortable environment and an insurance company would give their customers some form of printed material. Innovation through different ways can be applied in marketing through physical evidence as well.

Many of the benefits that are being discussed above are driven by the evolution of the Internet. The Internet is transforming how all functional areas of an organization are performing and reforming their work. However, it can be argued that no functional area has been more affected than marketing. We have seen evidence of how the Internet has impacted marketing. Over the next decade it is expected that the Internet's effect on marketing will continue to grow and marketers are well served to embrace this in order to survive.

The different ways of Innovation that can be applied are:

- Innovation can be applied by creating a new product.
- Another innovative way is by adding new feature to the existing product.

- Creating a small innovative change in the minor features also adds on to create a larger market share.
- Innovation can also benefit in increasing the market share by offering some new services for the existing products.
- In recent days the digitization has been helpful in creating applications for various products and services, thereby creating a new experience for the customers.

Innovative Marketing strategies used by big businesses:

L'Oréal – This is a French cosmetics company with a strong foothold in the cosmetics industry all over the world. One way in which cosmetic companies market their products is by having celebrities to promote their products or by distributing sample makeup as well as other cosmetics for free. To reach a wider customer base in the digital world, L'Oréal developed an App called the L'Oréal makeup genius. This app allowed users to do a digital makeover and by doing so they were able to find the best makeup's that suited their skin tones. The app was a huge success, being downloaded more than seven million times. This innovation helped them to create a positive image and also helped them to create a new rich experience for the customers.

Facebook-Facebook is a social network and technology company founded in 2004 by Mark Zuckerberg,. The platform originally allowed users to create profiles and post updates to friends when it launched on college campuses. It quickly became known for colloquialisms like "Friending" and it's famous like button, and added messaging and photo and video sharing capabilities. But in the past years, Facebook has grown into a robust advertising platform, is spearheading initiatives to provide internet access in developing countries, and is even venturing into artificial intelligence and virtual reality. These innovations are sure to take Facebook to places in future and they are adding some new innovations each day to sustain the dynamics of technology around.

Instagram- Instagram has been a strong brand and has provided a strong platform for a lot of things. It has given the industry the ability to share the storytelling and narratives through images. The platform has implemented innovative practices to improve user experiences. The application has the "explore " function to display personalized results of channels that one prefers or are likely to be interested in . These applications through its innovative techniques

are now positively developed and brands in the fashion as well as wider industries are beginning to enjoy the ability to share contents. Today a lot of top global brands and celebrities are using this application and most of them are also using it as a platform for marketing and advertising channel.

Coco cola - Coca-Cola is one of the best-known brands in the world.In its Share-a-Coke campaign, the beverage company managed to make each person who picked up a can feel special and unique. All Coke did was print individual names on cans and bottles and suddenly everyone was identifying with the product. In this campaign, and in all of Coke's marketing, it built a foundational shared experience that almost everyone has with its product and made it shareable. In the next phase, customers could customize bottles with all kinds of names and titles for a super interactive, one-of-a-kind product. By creating a unique, shareable experience, Coke basically inspired its audience to do the marketing for the company. People get excited to find their name or their friend's name on a can of Coke at the store — so excited that they end up posting pictures of the cans on their Facebook and Instagram accounts. Personalize your content in a way that resonates with your audience.

Airtel-Airtel has been successful in top-of-the-mind recall amongst cellular phone users and is enjoying a leadership position in most markets. After changing its logo it has repositioned itself as Young, Energetic & International brand. It has evolved itself as a torch bearer of the telecom industry in India. Airtel symbolizes a strong and a better network connectivity, coverage, low call drops & better customer service. It has been consistently coming up with the new innovations to remain the market leader. It has been successfully reached the wider customers through its innovative promotional policies

Challenges faced on the way of innovation :

There are various challenges that are faced in the way of innovative marketing are as follows:

- Increasing competition is a tough challenge in the way of innovation. Due to increase in competition in any industry the organization has to keep itself up-to-date with new technologies and must involve out of the box ideas and also think beyond time.
- The dynamic nature of the customers and their ever-changing demands are also one of the major challenges that any organization who is adapting innovation faces. The organization has to be in continuous contact with the customers and must be able to understand their changing requirements. The organizations must also learn to create certain needs in customers mind in order to push its product and services.

- The challenge of complex networks that is required in implementing innovations is also a concern. The new globalized technologies call for adapting and managing a complex global frame of network.
- In order to make the innovation a success another challenge is to demonstrate and communicate the innovations to the customers at the right time in a right way, so that a mark is created in the mind of the customer.
- Another challenge is to create a competitive advantage and an innovation that is difficult to copy by the competitor.
- Keeping the costs of innovation under control and to make the innovation cost effective is one of the major challenges in the way of innovative marketing.

Major findings:

- Taking into consideration the innovations implemented by the five companies, we find that these companies have successfully implemented the innovations into their operation.
- The market share of the companies has increased considerably after the introduction of and application of innovation.
- The market share of Airtel is growing considerably after the use of innovation and it continues to grow by keeping itself abreast with the latest technology.
- The other companies like coco cola and facebook are also adapting new creative technologies every day to sustain in the competitive environment.
- One major finding is that all the companies like Instagram,Facebook ,L'oreal, Airtel,coco cola are involving customers all through their operations. All these companies are delighting the customers and are also creating a strong customer relationship in order to understand their need and also to tap on any untapped needs the customer has.
- All the companies under study have also tried to create an innovation first and then they made all the successful attempts in creating those innovations a necessity in the minds of customers.

Suggestions to make the innovative marketing a success :

- In order to create a niche and in order to apply the innovation in a perfect way, one must create the focus on the right feature, it is to be seen that the innovative product is able to compete against the competition and also successfully satisfies the need of the customers.
- A regular analysis and evaluation is to be done on the new innovative techniques and feature to see if the innovations are reaping desired benefits. If they are not giving the desired results then changes are to be made.
- The external look of the innovative product is also required to be focused on. The external look must send a message about the innovation that is packed inside.
- The innovation should be such that it serves the needs and demands of the customer fully. All the features of the product must delight the customer in its own unique way.

Conclusion :

The world of marketing is dynamic and so are our surroundings. We are changing every second and the factors around us are changing in tandem. In order to make a mark for our organization it is important to adapt to new changes and innovations. In order to survive we have to think out of the box. The odd is more vividly visible and can create a mark in the crowd by attracting the customers and by addressing their needs successfully. There is no alternative way to deal with the changes than to be a part of the changing process. The creative and innovative organization that is ever ready to undergo the process of change in this era of dynamism will only survive in the long run by sustaining the competitions in the coming future.

References :

1. Achilladelis, B., Schwarzkopf, A., and Cines, M. (1990) 'The dynamics of technological innovation: the case of the chemical industry', Research Policy, Vol. 19, No. 1, pp.1- 36.
2. Aldrich, H. E. (1999) Organizations Evolving, London: Sage Publications.
3. Andrews, J. and Smith, D. C. (1996) 'In search of the marketing imagination: factors affecting the creativity of marketing programs for mature products', Journal of Marketing Research, Vol. 33, pp. 174-187.

