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Janab U. Mohamed Khalilullah Sahib

I am delighted to present to you the second issue of MIM International Journal of Management Research, a half-yearly management journal published by MEASI Institute of Management, Chennai, India.

This International journal seek to publish innovative, original, and stimulative research based articles in different functional areas of management, case studies and research abstracts which will guide Indian and International research scholars.

Looking forward to your contribution and wishing you well.

EXECUTIVE DIRECTOR'S DESK.....



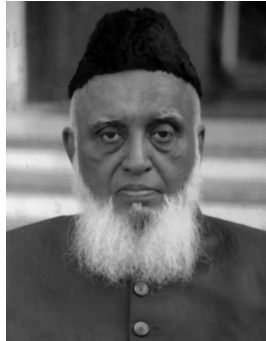
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This is a very exciting and inclusive change that we think will strongly diversify the journal content, impact and international reputation and influence. The main objective of this MIM International Journal of Management Research is to keep the readers updated about the latest developments, theories and techniques in the field of management sciences.

I hope our readers and patrons share a similar vision, and we look forward to a productive, challenging, and a successful 2015 ahead. I also hope that our esteemed readers, patrons, and authors will continue to support by reading, discussing, recommending, citing our journals, and submitting high-quality manuscripts.

This Journal will provide a platform for the students and practitioners of management to facilitate discussions and to disseminate their works and thoughts to the research community at large.

FINANCE DIRECTOR'S DESK.....



Janab C. Abdul Malick Sahib

Successful accomplishment of the MIM International Journal of Management Research mission depends upon the willingness of authors to submit their work to the journal. We pledge to do our best to review all submissions appropriately and are eager to become an outlet for writings based on research evidence.

DIRECTOR'S DESK.....



Dr. D. Nisar Ahmed

We are happy to release the second issue of our MIM International Journal of Management Research. I am indebted to Academic and Industry experts who made significant contributions to this issue.

Our aim since the beginning has been to maintain our integrity and to increase the reputation of our journals. Our consistent efforts are aimed towards increasing the visibility, impact, editorial cycle time, and the overall quality of our journal. All articles will be fundamentally based on research evidence, which can be quantitative or qualitative.

Many thanks to the authors for submitting their fine work as well as the many reviewers who contributed their intellectual energy towards making this inaugural issue a success. Very special thanks to the Peer Reviewers who have given final shape to the articles.

FROM THE EDITOR'S DESK



Dr. B. LATHA LAVANYA
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MIM International Journal of Management Research (MIM IJMR), a Bi-Annual, Refereed, peer reviewed, international research journal from MEASI Institute of Management, set to hit the second issue in July, 2015 with an objective to share the research and expert acquaintance among faculty members, students and the corporate.

We express our heartfelt gratitude to our chief patrons Janab. U. Mohamed Khalilullah Sahib, Janab. A. Mohamed Ashraf Sahib and Janab. C. Abdul Malick Sahib for their encouragement and continuous support to bring this MIM International Journal of Management Research.

While we thank the authors who contributed their research articles for this issue, We also request the International Faculty members, Research scholars, Practicing Managers, Executives to contribute their research work in the areas of Production, HR, Marketing, Finance and other related

Management disciplines. An humble appeal from the editorial desk to the prospective authors is to send only research articles which are unpublished and are original. We request the authors to send the empirical papers and not to send the oretical papers, book reviews and case studies.

We thank the Editorial advisory committee for their valuable guidance and suggestions given. We also thank editorial desk members for their support to review articles published.

We look forward for your valuable suggestions, comments and contributions.

Happy Research!

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Influence of Liquidity Factors Towards ULIP

Dr. V. Shanmugasundaram and E. Selvarathinam

Abstract – Human life is a most important asset and life insurance provides financial protection to a person and his family at the time of uncertain risks or damage. Life insurance provides both safety and protection to individuals and also encourages savings among people. The present descriptive based study was selected with an objective to identify those liquidity factors which influence customers policy buying decision and also analyze the preferences of customers while Unit linked life insurance policy investment decision is made have been discussed in the paper.

Key words: Unit Linked Insurance Plan, Net Asset Value, Equity Fund, Balance Fund.

1. INTRODUCTION

Unit linked insurance plan (ULIP) is life insurance solution that provides for the benefits of risk protection and flexibility in investment. The investment is denoted as units and is represented by the value that it has attained called as Net Asset Value (NAV). The policy value at any time varies according to the value of the underlying assets at the time.

In a ULIP, the invested amount of the premiums after deducting for all the charges and premium for risk cover under all policies in a particular fund as chosen by the policy holders

are pooled together to form a Unit fund. A Unit is the component of the Fund in a Unit Linked Insurance Policy.

The returns in a ULIP depend upon the performance of the fund in the capital market. ULIP investors have the option of investing across various schemes, i.e, diversified equity funds, balanced funds, debt funds etc. It is important to remember that in a ULIP, the investment risk is generally borne by the investor.

In a ULIP, investors have the choice of investing in a lump sum (single premium) or making premium payments on an annual, half-yearly, quarterly or monthly basis. Investors also have the flexibility to alter the premium amounts during the policy's tenure. For example, if an individual has surplus funds, he can enhance the contribution in ULIP. Conversely an individual faced with a liquidity crunch has the option of paying a lower amount (the difference being adjusted in the accumulated value of his ULIP). ULIP investors can shift their investments across various plans/asset classes (diversified equity funds, balanced funds, debt funds) either at a nominal or no cost.

2. REVIEW OF LITERATURE

To understand the concept of ULIPs and its return a brief review of the existing literature was made and is presented below

Athma. P and kumar. R (2007) in the research paper titled “an explorative study of life insurance purchase decision making: influence of product and non - product factors”. The empirical based study conducted on 200 sample size comprising of both rural and urban market. Based on the survey analysis; urban market is more influenced with product based factors like risk coverage, tax benefits, return etc. Whereas rural population is influenced with non - product related factors such as: credibility of agent, company’s reputation, trust, customer services.

Girish kumar and eldhose (2008), published in insurance chronicle ICFAI monthly magazine august 2008 in their paper titled “customer perception on life insurance services: a comparative study of public and private sectors”, well explained the importance of quality services and its significance in raising customer satisfaction level. A comparative study of public and private sectors help in understanding the customer perception, satisfaction and awareness on various life insurance services.

Jayakar (2003) in his study emphasized that new products innovation; distribution and better use of technology are helping the new private life insurers to take market share away from LIC, a only company before liberalization of insurance industry. With the privatization of insurance sector and with the entrance and cut throat competition with the private sectors gaining an ever increasing edge over the public sector.

Praveen kumar tripathi (2008), in his summer training project report titled “customer buying behavior with a focus on market segmentation” conduct a research bas ed study on buying pattern in the insurance industry with a special focus on HDFC standard life insurance. The various segments of the markets divided in terms of insurance needs, age groups,

satisfaction levels etc were taken into account to know the customer perception and expectation from private insurers.

Jaya Basu and Chandra Sekhar (2000) discuss the problem faced by the insurance players towards majority of population being ignorant of the policies. Only 15 per cent of the total population is insured and the penetration level of insurance policies in India is only 0.5% as against 2.86% in Israel and 2.43% in Hong Kong. If this status is to be increase in India, there is a need to create customer awareness in rural areas, innovate low-prices units with a low premium and right distribution techniques with planning for rigorous training to agents, direct marketing, bank assurance etc, which can definitely prove to be a boon to new the companies entering this sector.

According to Ravi Akula, & Tirupathi Kanchu, 2011 the entry of private sector made the life insurance sector a competitive one. To overcome the competition, the private life insurance companies mainly targeted with ULIP policies over traditional policies. The growth of ULIP funds increased at a great speed especially during the period between 2007 to 2009.

Deepak Yohannan, 2011, state that With such a lot of focus and noise being created on ULIPs, the regulator found it the right time to intervene and setup norms which today have shaken up the life insurance industry. The hefty margins are gone, internal costs structures need to be re-worked, the distribution channel may need to be re-looked, the break-evens look a little more distant and the IPO plans may have to be put on hold. But the pain will only be in the shorter term. Companies have already launched products which are complaint with the new norms and will be back doing serious amounts of business. In the end everyone agrees, the new ULIPs are much more investor friendly.

Clifford Paul S. Joseph Anbarasu D., and Annette Barnabas, 2010, state that after the opening of insurance to private players, there has been a great growth in insurance in India. But India is far behind world averages in terms of insurance penetration, and insurance density. This research determines the socio economic status and awareness of 1655 investors of insurance from Trichy, Tamilnadu. The study reveals that awareness is low and needs to be improved among the uneducated, lower age group and daily wage class. The study also shows that real growth in life insurance will occur when customers realize the true value of life insurance beyond tax saving.