4. Arrighetti, A. and Vivarelli, M. (1999) 'The role of innovation in the post entry performance of new small firms: evidence from Italy', Southern Economic Journal, Vol.65, No. 4, pp. 927-939.
5. Barras, R. (1990) 'Interactive innovation in financial and business services: The vanguard of the service revolution', Research Policy, Vol. 19, pp. 215-237.
6. Bartels, R. (1974) 'The identity crisis in marketing', Journal of Marketing, Vol. October, pp. 73-76.
7. Biggadike, E. R. (1981) 'The contributions of marketing to strategic management' Academy of Management Review, Vol. 6, No. October, pp. 621-632.
8. Bright, D.S., Fry, R.E., and Cooperrider, D. L. (2006) 'Transformative innovations for the mutual benefit of business, society, and environment' BAWB Interactive Working Paper Series, Vol. 1, No. 1, pp. 17-33.
9. Brown, W. B. and Karagozoglu, N. (1989) 'A systems model of technological innovation', IEEE Transactions on Engineering Management, Vol.36, No. 1, pp. 11-16.
10. Chesbrough, H. (2007) 'Why companies should have open business models', Sloan Management Review, Vol. 48, pp. 22-28.
11. Christensen, C. M. (1997) The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail, Cambridge, Mass.: Harvard Business School Press.
12. Cooper, R. G. and Kleinschmidt, E. J. (1987) 'New products: what separates winners from losers?' The Journal of Product Innovation Management, Vol.4, No. 3, pp. 169-185.
13. Damanpour, F. (1996) 'Organizational complexity and innovation: Developing and testing multiple contingency models', Management Science, Vol.42, No. May, pp. 693-716.
14. Damanpour, F. and Gopalakrishnan, S. (2001) 'The dynamics of the adoption of product and process innovations in organizations', Journal of Management Studies, Vol.38, No. 1, pp. 45-65.
15. Day, G. S. (1981) 'The product life cycle: analysis and application issues', Journal of Marketing, Vol.45, No. 4, pp. 60-67.
16. Garcia, R. and Calantone, R. (2002) 'A critical look at technological innovation typology and innovativeness terminology: a literature review', The Journal of Product Innovation Management, Vol.19, pp. 110-132.

17. Gatignon, H., and Xuereb, J. (1997) 'Strategic orientation of the firm and new product performance', Journal of Marketing Research, Vol.34, No. 1, pp. 77-90.
18. Gort, M. and Klepper, S. (1982) 'Time paths in the diffusion of product innovations', The Economic Journal, Vol.92, No. 367, pp. 630-653.
19. Han, J. K., Kim, N., and Srivastava, R. K. (1998) 'Market orientation and organizational performance: is innovation a missing link?' Journal of Marketing, Vol.62, No. 4, pp. 22
20. Hunt, S. D. (1976) 'The nature and scope of marketing', Journal of Marketing, Vol.40, No. July, pp. 17-28.
21. Johannessen, J.A., Olsen, B., and Lumpkin, G. T. (2001) 'Innovation as newness: what is new, how new, and new to whom?' European Journal of Innovation Management, Vol.4, No. 1, pp. 20.
22. Jones, O. and Tang, N. (1997) 'Mature firms in the UK mid-corporate sector: linking innovation, technology and corporate strategies', Management Research News, Vol.20, No. 2/3, pp. 64-67.
23. Jovanovic, B. and MacDonald, G. M. (1994) 'The life cycle of a competitive industry', The Journal of Political Economy, Vol.102, No. 2, pp. 322-347.
24. Kamien, M. I. and Schwartz, N. L. (1975) 'Market structure and innovation: a survey', Journal of Economic Literature, Vol.13, No. 1, pp. 1-37.
25. Kotabe, M. and Murray, J. Y. (1990) 'Linking product and process innovations and modes of international sourcing in global competition: a case of foreign multinational firms', Journal of International Business Studies, Vol.21, No. 3, pp. 383.
26. Lal, R. and Martone, P. (2002) 'Harrah's Entertainment Inc.', Harvard Business School Case Studies: 2-27, Boston: Harvard Business School Publishing.
27. Lambkin, M. and Day, G. S. (1989) 'Evolutionary processes in competitive markets: beyond the product life cycle', Journal of Marketing, Vol.53, pp. 4-20.
28. Lester, D. L. (2008) 'Making the case for sustainable strategic management: an assessment of FedEx', International Journal of Sustainable Strategic Management, Vol.1, No. 1, pp. 82-97.
29. Levitt, T. (1960) 'Growth and profits through planned marketing innovation', Journal of Marketing, Vol. April, pp. 1-8.
30. Levitt, T. (1962) Innovation in Marketing: New Perspectives for Profit and Growth, New York: McGraw-Hill Book Company Inc.
31. Levitt, T. (1986) The Marketing Imagination. New York: The Free Press.

***

A COMPARATIVE STUDY OF CONVENTIONAL & ISLAMIC ETHICS IN ACCOUNTING PROFESSION.

** Mr. Sk. Zakir Hossen*

Abstract

Conventional Accounting organizations and Capital Islamic organizations have developed their respective ethical codes of accounting for professional accountants and members. This paper tries to examine here whether Islamic ethical code of accounting is more beneficial for the values and norms for both the members and organizations on the basis of studying different articles, research papers, Al-Qur'an, Al-Hadith, and other related books. It argues that Islamic ethical codes of accounting ensure the best results for organizations as well as the members.

Key words: Ethics, Professionalism, Transparency, Accountability, Accounting and Islam.

Introduction :

The word "ethics" is derived from the Greek word "ethos", which means the character, spirit and attitudes of a group of people or culture. Ethics may be defined as the set of moral values and principles that distinguish what is right from what is wrong. Ethics has a twofold objective: it evaluates human practices by calling upon moral standards; also it may give prescriptive advice on how to act morally in a given situation. Ethics, therefore, aims to study both moral and immoral behavior in order to make well-founded judgments and arrive at adequate recommendations. Sometimes ethics is used synonymously with morality. An action, which is morally right, is also called an ethical one. Ethical codes of different professions guide professionals to maintain professional standards acceptable to the stakeholders and people in the society. Though there are debates on the definition of ethics as it varies from society to society and religion to religion, the main objective of this study is to discuss the supremacy of Islamic ethical code of the accounting profession over the traditional ethical code of the accounting profession.

**** Lecturer in Commercial Studies Division, Bahrain Training Institute, Isa Town, P.O. Box 33090 Ministry of Education, Kingdom Of Bahrain***

It is noteworthy that the traditional code has failed to protect the image of the profession during the last four decades. Corporate scandals of HIH & Harris Scarfe in Australia, Enron & Worldcom in the US, and Parmalat in Europe and financial scandals of corporate houses in USA in recent years have raised doubts if the present ethical code of the accounting profession is adequate to guide the accountants in their professional life.

Accountants are the trustees of financial reporting of an organization. Though ethical codes are maintained in accounting practices for a long time, a continuous corporate scandal makes it doubtful whether traditional ethical code of accounting is sufficient to guide the accountants in financial reporting. Some studies on corporate collapses in the last four decades have found that all collapsed firms received clean images for their operation by the auditing firms and there was no technical mistake of professional accountants but ethical standard of professionalism was under question in each case (Ashkanasy and Windsor, 1997; Giacomino, 1992; Ponemon, 1995; Gaa, 1994).

A recent survey (Jacling et el, 2007) among 66 members of International Federation of Accountants (IFA) identified nine factors for ethical failure. These are mentioned below in order of significance: self interest; failure to maintain objectivity and independence; inappropriate professional judgment; lack of ethical sensitivity; improper leadership and had culture; failure to withstand advocacy threats; lack of competence; lack of organizational and peer support; and lack of support of the professional body. Accountants work to maintain a clear financial picture of the organization for the stakeholders. Because of agency relationship, there is a conflicting relation among the parties. Sometimes accountants compromise for subjective judgment instead of objectivity for the sake of their appointment which creates corporate dilemma and ultimate by, a major corporate failure.