S. Saravanakumar and Dr. A. Mahadevan, 2010, state that ULIPs are designed with lot of innovative ideas and different from the traditional insurance plans. It provides flexibility in the life protection, investment and savings, adjustable life cover, fund options, transparency in charges, options to take additional cover against death due to accident or disability and liquidity through partial withdrawals etc. it is not possible in traditional package plans.

3. OBJECTIVE OF THE STUDY

To study the liquidity aspects that creates satisfaction towards ULIPs.

4. RESEARCH METHODOLOGY

The study was carried out using a descriptive research design, using a structured questionnaire, collected from 1200 respondents who have subscribed for ULIP from 10 city corporations of Tamil Nadu. The sampling technique used was area sampling which is a type of proportionate

stratified non random sampling method. The tools used to analyze were percentage analysis, mean, standard deviation, factor analysis and multiple linear regression.

5. ANALYSIS AND FINDINGS

5.1. Satisfaction towards liquidity of ULIPs

The table below shows the satisfaction towards liquidity of ULIPs.

Table: 4.75 Satisfaction towards liquidity of ULIPs

Satisfaction level	Frequency	Percentage
Dissatisfied	100	8.3
Neither satisfied nor dissatisfied	428	35.7
Satisfied	632	52.7
Highly satisfied	40	3.3
Total	1200	100.0

(Source: Primary data)

The table above shows that 632 respondents forming 52.7% were satisfied with liquidity of ULIPs, 428 respondents forming 35.7% were neither satisfied nor dissatisfied with liquidity of ULIPs, 100 respondents forming 8.3% were dissatisfied with liquidity of ULIPs, and rest of the 40 respondents forming 3.3% are highly satisfied with liquidity of ULIPs. The mean satisfaction value is 3.51 which show that the respondents are satisfied with the liquidity of ULIPs.

5.2. Agreement towards statements describing liquidity of ULIPs

The agreement towards 14 statements describing the opinion of the respondents towards liquidity of ULIPs is shown in the table below. Further to measure the level of agreement mean and to know the variation in the opinion standard deviation is computed and presented below.

Table: 4.76: Agreement towards statements describing liquidity of ULIPs

Statements	Highly disagree	Disagree	Neither agree nor disagree	Agree	Highly agree	Mean	S. D
ULIPs provide high level of liquidity	Count	300	256	452	72	3.0467	1.12496
	%	10.0%	25.0%	37.7%	6.0%		
Liquidity depends on the fund choice	Count	128	216	504	60	3.1267	1.10074
	%	10.7%	18.0%	42.0%	5.0%		
Liquidity depends on the policy period	Count	104	124	500	76	3.2667	1.02458
	%	8.7%	10.3%	41.7%	6.3%		
Liquidity depends on fund performance	Count	64	156	492	64	3.2233	.92781
	%	5.3%	13.0%	41.0%	5.3%		
Recently the liquidity has decreased due to longer lock in period	Count	40	184	524	24	3.1767	.83229
	%	3.3%	15.3%	43.7%	2.0%		
Early surrender facility adds to liquidity	Count	0	92	536	80	3.4667	.73212
	%	.0%	7.7%	44.7%	6.7%		
Partial withdrawal provisions help ULIPs to become liquid	Count	40	128	308	140	3.5467	.94617
	%	3.3%	10.7%	25.7%	11.7%		
Information about unit's NAV helps to decide the liquidation time	Count	12	192	436	96	3.3667	.87913
	%	1.0%	16.0%	36.3%	8.0%		
Matching of NAV with Repurchase value leads to liquidity	Count	36	140	472	128	3.3900	.93021
	%	3.0%	11.7%	39.3%	10.7%		
Loan facilities help to increase liquidity position of the customer	Count	24	120	508	164	3.4533	.91753
	%	2.0%	10.0%	42.3%	13.7%		
Realization of maturity sum is quick	Count	48	184	388	76	3.3133	.94299
	%	4.0%	15.3%	32.3%	6.3%		
3 year lock in period is more preferable	Count	28	188	372	60	3.3567	.88512
	%	2.3%	15.7%	31.0%	5.0%		
Agents help to identify the timing of liquidation	Count	0	192	448	140	3.4233	.89338
	%	.0%	16.0%	37.3%	11.7%		
Liquidation procedures are comparatively cumbersome	Count	0	180	472	112	3.4000	.85280
	%	.0%	15.0%	39.3%	9.3%		

(Source: Computed from Primary data)

The agreement is highest for the statement ‘Early surrender facility adds to liquidity’ with a mean agreement score of 3.4667, the agreement is lowest for the statement ‘ULIPs provide high level of liquidity’ with a mean agreement score of 3.0467.

The highest variation in agreement is for the statement ‘ULIPs provide high level of liquidity’

with a standard deviation of 1.12496 , the lowest variation in agreement is for the statement ‘Early surrender facility adds to liquidity’ with a standard deviation of .73212.

5.3. Factor analysis of statements describing liquidity of ULIPs

To know the important liquidity factors involved in ULIPs factor analysis was carried out.

Table: 4.79 Rotated Component Matrix

Variables	Component			
	1	2	3	4
Matching of NAV with Repurchase value leads to liquidity	.808	Liquidity lead by matching of NAV with repurchase values		
Loan facilities help to increase liquidity position of the customer	.746			
Partial withdrawal provisions help ULIPs to become liquid	.743			
Early surrender facility adds to liquidity	.687			
Information about unit’s NAV helps to decide the liquidation time	.616			
Liquidity depends on fund performance		.877	Liquidity depends on fund performance choice	
Liquidity depends on the fund choice		.736		
Liquidity depends on the policy period		.696		
Recently the liquidity has decreased due to longer lock in period		.574		
Realization of maturity sum is quick		.557		
Liquidation procedures are comparatively cumbersome	Cumbersome Liquidation procedures		.826	
Agents help to identify the timing of liquidation			.706	
3 year lock in period is more preferable			.617	
ULIPs provide high level of liquidity	ULIPs provide high level of liquidity			.802

Extraction Method used was Principal Component Analysis. Rotation Method used was Varimax with Kaiser Normalization. Rotation converged in 4 iterations. The four factors extracted were:

1. Liquidity lead by matching of NAV with repurchase values;
2. Liquidity depends on fund performance choice;

3. Cumbersome Liquidation procedures; and
4. ULIPs provide high level of liquidity.

5.4. Regression model of satisfaction towards Liquidity of ULIPs from ULIP Liquidity factors extracted

A model of satisfaction towards liquidity of ULIPs has been constructed taking the five risk factors extracted with regard to liquidity

of ULIPs such as 'liquidity lead by matching of NAV with repurchase values; liquidity depends on fund performance choice; Cumbersome Liquidation procedures; and ULIPs provide high level of liquidity' as predictors.

Table: 4.80 Model Summary and ANOVA

R	R2	Source	Sum of Squares	Df	Mean Square	F	Sig.
.87	.76	Regression	22.294	4	5.574	11.945	.000
		Residual	557.586	1195	.467		
		Total	579.880	1199			

Satisfaction towards Liquidity of ULIPs

$$= a + b_1x_1 + b_2x_2 + \dots + b_4x_4$$

The power of the regression model is represented by the R² is a healthy .76 and the F test of the model shows that the significance

of the model is high as the significance of F is .000 which is less than .05. To decide which variables are good explanatory variables *t*-test for each variable is analyzed and presented in table below.

Table: 4.81 *t*-test for satisfaction towards Liquidity of ULIPs from factors extracted with regard to Liquidity of ULIPs

Predictors	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.510	.020		178.002	.000
Liquidity lead by matching of NAV with repurchase values	.084	.020	.121	4.270	.000*
Liquidity depends on fund performance choice	.034	.020	.049	1.711	.087
Cumbersome Liquidation procedures	.074	.020	.106	3.751	.000*
ULIPs provide high level of liquidity	.070	.020	.100	3.543	.000*

*** = significant at 5% (If the sig. of t is less than 0.05 it indicates that the concerned factor is significant in the model)**

The model's *t* test shows that the predictors namely, *liquidity lead by matching of NAV with repurchase values; Cumbersome Liquidation procedures; and ULIPs provide high level of liquidity* are statistically significant in the estimation of satisfaction towards Liquidity of ULIPs at 95 % confidence as their significance levels are less than .05.

The model's *t* test shows that the predictors namely, *liquidity depends on fund performance choice* are statistically insignificant in the

estimation of satisfaction towards Liquidity of ULIPs at 95 % confidence as their significance levels are more than .05.

6. SUGGESTION

Based on the findings the researcher offers the following suggestions to ULIP companies.

1. Make liquidation of policies less cumbersome.

7. CONCLUSION

The mean satisfaction value is 3.51 which shows that the respondents are satisfied with the liquidity of ULIPs. Further liquidity lead by matching of NAV with repurchase values; Cumbersome Liquidation procedures; and ULIPs provide high level of liquidity are important in creating satisfaction towards the liquidity of ULIPS.