Objectives:

- To see whether traditional accounting codes are sufficient to address and guide the accountants in financial reporting.
- To see whether Islamic ethical code in accounting can address the issues.
- To recommend how the superior ethical codes could be implemented.

Methodology:

The study was conducted through existing literature review, and study of published materials and different accounting bodies across different countries. As it is a piece of theoretical

research, our concentration was to explore the published articles in academic journals, materials of professional accounting bodies and report of the corporate scandals. Newspapers, magazines, and web sources were also explored to collect relevant data. Based on the collected data a comparative analysis was done to determine the position of the ethical codes.

Harmonization of ethical code of accounting across the globe :

Most of the countries of the world have their own financial reporting standard setting body (e.g., the Financial Accounting Standards Board in the United States) and unique accounting professional organization (e.g., the American Institute of Certified Public Accountants). However, within the past few years, there grew some movements toward internationalization in the accounting profession. As an example, the International Accounting Standards Board (IASB) is attempting to harmonize financial reporting standards throughout the world. Similarly, and more relevant to this study, the International Federation of Accountants (IFAC) has recently issued a revised "Code of Ethics for Professional Accountants" (IFAC Code). According to Farrell and Cobbin (2000, p. 182), the IFAC Code is "intended as a model code directed at national associations of accountants." In other words, the IFAC Code can potentially serve as the basis for various national accountancy codes of conduct. As we are approaching a global economy, one might predict that there would be significant similarities across international accounting codes of conduct. However, there may be cultural, institutional, philosophical, and nationalistic influences on the purposes, approaches, and content contained in codes of ethics in the accounting discipline across the world.

Practices of ethical code in traditional accounting:

Ethical professional practice includes overarching principles that express values, and standards that guide conduct of professionals. In traditional accounting, overarching ethical principles include: Honesty, Fairness, Objectivity, and Responsibility. Professionals shall act in accordance with these principles and shall encourage others within their organizations to adhere to them.

Necessity of islamic ethical code:

Ethics has always been significant for accounting professionals and the constituencies they serve. CPAs (Certified Public Accountants) have developed a reputation as trusted business advisors; in part due to the general perception that accounting professionals behave ethically. These reputations are not, however, beyond reproach. Recent years have seen the dimming of reputations that took decades to develop and nurture, due to well-publicized

lapses in judgment by CPAs in positions of significant responsibility. The accountant having faith in traditional codes of accounting and practicing with those codes have a great chance of making conflicts between his and owners' interest due to lack of Islamic knowledge. But accountant in Islam is not only required to maintain a good relationship with superiors, clients and the management but he is also required to maintain, improve and strengthen his relationship with his Master by fulfilling his religious obligations. In fact, the relationship with the Master will determine the mode of relationship with fellow servants (Hassan, 1995). Guided by the proper relationship with Allah (SWT), the human accountant would then be inspired by the values of truthfulness, fairness, tolerance, uprightness, etc. The accountant in Islam is motivated to provide work and excellent service because as a holder of Trustee of Allah (SWT) on earth he must search for the bounties of Allah (SWT). His/Her work is a form of virtuous deed, which becomes the key for the attainment of true success in this world and in the hereafter.

Comparison between traditional and islamic ethical codes of accounting:

Traditional codes of conduct are not morally strong. Learning and application of these codes may be threatening to the interest of the organizations' because members who practise based on the knowledge of these traditional codes must deviate from moral values and practice injustice. On the contrary,

Islam is premised on ethical and moral conduct. This can be inferred from the Hadith narrated by Abu Hurairah, saying that the Prophet Muhammad (pbuh) has been sent only for the purpose of perfecting good morals. Naqvi (1981) views that the Islamic ethical and moral code of conduct permeates human life whether individual or collective in a way that Islam considers ethics as an offshoot of the Muslim belief system itself.

Different approaches in developing accounting have resulted in different objectives of Islamic accounting. The AAOIFI, for instance, with its inductive approach has proposed objectives, which are similar to the current objectives of accounting practice based on the decision usefulness approach. The structure of the AAOIFI's code of ethical conduct consists of three sections; namely the foundations of accounting ethics, the principles of ethics for accountants, and the rules of ethical conduct for accountants. The foundations of accounting ethics delineate seven basic foundations; namely, integrity, vicegerency, sincerity, piety, righteousness, Allah-fearing, and, accountability to Allah. From these seven foundations, AAOIFI developed six basic ethical principles; namely, trustworthiness, legitimacy, objectivity, professional competence and diligence, faith-driven conduct, and professional conduct and

technical standards. Finally, for all six ethical principles, they developed guiding rules for accountants in their professional works. The following table comparing the conventional and Islamic ethical codes of accounting can clarify the position:

Traditional Accounting Code	Islamic Accounting Code
1. Competence	1. Adala (Justice)
2. Integrity	2. Ihsan (Benevolence)
3. Confidentiality and	3. *AAOIFI's Code:
4. Credibility	Integrity, Vicegerency, Sincerity, Piety, Righteousness & Allah Fearing.
5. Objectivity.	4. Accountability to Allah.

(* Source : (AAOIFI) Accounting and Auditing Organizations for Islamic Financial Institutions.)

Supremacy of islamic ethical code over traditional ethical code of accounting :

In applying the Standards of Ethical Professional Practice, a professional may encounter problems identifying unethical behavior or resolving an ethical conflict. When faced with ethical issues, member should follow organization's established policies on the resolution of such conflict. If these policies do not resolve the ethical conflict, member should consider the following courses of action:

a. Discuss the issue with immediate supervisor except when it appears that the supervisor is involved. In that case, present the issue to the next level. If you cannot achieve a satisfactory resolution, submit the issue to the next management level. If your immediate superior is the chief executive officer or the equivalent, the acceptable reviewing authority may be a group such as the audit committee, executive committee, board of directors, board of trustees, or owners. Contact with levels above the immediate superior should be initiated only with your superior's knowledge, assuming he or she is not involved. Communication of such problems to authorities or individuals not employed or engaged by the organization is not considered appropriate, unless you believe there is a clear violation of the law.

b. Clarify relevant ethical issues by initiating a confidential discussion with an IMA Ethics Counselor or other impartial advisor to obtain a better understanding of possible courses of action.

c. Consult your own attorney as to legal obligations and rights concerning the ethical conflict.

From the above discussion it is clear that the traditional codes of conduct have much more problems while these are applied to professional dealings and conduct. Regarding these, resolutions are incorporated. But the Islamic ethical codes of accounting so far do not face any problem while these are applied in professional dealings and conduct because these are designed and developed comprising Islamic norms and values.

In the Islamic scheme of things, adherence to moral code and ethical behavior is a part of Iman (faith) itself. According to the Islamic teachings, Muslims have to jealously guard their behavior, deeds, words, thoughts, feelings and intentions. Islam asks its believers to observe certain norms and moral codes in their family affairs; in dealings with relatives, with neighbors and friends; in their business transactions; in their social affairs, nay in all spheres of private and public life. Islamic ethical codes of accounting ensure the following as

- Protecting the derailment of accountant from malpractice of codes;
- Reminding their responsibility which is part of their personal values and beliefs.
- Providing benefits for the organization as well as for the user.
- Implementing professionalism, transparency and accountability in practice.