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A Study on Impact of Select Factors Towards Gold Price Fluctuations (USD and India)

Dr. M.Madana Mohan, M.Com, MBA, MPhil, Ph.D,BEd, BLISc, IRPM, PGDCA,

Abstract – The investors always look for the various investment avenues which increase their risk-adjusted returns and add diversification. Since ages, gold is preferred as the one of the major investment option especially by the Indian investors. The prices of the gold are increasing and the price of the gold is affected by the various factors. This paper is basically focused on the factors like exchange rate of US dollar with INR, Crude oil prices, repo rate and inflation rate. Each of the factors is studied with the gold prices. The relationship between the factor and the gold prices is emphasized in this paper. There exists an inverse relation between the US\$ and gold prices. The crude oil prices have an impact on the gold prices. Gold prices and repo rates are interdependent. Gold prices and inflation rates are also dependent and positively correlated.

Key Words: *Crude oil prices, Diversification, exchange rate of USD and INR, Gold Prices, Inflation, Investment, repo rate.*

INTRODUCTION

Precious metals like Gold, Silver, Platinum and Palladium, have some inherited value attached

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to it. It is because it has the capability to store a good sum of amount in a rather small piece. Gold has been widely used throughout the world as a vehicle for monetary exchange. As a result, Gold has always been a valuable investment option not only for households but also for the big investors and also people stock gold to protect them self from inflation. In last few year price of gold have risen drastically the acceleration in gold price was much faster than any other asset class. And in spite of such sharp upward trend we have seen an increase in demand of gold in India. Gold investment is done in the same way as with foreign currencies. Gold trading is directly between the seller and the buyer. The demand of gold in India has only gone up despite of increase in gold price.

Main factors that cause Gold's value to fluctuate

Gold's rally was fierce and short-lived. New highs failed to attract new money and momentum traders. No new money coupled with worries that China would raise key interest rates to fight inflation slaughtered prices and dragged them down 6%. Most analysts believe the stage is set for more volatility in gold prices. Global uncertainty after the Group of 20 failed to come to an agreement on how to halt currency manipulation, of which China and

the U.S. are both accused, establishes a choppy trading environment. Gold is also at the mercy of stocks. When equities plummet, investors are often forced to sell gold for cash, but any significant dip can trigger a wave of buying as investors purchase gold at «discount» prices resulting in a strong tug of war for prices.

Prices must also contend with speculation. Some investors buy gold as protection for their portfolios and are unlikely to participate in the day-to-day market action. Traders, however, use gold as a trade, a quick way to make money, which has been aggravated recently as they must decide whether to let their December future contracts expire or pony up the cash to roll over the contract to February 2011. Aside from recent market jitters and technical trading, there are five other fundamental factors that contribute to gold's strong price moves.

Supply and Demand

The supply and demand factor is pivotal in determining the price of gold. Many analysts argue there isn't enough gold being produced to satisfy rising demand. The above-ground stock of gold is around 160,000 metric tons and grows about 2,400 tons a year, which is only 1.75%, while demand keeps expanding.

In the World Gold Council's recent Gold Demand Trend report, gold mine supply rose 3% in the third quarter from a year ago compared to a 12% rise in total global identifiable gold demand. Mine production grew to 702 tons while demand popped to 921.8 tons. Although mine supply only grew 3%, total supply grew 18% to 1,028 tons more than enough to cover demand. The amount of recycled gold in circulation grew 41% as consumers took advantage of high gold prices to cash in on their gold. The WGC says that another price surge, however, is needed to

trigger more selling and that for now sellers appear to be tiring out, which would further limit gold supply. From 2005 to 2009, the gold industry received 59% of its supply from mining production, 31% from recycled or scrap gold and 10% from central bank sales.

Juan Carlos Artigas, investment research manager at the World Gold Council, says that as central banks become buyers instead of sellers the supply picture loses 10% of its gold while simultaneously grappling with gold-producing countries that have exhausted their resources.

For example, South Africa produced 74% in the beginning of the decade but is now down to 19%. "What we've seen is that there's a strong demand going on at the same time that the supply picture is shifting," says Artigas. Weak gold grades in the third quarter also contributed to deteriorating supply from mines in Peru and Indonesia. Helping mitigate some of these losses were better grades and more gold from mines in Australia, Argentina and the U.S. run by Newmont Mining(NEM) and Barrick Gold(ABX). But the supply picture is still pretty much a mining and production crap shoot.

One factor that could perpetuate a supply and demand imbalance and higher gold prices is the advent of physically backed gold ETFs. Along with the GLD, the iShares Comex Gold Trust(IAU) and ETFS Physical Swiss Gold Shares(SGOL) hold more than 1,400 tons of gold, over half of annual gold production.

Safe Haven and Peer Pressure Buying

Traditionally, gold investing was reserved for gold bugs -- those who thought global wealth would be eradicated and gold would be the only currency left standing. However, as the financial crisis rocked global markets at the end of 2008, a trend started to develop of regular investors

allocating a certain amount of their portfolios into gold. The GLD held 614 tons the Friday before Lehman Brothers declared bankruptcy and now holds 1,290 tons. The recommended percentage is typically between 5%-20% depending on how aggressive the investor wants to be or just how much he needs to diversify against other assets. Most retail investors still don't own gold, which is one of the fundamental reasons gold bulls think the price will skyrocket. "We're going to go into a period like the high tech market where there is a mania," says Rob McEwen, CEO of U.S. Gold, who thinks the market is about half of the way there. "Your curve is like any other area of the market that suddenly people wake up to and say I have to have it and it goes parabolic ... at some point up there gold is going to achieve a point where its relative purchasing power relative to other assets is going to be at its zenith and that's when you want to start thinking about trading out." This recent shift of gold as a trading tool as well as an investment was underscored by gold purchases from big-name investors who had profited off of the subprime crisis by betting against mortgage-backed securities.

Currency Debasement

The most popular reason to own gold is as a hedge against inflation. The theory is as paper currency loses value, gold will retain its purchasing power, making it a safe place to preserve one's wealth. Historically, gold has traded in opposition to the dollar. A stronger dollar makes dollar-backed commodities like gold more expensive to buy in other currencies, which weakens demand. Times of real market panic have altered the dollar/gold inverse relationship as both are bought as safe havens, an alternative to stocks and "riskier" currencies like the euro. The Federal Reserve's recent announcement of a \$600 billion bond buying program, which kicked off Friday, led

to an initial dollar selloff as investors dumped the currency to buy gold to protect themselves against the Fed's printing presses. But this trade has been crimped recently as euro zone issues and contagion worries have weighed on the euro and pushed the U.S. dollar higher.

In the post war period, the Dollar has been viewed as the dominant global currency. The dollar plays a key role in storing wealth and as medium of exchange. Many countries keep exchange fluctuation reserves in dollars. If people suspect that the dollar may be vulnerable, they may sell US dollar assets and look for something more secure, like, other currencies or gold. It was investigated that there is relationship between the prices of gold and oil through the inflation rate channel and their interaction with the index of the US dollar for 1986 to 2011 found that, the impact of oil price on the gold price is not asymmetric but non-linear, which can be used to predict the gold price. Further research showed that there is a long-run relationship existing between the prices of oil and gold which imply that the oil price can be used to predict the gold price and gold can be used as a hedge against inflation rate.

A study was conducted using regression on changes in gold prices against the gold fund index returns lagged one month which yields a positive coefficient, suggesting that at least on a short-term basis the prices for gold related equities tend to lead bullion prices. Further, the impact of investor confidence, decision and speculation in gold was also undertaken, as there is a raise in economic confidence and good performance of high yield from bonds.

A study focused on bounds testing approach to co integration, which tested the relationships between the prices of two strategic commodities i.e., oil and gold and the financial variables i.e., interest rates, exchange rates and stock prices of

Japan, suggested the prices of gold and stock can help to form expectations of higher inflation rate over time. In short run gold stocks can be a better option and in long run gold as commodity can be a better source to hedge portfolio

SCOPE OF THE STUDY

To analyze the variations between the bullion (gold) prices of India and USA. The report focuses on those countries (USA and India) which are the factors of gold price fluctuations together, accounted for twelve months (April, 2013 to March 31st, 2014) of global gold price fluctuations. It covers the year 2013-14, the most recent year for which there is data.

In all cases, the report summarizes the gross economic and fiscal contribution directly attributable to gold. It draws on a range of secondary data sources: no work has been done to assure any of these secondary data nor has any primary data collection been undertaken. The scope of the study was confined to the Macroeconomic Variables namely, growth rate, exchange rate, interest rate, inflation rate, NSE Index, BSE Sensex, foreign reserves, fiscal deficit, and gross domestic product. The study period have its own contemporary economic, political, and social situation and environment which might affect the prices of the scripts, thus, results are subject to overview of the situations and environment prevailing at that time.