Practicing of traditional ethical codes of accounting may yield benefit for here but practicing of Islamic ethical codes of accounting brings benefit for both here and the hereafter. So undoubtedly it can be said that Islamic ethical codes of accounting play a supreme role over the traditional ethical codes of accounting by encouraging the professionals to follow a self-management system.

Is islamic accounting code complementary to conventional accounting code?

Visibly there is no acute difference between conventional and Islamic accounting codes. But conventional code of accounting cannot fully protect the derailment of accountant

while adopting and practicing the conventional code of accounting due to lack of Islamic norms and values reflected in those codes.

Specific responsibilities of the accounting profession are expressed in the various codes of ethics promulgated by major organizations such as the AICPA. The AICPA's first principle of professional conduct states: "In carrying out their responsibilities as professionals, members should exercise sensitive professional and moral judgments in all their activities." A profession is formed on the basis of (1) a generally accepted body of knowledge, (2) a widely recognized standard of attainment, and (3) an enforceable code of ethics. A code of ethics is a crucial element in forming a professional. The three major accounting professional organizations have an ethical code. The main reason for having ethical guidelines is not to provide a cookbook solution to every practice-related problem, but to aid in the decision-making process for situations that involve ethical questions. Business persons will encounter novel situations in their jobs and will need ethical guidelines to handle them effectively. Ethical codes are necessary to provide such guidance. When societal values are deteriorating, maintaining high ethical standards in accounting and business grows increasingly difficult. The deterioration is must because these real world ethical codes have been developed and designed without touching the Islamic norms and values. If Islamic ethical codes are practiced by professionals and other members' for protecting public interest as well as owners' then all sorts of related (directly or indirectly) class of people will be benefited here and the members will gain Almighty's favor in hereafter. Therefore Islamic ethical code of accounting is not alternative to traditional code of accounting but these must complement the lacking of traditional codes of accounting.

Conclusion:

Accounting is a profession of trustee of stakeholders of an organization. Since the shifts of flow of financial world is on the basis of accounting reporting, a minor breakdown of trust in the trustee relationship, which may also be called agency relationship, will blow up the financial world which ultimately might lead collapse to the whole organization as well as jeopardize the financial system of the world. To get rid of this problem, accountants should follow a superior ethical code for professional guidance. In this analysis, it was found that Islamic ethical code of accounting is superior to traditional ethical code of accounting. But there might emerge a question whether non Muslims should follow Islamic ethical code or not. It is our humble submission that, as Islam is a human life oriented generalized religion, anybody with faith and a sense of accountability can be guided by Islamic ethical code of accounting.

Limitations :

Because of the nature of the work, the validity of the research remains within its domain. Time and language constraint made the research limited from an extensive work. The work would have been more authenticated and interesting if a detailed opinion of Islamic scholars and analysis of Holy Quran and Hadith could be addressed. However, in spite of all limitations strenuous efforts were made to make the study worthwhile.

References:

1 AAOIFI (1996) Accounting and Auditing Standards of Islamic Financial Institutions. Manama, Bahrain: Accounting and Auditing Organization in Islamic Financial Institutions.

2 Abdelgader, A.E. (1994) Accounting postulates and principles from an Islamic perspective. Review of Islamic Economics. 3 (2): 1-18.

3 Addnan, M.A. and Gaffikin. (1997) The Shariah, Islamic banks and accounting concepts and practices. Proceedings of the International Conference 1: Accounting Commerce and Finance: The Islamic Perspective. Sydney, Australia.

4 Ahmad, M. (1995) Business Ethicks in Islam. Islamabad : IIIT (Pakistasn).

5 Ahmad, S.F. (1998) The ethical responsibility of business: Islamic principles and implications. Paper of the Seminar on Islamic Principles of Organizational Behavior. Virginia, USA.

6 Ahmad, S.N.S. and Hamad, M.(1992) Accounting Standard and Islamic Banks Accamedia. 11(1):46-61.

7 Anwar, M. (1987) Islamic economic methodology. Paper of the Semionar on Islamic Economics. Washington, USA.

8 Baydoun, N. and Willet,R. (1997) Islam and accounting: ethical issues in the presentation of financial information. Accounting, Commerce andd Finance: The Islamic Perspective. 1 (1):1-24.

9 Badawi, S.T. (1986) Accounting policies and procedures. Ins. Islamic Banking and Finance. London: Butterworths.

10 Chapra, M.U. (1992) Islam and the Economic Challenge. Herndon, Virginia; IIIT.

11 AAA(1966), A Statement of Basic Accounting Theory, US: American Accounting Association.

12 Baydoun and Willet (2000), "The Islamic Corporate Report", Abacus, Vol. 36, No. 1, 2000.

13 Chapra, U (2000), The Future of Economics, An Islamic Perspective, Leicester, UK: The Islamic Foundation.

14 Clarke F., R Craig and S. Hamid (1996), "Physical Asset Valuation and Zakat: Insights and Implications, Advances in International Accounting, vol. 9., 1996.

15 Corporate Report (1975), The Corporate Report, London: Accounting Standards Sterring Committee.

16 FASB (1978), Statement of Financial Accounting Concept 1:Objectives of Financial Reporting by Business Enterprises, Stamford, Connecticut: Financial Accounting Standards Board.

17 Gray, RH, Owens K and Maunders K (1996), Accounting and Accountability: Changes and Challenges in Corporate Social and Environmental Accounting, London: Prentice Hall.

18 Karim, RAA (1995), "The Nature and Rationale for a Conceptual Framework for Financial Reporting by Islamic Banks", Accounting and Business Research, Vol 25, No. 100, pp285-300.

19 Shahul Hameed (2001), "Islamic Accounting – Accounting for the New Millenium?", Paper presented at the Asia Pacific Conference 1, Kota Bahru, Kelantan, October 10-12, 2001

***

OPTIMIZING CAPITAL IN INDIAN LIFE INSURANCE INDUSTRIES A NEED OF THE HOUR.

* *Mr. Bishnu Prasad Kar.*

Abstract

The Insurance industry in India has undergone a transformational change over the last 14 years. Liberalization has led to the entry of the largest insurance companies in the world, who have taken a strategic view on India being one of the top priority emerging markets. The industry has witnessed phases of rapid growth along with spans of growth moderation, intensifying competition with both life and general insurance segments having more than twenty competing companies, and significant expansion of the customer base. There have also been number of product innovations and operational innovations necessitated by increased competition among the players. Changes in the regulatory environment had path-breaking impact on the development of the industry. While the life insurance industry got affected by the introduction of cap in charges, the general insurance industry got impacted by price detariffication and third party risk pooling arrangements in motor insurance. While the insurance industry still struggles to move out of the shadows cast by the challenges and uncertainties of the last few years, the strong fundamentals of the industry augur well for a roadmap to be drawn for sustainable long-term growth. The available headroom for development, sustainable external growth drivers, and competitive strategies would continue to drive growth in the gross written premiums. However, insurance companies would need to address the key concern around losses that continue to be a drag on the capital and on the shareholders' return expectations. In order to achieve profitable growth for long term sustainability, insurers have two key imperatives. Firstly, they would need to conserve capital and optimize the existing resource deployment and distribution networks. Secondly, they would need to innovate not only in terms of value propositions but more importantly in terms of operating models in order to develop sustainable competitive edge. Consumer awareness and protection have been a prominent part of the regulatory agenda. Regulatory developments in the recent years show the focus on

* *Asst. Prof. (Finance), Biju Patnaik Institute of IT & Management Studies, Bhubaneswar.*

increasing flexibility in competitive strategies such as niche focus, merger and acquisitions and on removing structural anomalies in the products and operations. While these initiatives would enable long term industry growth, the role of the regulator in providing an enabling environment to achieve profitable growth in the near to medium term cannot be undermined. The papers which form part of the titled "Optimizing capital in Indian Life Insurance industries- a need of the hour" is an attempt to understand and discuss the various issues that the Indian Life insurance industry is dealing with, and to bring to the fore emerging trends that will shape the growth and profitability of the Life Insurance industry in the near to medium term future. One part of the paper focuses on the challenges and opportunities in micro-insurance, where the development of products and operating models by the insurance companies addressing the needs of the micro insurance sector requires strong support from the government and the regulator.

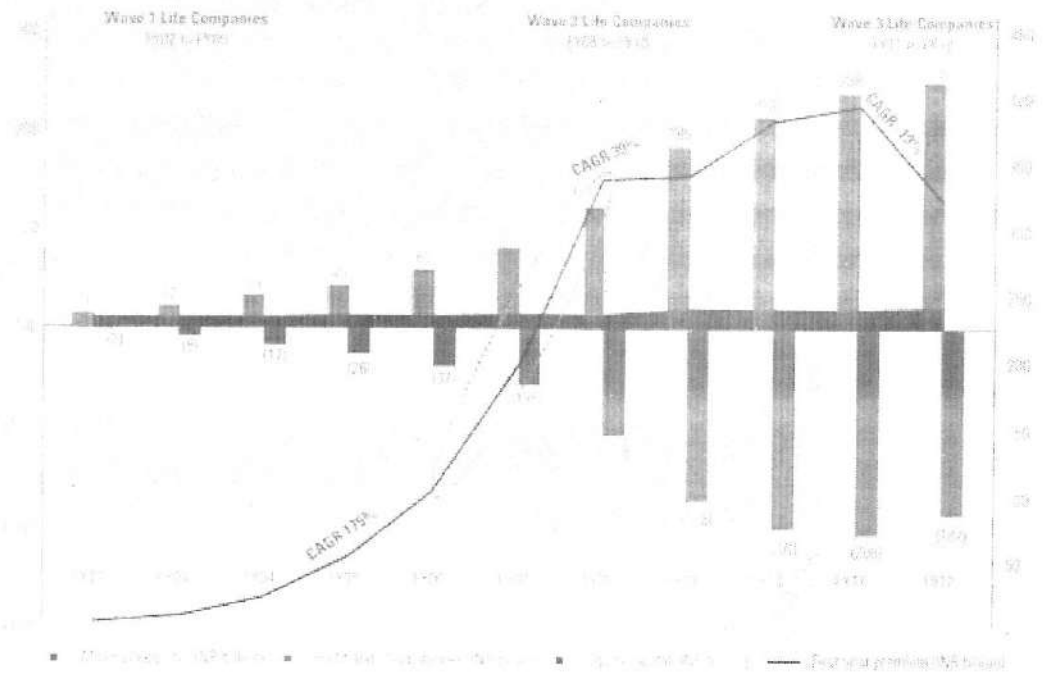
Key words.- growth moderation, cap in charges, price detariffication , third party risk pooling arrangements, gross written premiums, capital conservation, value propositions, niche focus, structural anomalies

Introduction :

Since the opening of the sector in 2001, Indian life insurance industry has gone through two cycles — the first one being characterized by a period of high growth (CAGR of approx. 31 percent in new business premium between 2001-10) and a flat period (CAGR of around 2 percent in new business premium between 2010-12). During this period, there has been increase in penetration (from 2.3 percent in FY01 to 3.4 percent in FY12), increased coverage of lives, substantive growth through multiple channels (agency, banc-assurance, broking, direct, corporate agency amongst others) and increased competitiveness of the market (from four private players in FY01 to 23 private players in FY12).1

The sluggish period being experienced today by the Indian life insurance companies brings to fore the big challenge of profitability. The industry's participants have been struggling to achieve profitability in the face of high operating losses primarily on account of distribution and operating models. Cumulative losses for private life insurers are in excess of INR 187 billion till March 2012, majority of which have gone towards funding losses rather than for meeting solvency requirements1.

Graph : 1: Performance of Private sector life insurance companies

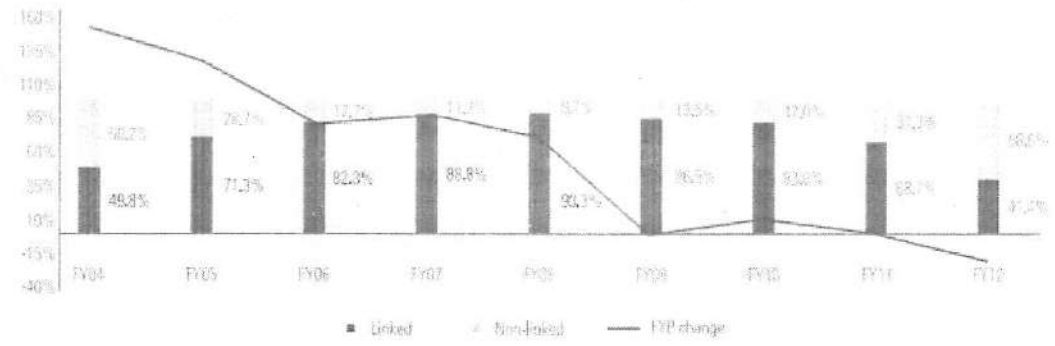


(Source: Handbook on Indian Insurance Statistics 2011-12 published by IRDA)

The period FY05 to FY10 was primarily dominated by linked life insurance business especially in case of the private sector insurance players. Performance of the Linked plans is directly linked to primary capital markets. The period FY06 to FY08 witnessed boom in the country's capital market which benefited the insurance companies in turn. FY09 and FY10 witnessed slowdown in the economy and thereby impacted the sale of policies.

IRDA during July 2010 (and with modification in September 2010) came up with Unit Linked Insurance Plan (ULIP) guidelines capping upfront charges, returns and the commission pay-outs impacting the basis on which ULIPs were developed. Immediately following these guidelines, during FY11 and FY12, the industry witnessed a shift in the product mix from linked products to non-linked or commonly known traditional products. The premiums fell at an annual rate of around 19 percent (Exhibit 1) during FY11 and FY12. Currently, the premium mix of the industry is at a similar mix as of FY04 depicting almost a reset of the life insurance business.