NEED FOR THE STUDY

There are a number of distinctive qualities that separate gold from the rest of the commodities, such as the U.S. dollar is weakening, Inflation fears, Emergence of China and India, Supply constraints, Geopolitical instability. But gold is viewed as a safe haven during times of political or economic calamity.

OBJECTIVE OF THE STUDY

- To analyze the different factors which affect the price of gold?
- To study and analyze the impact of exchange rate of USD with INR on gold prices.
- To study and analyze the impact of repo rate on the gold price.
- To study and analyze the impact of Inflation on the gold prices
- To analyze the spread prices and average spread prices between prices of gold in India and USD.
- To check the scope for arbitrage trade in gold price movements.

METHODOLOGY

Period of the Study: The research has been carried out for ten years ranging from the period April, 2013 to March 2014 on Monthly basis i.e., April to March.

Sample Design The growth rate, exchange rate, interest rate, inflation rate, NSE Index, BSE Sensex, foreign reserves, fiscal deficit, and gross domestic product were considered as different variables explaining macroeconomic variables.

The Sampling method which is used to analyze the fluctuations in the gold prices is taken in Random sampling method. The study contains two samples one of Indian gold market prices and the other of USA bullion market prices. The data of prices is collected for the duration of 1 year from April 2013 to March 2014. The factors that impact the price of the gold is given below and also the changes in these factors on the gold price are studied.

- US Dollar,
- Crude oil Price

- Repo Rates
- Inflation Rates

Type of Data & Data Source: In this project two types of data will be utilizing i.e. Primary Data and Secondary Data. Primary data informal interviews with company officials and observations with industry experts, etc. Provided

the primary data. Secondary Data consists of company Manuals & Database Books and Magazines Journals and Internet.

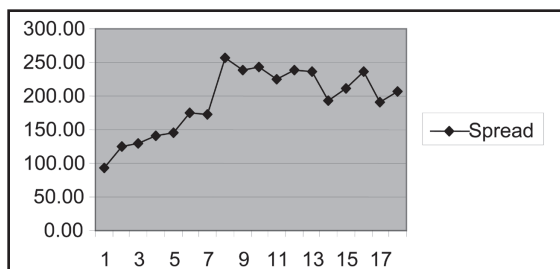
Tools for Analysis: Range, Averages, Variances Standard Deviation and Correlation Co-efficient Test were applied using reviews.

Showing Descriptive statistics for the month of April '13 Note: OZ – Ounce

Date	INR per Ounce	per 10 gms INR	US\$ PER OZ	Per 10 gms in US\$	per 10 gms INR	SPREAD
1-Apr-13	26,092	9203.74	587.00	207.06	9110.57	93.18
2-Apr-13	26,225	9250.53	588.00	207.41	9126.09	124.45
3-Apr-13	26,173	9232.11	586.50	206.88	9102.81	129.30
4-Apr-13	26,467	9335.96	592.50	209.00	9195.93	140.03
5-Apr-13	26,362	9298.87	589.75	208.03	9153.25	145.62
6-Apr-13	26,775	9444.51	597.25	210.67	9269.65	174.86
8-Apr-13	26,791	9450.31	597.75	210.85	9277.41	172.90
9-Apr-13	27,008	9526.67	597.25	210.67	9269.65	257.02
10-Apr-13	26,771	9443.19	593.00	209.17	9203.69	239.51
12-Apr-13	27,738	9784.13	614.75	216.85	9541.26	242.87
15-Apr-13	28,126	9921.25	624.75	220.37	9696.47	224.78
16-Apr-13	28,175	9938.45	625.00	220.46	9700.35	238.10
17-Apr-13	28,101	9912.40	623.50	219.93	9677.07	235.33
18-Apr-13	27,938	9854.78	622.50	219.58	9661.55	193.23
20-Apr-13	28,526	10062.14	634.75	223.90	9851.67	210.47
22-Apr-13	28,629	10098.69	635.50	224.17	9863.31	235.37
24-Apr-13	28,614	10093.41	638.00	225.05	9902.11	191.29

Minimum	93.18
Maximum	257.02
Range	163.85
Average	192.01
Variance	2376.280245
S D	48.74710499
Correlation	0.993578928

Graph for the month of April '13



The above table and chart depicts the gold price and spread between Indian market and US market for the month of April '13. During this period gold spread ranged between 163.85 with a minimum 93.18

and maximum 257.02. At the same time the variance is 2376.280245 and the standard deviation is 48.747 in this period there exists a strong correlation between these two markets gold prices 0.993578928

Prices of gold in Indian and US market.