Graph :2 Premium mix and falling growth rate (FY04- FY12)



(Source: Handbook on Indian Insurance Statistics 2011-12 published by IRDA

Profitability and return on invested capital)

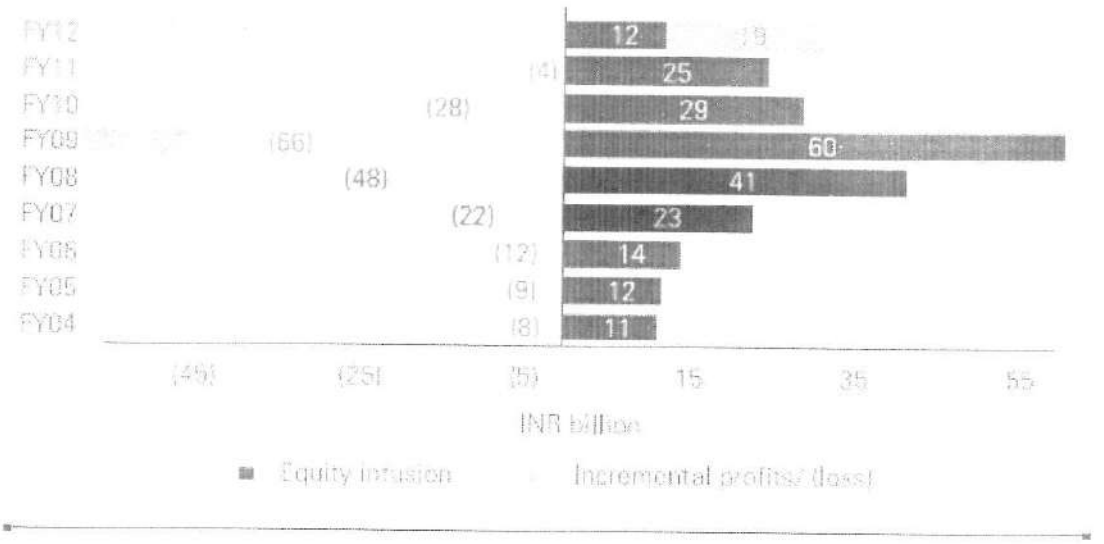
The profitability is dependent on operating activities (selling new policies and servicing existing policies i.e., difference between premium revenue and total cost of insurance and operations) and financing activities (investing the policies' premium i.e., difference between actual investment returns and the returns credited to the policies and surrender and lapses of policies).

Life insurance premiums generally decrease as sales of investment-linked and single premium life saving products decline and there is an increase in surrender and lapses. The industry in these two cycles has faced structural challenges that have adversely affected both aspects of operations and consequently overall profitability. Firstly, demand was created for a product that transferred the investment risk, along with its return, to the customer. Secondly, in an economy that is undergoing a slowdown, investments have provided limited returns. premium mix and falling growth rate (FY04- FY12).

The change in regulations had shifted the premium mix in favour of traditional products over the linked products. Generally in case of life insurance companies, the capital infused during the initial years is utilized in the initial set up costs and acquisition costs thereby leading to a gestation period of 7-8 years after which life companies may turn profitable. Exhibit 3 represents the incremental equity infused by the private life insurance companies in the industry since FY04 and the movement in the cumulative balance in profit and loss account. Periods

FY08 and FY09 witnessed heavy equity inflows primarily to fund the growing business with boom in the economy and also on account of four new private players entering the life insurance industry.

Graph : 3 Equity infusion and movement in profits / (losses) (FY04- FY12) (INR



(Source: Handbook on Indian Insurance Statistics 2011-12 published by IRDA)

The periods FY11 and FY12 had a consolidated positive movement in the reserves. However, this positive movement was majorly driven by lapse profits on linked policies issued earlier. Insurance rules before September 2010 allowed insurance companies to write back the lapsed money as income in the books over a period of time. Estimates by an October 2012 Goldman Sachs Global investment research report for just six companies show lapse profits of INR 31.89 billion for two years ending 2011-12.

The quality of earnings can be affected by non-recurring items such as profits from lapsed policies. The industry is at critical juncture wherein it has to identify the right models for long term viability.

With economic growth expected to be slow in 2013 and a weakening global economic outlook as well, insurers will have to contend themselves with another year of weak investment returns. Moreover with the challenges faced by insurance companies with the high cost of

distribution and operations, it is important that life insurers find a sustainable model in the long term.

Finding the right distribution model :

Life insurers monitor and manage performance on an ongoing basis but as life insurance policies remain in force for many years and sometimes even decades, the ultimate profitability of the underwritten business is only known in later years when all the policy obligations are fulfilled.

The attractiveness of India has always been the sheer size of the market and finding the right distribution model to address the different target segments is of grave importance. As sale of new policies and increasing the penetration of life insurance is one of the levers of creating profits, the first wave of insurance companies concentrated on building a distribution model to enable this lever. In that context, the private life insurers faced a unique challenges the right distribution model.

Dilemma of the fixed cost agency structure :

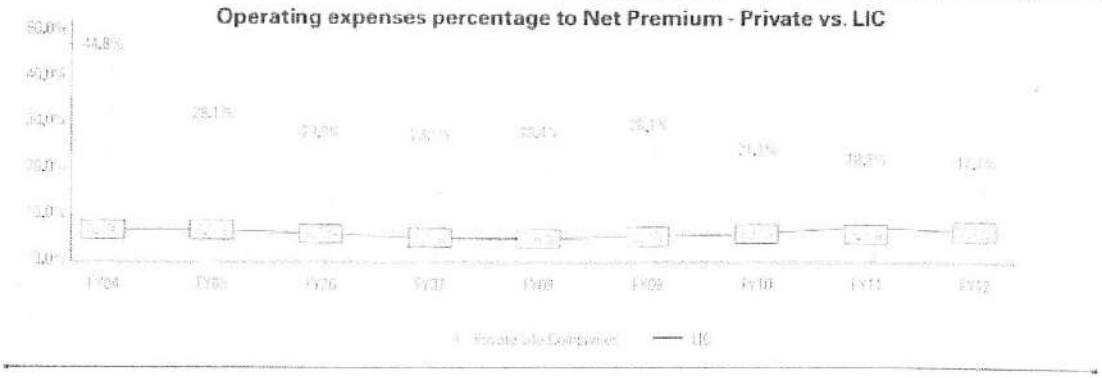
India's private life insurance companies have examined the well-entrenched LIC's model of tied agents in detail and found it easy to replicate. They tweaked the overall branch-led operating model but retained the basic structure of brick and mortar branches and agency managers (or development officer in LIC parlance) on their payrolls i.e., the agency manager was an employee on fixed costs with some variable component. This made the agency model a high-cost distribution model pushing the breakeven for these private life insurers. The model also had other drawbacks.

- Tied agency force was not always completely activated. A typical agency manager supervises 10-15 agents but sources mostly from 1-2 agents. The role and profile of the agency manager largely in the industry involves agent recruitment, profiling, training, hand-holding and activation amongst others. Business generation through these agents typically ended with an achievement of Minimum Business Guarantee resulting in a long tail of agents whose business needed to be serviced in a similar manner to other agents who were highly productive. Fewer active agents are supporting the cost of management team which leads to increased operating cost.
- The growth of number of branches in tier I-III cities did not just justify the volume of premiums generated from these cities where competition intensity was fairly high. The issue got magnified when insurance companies opened branches in Tier IV-VI

cities to find them to be unviable due to limited market share in these locations for the private life insurance companies.

- Inefficient agent recruitment process leads to high attrition amongst the agency managers and agents; it also leads to cost build up for recruitment, and training of this sales force. Some agents lack the skill to provide sound financial advice and accordingly, there is a lot of mis-selling that also happens in this channel. The overall stickiness of this sales force needs to be increased to ensure a more sustainable model.
- Productivity of the agent does not improve linearly with lineage of the agents. An agent also has to work on building trust and credibility with his existing customers and increase his new customer base. Some agents who do not build rapport with the existing customer base and chase high value policies often lose motivation and become inactive. Life insurance companies spend a significant portion of their initial budget to set-up and streamline the operating model and the distribution process to acquire new business. For insurers to realise the highest value from distribution, they must define an operating model which supports a multi-product, multi-channel distribution model that compliments an insurer's revenue objectives and profit margins. Distribution is not only the forefront of the operations but also forms a large proportion of the operating expenses. Accordingly, inefficient agent recruitment and high employee attrition are increasing the operating cost. Insurers can realise the highest value from their agent distribution channel by developing an integrated suite of services oriented to driving sales and reducing servicing costs.

Graph : 4 Operating expenses as a percentage to net premium (FY04- FY12) (INR billion)



(Source: Handbook on Indian Insurance Statistics 2011-12 published by IRDA Declining volumes in the banc-assurance model)

For the life insurance companies facing capital crunch, the bank channel became an instant favourite as it provided an easy access to an existing customer base but would also reduce the fixed costs. For the banks, it was a source of additional fee-based income (no risk business) and also becoming a 'one-stop shop' for financial solutions for its customers. The customer viewed this channel as their 'trusted financial advisor' where they could buy products. Bank distribution of insurance products has gradually increased over the years to around 35 percent of new business premium of private life insurers (20 percent in terms of number of policies) in FY12 being sourced through the banc-assurance channel. However, the difference in working style and culture of banks and insurance companies was starkly made evident by the fact that insurance is a business of solicitation unlike a typical banking service. The drive required in marketing an insurance product is far greater than that of a banking product, the need for which is more triggered by the customer than by the bank. Also, banks have started facing a conflict of interest with insurance products substituting banking products like term deposits i.e., both being some form of investment vehicles. Reduction in deposits mobilisation affects the core business of banks and source of funds. Insurance products have become increasingly complex over a period of time, due to improvisation over the existing offerings as well as due to constant innovation, adding to even more difficulties in comprehension of the products and marketing by the bank staff. Further, training of key bank staff on insurance sale and products across all branches also pose a challenge for the insurance companies. The sale through bank branches also depends on the motivation and support lent by the bank partner. This lends itself by way of having a network of branches that are not activated to sell insurance. The insurance companies have not been able to successfully mine the bank customer database for sale of new business especially of public sector banks which are still on the anvil of technology transformation. With the economics of all traditional distribution models being challenged, the life insurance industry today has begun to focus on operating expenses management and attempting to build a lean operating model. The industry has also continuously clamored for greater flexibility by relaxing outsourcing guidelines to improve their performance. But much can be done by realigning the operating model to access different segments of customers using existing infrastructure.

Realigning the business model :

Life insurers have traditionally aligned themselves to models that are inherently conventional in its approach - individual agents, banks, corporate agents and insurance brokers instead of giving importance to either the customer or product segmentation. In fact while many insurers have built customer relationship databases, the data itself is not mined or tracked

to increase the positive interactions with the customer. This has resulted in lower persistency levels (poor customer loyalty) and even resulted in customers avoiding face-to-face interactions with insurance agents. Persistency was long ignored by the insurance companies when the growth in new business premium was high. However, with the growth slowing down, focus on retention of policies has gained focus. Explosion of technology backed with the increase in internet and mobile telephony provides a low cost opportunity as now life insurers can leverage some of the success of online banking and e-commerce to build an online product bouquet that engages the customer and enables him/her to buy .

Technology-enabled model for urban India :

There is enough evidence from developed markets that internet penetration and usage have a positive correlation with the performance and activities of insurance companies at various levels – lower customer acquisition costs, improved access to information, product innovation that cater to the needs of the customers and enhanced convenience. India has only 150 million internet users as of February 2013 with a penetration of 12 percent making it one of the least penetrated of BRICS nations. However, there has been a surge in volume and value of retail transactions in the last decade that reflects the comfort of the internet users to conduct financial transactions online. Online sales of insurance products have one important distinction - since the customers' needs and preferences have led to the purchase decision, the customer would ideally have made a properly informed choice. Also, since insurers do not have the opportunity to influence the customer's purchase decision, the design of the web portal needs to be easy to understand and interactive enough to make the transaction seamless. The products offered through this channel should meet the needs and offer benefits/features that differentiate the product from the offerings of their competitors.

In the past 2-3 years, a range of protection products that include health insurance as well have been offered to Indian consumers as against the pure term insurance policies that were sold earlier. Insurance companies in recent years have also witnessed that persistency and the proportion of claims being rejected is lower in case of the online customers making this segment an attractive and low cost channel. While the current size is marginal as compared to overall customer base and underwritten premium, the segment shall witness growth and reach a significant size in the future as the internet penetration increases and awareness of the customers also rises.

Growth in retail electronic transactions :

Retail electronic transactions	FY04	FY12	Annualized growth rate (percent)
Volume (millions)	167	1,160	27.42%
Amount (INR billions)	521	22,075	59.71%

(Source: Reserve Bank of India Bulletin 2011-12.)

Center of Influence (COI) model for Rural India :

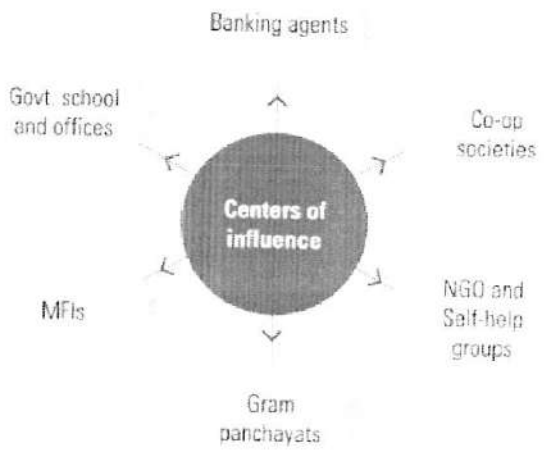
Rural India and making the rural population financially included has become a top priority for the Government. Many initiatives have been launched to enable this national agenda. For instance, 'Aadhaar' by UIDAI3, new mobile-based platforms are emerging and banking correspondent guidelines have been issued by the Reserve Bank of India, all of which is aimed at making financial services accessible to the rural areas. It is time insurance companies also join the bandwagon and find enabling avenues that would make rural population 'insurance inclusive'. Unlike in case of the urban regions, penetration of the insurance industry in rural regions has been relatively lower. Rural population has relatively lower access to information and lacks awareness of insurance products, mostly rendering them to be the 'un-insured' class of population. However, in order to make them aware of the insurance products and more importantly the need for insurance, it is necessary to educate them in person thus requiring a high touch service model to be followed.

This requires identifying the 'centers of influence' to create awareness of insurance products, educating them on the need to be insured and finally converting them in a cost effective manner to tap this 'un-insured' and 'under-insured' market. Exhibit 5 represents the different types of centers of influence that are already present in a rural region. They potentially can be Headmasters of local government schools, Sarpanch of the gram panchayats, Non-Governmental Organizations (NGOs) and Self Help Groups (SHGs) that work in certain rural districts or even be the banking agent or business correspondent. Insurance companies can take a similar model to a larger population.

The large untapped rural 'un-insured' population represents a significant growth opportunity and those who take the approach of identifying influencers might have a distinct market advantage in the future. We provide below a ready reference, and to enable an understanding of the size of the opportunity, certain facts and figures of potential points of presence in the rural regions:

- As per the 2011 census, there were 589 District Panchayats, 6,321 Intermediate Panchayats and 238,957 Village Panchayats across India.
- As at 31 May 2012, there were 713 Multi-State Co-operative Societies in India.
- As at 31 March 2012, there were 9,743 branches of Microfinance Institutions (MFIs) across India.
- As at 31 March 2012, there were 10,78,407 government schools covering 644 districts across India.
- As at date there are 48,125 voluntary organisations/state organisations registered under the NGO-partnership system with the Government of India.

Graph : 5 Avenues to access the rural market.



(Source: Handbook on Indian Insurance Statistics 2011-12 published by IRDA)

Insuring people in the informal sector via micro-insurance :

The insurance industry plays a critical role in the growth and development of the overall economy. Insurers have been making increasing efforts to provide products to the low-income segments of the market. However, the challenges associated in reaching and providing affordable products to a large target segment is a major concern for the insurers. This is compounded by the lack of reliable data to design appropriate products for the largely uneducated customer segments.

There is a need to create awareness about micro insurance products amongst the target customers and the regulator can play an important role in enabling an environment that is conducive to this.

There is a strong case for life insurers to identify these existing avenues of business without being constrained by the availability of capital. Enabling these avenues and assisting them in making the purchase decision would mean realigning and reallocating the existing resources to these natural partnerships. Aligning the business model to customer requirements makes the operations cost effective and profitable.

Innovating with new models :

In times where it is important to conserve capital and allocate capital to resources that will deliver sustainable returns, no insurer can remain rigid in their distribution or operating model. Changing lifestyles and buying preferences will constantly dictate the future models of distribution. However, life insurers would also need to decide on the resources that need to be deployed to build these future models. While the urban market today might be comfortable buying online insurance products, they might not resist the 'warm smile' of a life insurance agent. There are also successful models in other financial and non-financial services business that can be adapted to distribute life insurance products. It would beautiful to examine some of them from an 'ideating' perspective.

Peer-to- peer (P2P) Insurance or Social Insurance :

This draws its influence from P2P lending which is the practice of lending money to unrelated individuals or 'peers' without going through the traditional financial intermediary such as a bank or other traditional financial institution. The lending takes place online on peer-to-peer lending companies' websites using various lending platforms and credit checking tools. Many such platforms exist today in the United Kingdom and United States with the first one in India being the Bangalore-based Dhana laxmi. In the UK, the first and most successful P2P lender is Zopa which was founded in 2005 and has issued loans in the amount of GBP 278 million with over 500,000 customers. There are now P2P lenders that are even using provision funds to safeguard lenders against borrower defaults.

Following the success of these P2P lenders, this idea is currently being extended to insurance in Germany as insurance is essentially a social network to share risk. Friend insurance, a Berlin-based start-up, is essentially allowing individuals to develop their own risk pools. The service is a combination of a peer risk pool and a traditional insurance policy. Users of the service invite their friends to cover a small portion of any claims that are made and the rest

of the claims are paid by a conventional insurance policy. This service, as claimed by the company, prevents insurance fraud and misconduct via means of social control and reduces sales costs, discourages small claims and cuts administrative overhead.

Direct delivery model :

This is inspired by the Amway success of multilevel marketing. The direct-to-customer approach means that the life insurance companies have to focus on four key levers –

i. Customer segmentation and analytics for targeted approach to marketing

ii. Multi- channel strategy that creates value for the direct customer

iii. Product offerings need to be simple and easy to understand; most importantly easy to explain

iv. After sales support that should be technology-driven in order to remain cost-effective

Customer data analytics based marketing strategy relies not on experience or 'gut-feel' but on an understanding of customer preferences and price sensitivity. This enables insurers to interact with customers to maximize the retention (improvement in persistency ratios) and also identify cross-sell opportunities. These interactions also provide a degree of comfort to the customers and builds confidence in the insurer and their own purchase decisions. Further, the acquisition cost should be kept variable as far as possible to make the model a success.

Mobile-based insurance model :

There are over 865 million mobile users in India as of December 2012 of which around 535 million are urban users while 330 million are rural users9. This means that it has become a necessity that there is a proposition to be offered to the mobile customers. Extending the business capabilities to mobile devices has quickly become a fundamental requirement for companies. Customers increasingly expect it and business partners and employees have become more comfortable with communicating and sharing information anywhere, through any device.

In a recent IBM Insurance Global CIO study10, it was found that there is huge potential to leverage the mobile platform for investments. In the same manner in which banks had taken to mobile banking applications a few years back and offering a mobile proposition, insurers might have to do the same. Till date, insurers have restricted themselves to creating applications for quote generation and simple affinity-based product sales. However, with the growth in mobile applications and smart phone usage, applications to assist in the sales process for agents/brokers are being developed. Several insurance companies in India have pilot tested the use of smart phones for the initial product information and filling of application forms to reduce policy issuance time. Further, applications are being developed for agents to access their training modules and their performance to date on the smart phones. As mobile users are already KYC11 compliant, and with 'Aadhaar'-enabled bank accounts, piggy-backing on the mobile wallet, mobile banking platform to offer insurance solutions is a cost-effective method to tap a large market.

Securing through complementary alternative channels :

The life insurance industry as a whole needs to address the challenge of conserving capital and keep reinventing itself to a whole new generation of customers. Despite all the pressures that have persisted across centuries, insurance still largely remains attached to the traditional models of consultative selling. In a country which is as diverse, insurers are expected to follow a multi channel approach. While banc-assurance is expected to drive near term growth and online holds a promise for the future, agency channel continues to dominate the channel mix today.

There is an urgent need to take initiatives to revamp the agency channel to become cost effective and in tandem, identify alternative networks that complement the existing channels. Further, there have always been a few life insurers who have sought to identify niche markets like women-oriented products, worksite marketing, children future protection markets and pension markets. But these have not been happening on a consistent basis. The industry's business model needs to constantly innovate and evolve. There is an enormous opportunity for insurers who can get ahead of the curve, through identifying models and implementing new product solutions that would enable them to react quickly and effectively to changes in the environment. The relationship between people and technology is one of the key drivers for the growth of the industry led with the regulatory changes which will provide the much needed impetus. These should be treated as change catalysts as insurance companies position their organisations to meet the challenges ahead.

References:

1. Insurance Institute of India. http://www.iii.com
2. Insurance journal published by Insurance Institute of India (III).
3. Insurance Regulatory Development Authority. http://www.irdaindia.org
4. IRDA: Annual Reports, 2003 to 2011.
5. Dr. Sadhak H, 2009, Life Insurance In India, Opportunities, Challenges and Ttrategic Perspective, 1st ed. Sage Books Publication .New Delhi.
6. Dr. Shashidharan Kutty: "Life Insurance as a Financial Product", Unpublished PhD Thesis, National Insurance Academy, 2003.
7. Dr. Shashidharan Kutty: "Managing Life Insurance", Prentice Hall, 2008.
8. Indian insurance sector: Stepping into the next decade of growth" – Ernst & Young, September 2010.

***

JOURNAL SUBSCRIPTION FORM

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

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

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

Name : _____

Position (if Individual) : _____

Organization : _____

Mailing Address : _____

Telephone : _____ Fax : _____ E-mail: _____

Payment Details : _____

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

Issuing Bank : _____

Branch : _____

DD No. : _____ Dated : _____

Date : Signature :

Mail to :

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

GUIDELINES FOR CONTRIBUTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

To
The Editor
BIITM Business Review
Biju Patnaik Institute of IT & Management Studies
F/4, Chandaka Industrial Estate, Bhubaneswar-751024
Phone: 91-674-6534384,2743519

Published By

Biju Patnaik Institute of IT & Management Studies
(Approved by AICTE & Affiliated to Biju Patnaik University of Technology, Odisha)
F/4, Chandaka Industrial Estate, Opp. Infocity, Patia, Bhubaneswar 751 024, Odisha
Ph. : 7438000111, Mob.: 9040003344, 9861687520
E-mail: biitmbbsr@yahoo.com, www.biitm.ac.in