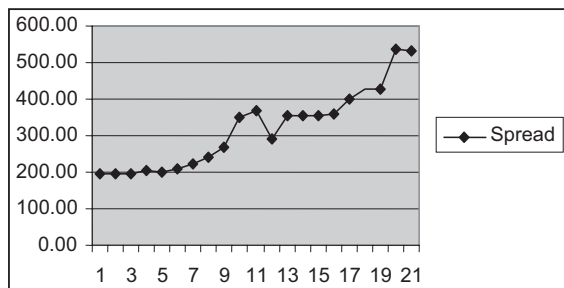
Date	INR per Ounce	INR per 10 gms	US \$ PER OZ	Per 10 gms in US \$	INR per 10 gms	SPREAD (Rs.)
2-May-13	29,633	10452.61	661.00	233.16	10259.09	193.52
3-May-13	30,191	10649.48	673.60	237.61	10454.65	194.84
4-May-13	30,186	10647.90	673.50	237.57	10453.09	194.81
6-May-13	30,408	10726.22	678.00	239.16	10522.94	203.28
7-May-13	30,283	10681.90	675.50	238.28	10484.14	197.77
8-May-13	31,003	10935.84	691.25	243.83	10728.58	207.26
9-May-13	31,433	11087.50	699.90	246.88	10862.84	224.66
10-May-13	32,162	11344.72	715.50	252.39	11104.96	239.77
13-May-13	32,658	11519.65	725.00	255.74	11252.40	267.24
14-May-13	31,245	11021.41	687.50	242.51	10670.38	351.03
15-May-13	31,493	11108.81	692.00	244.10	10740.22	368.58
16-May-13	31,600	11146.55	699.50	246.74	10856.63	289.92
17-May-13	31,516	11116.99	693.50	244.63	10763.51	353.48
18-May-13	29,673	10466.70	651.50	229.81	10111.64	355.06
20-May-13	29,715	10481.61	652.50	230.16	10127.16	354.45
21-May-13	30,350	10705.82	666.75	235.19	10348.33	357.49
22-May-13	29,669	10465.40	648.50	228.75	10065.08	400.32
23-May-13	29,488	10401.43	642.50	226.64	9971.96	429.47
24-May-13	29,473	10396.25	642.25	226.55	9968.08	428.17
27-May-13	30,578	10786.03	660.50	232.98	10251.33	534.70
28-May-13	30,234	10664.70	653.00	230.34	10134.92	529.78

Note: OZ – Ounce

Showing the descriptive statistics for the month of May '13

Minimum	193.52
Maximum	534.70
Range	341.18
Average	317.89
Variance	11811.81282
S D	108.6821642
Correlation	0.958076551

Graph for the month of May'13



The above table and chart depicts the gold price and spread between Indian market and US market for the month of May '13. During this period gold spread ranged between 341.18 with a minimum 193.52 and maximum 534.70. At the same time the variance is 1811.81282. And the standard deviation is 108.6821642 in this period there is a small decline in correlation between these two markets gold prices 0.958076551.

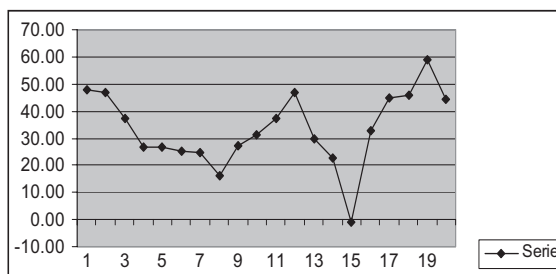
Showing the descriptive statistics for the month of Feb '14

Date	INR per Ounce	INR per 10 gms	US \$ PER OZ	Per 10 gms in US \$	INR per 10 gms	SPREAD (Rs.)
1-Feb-14	28,543	10068.31	645.70	227.76	10021.62	46.69
3-Feb-14	28,679	10116.16	649.40	229.07	10079.05	37.11
5-Feb-14	28,818	10165.30	653.25	230.43	10138.80	26.50
6-Feb-14	28,840	10173.08	653.75	230.60	10146.56	26.52
7-Feb-14	28,936	10206.94	656.00	231.40	10181.48	25.45
10-Feb-14	29,308	10338.02	664.50	234.40	10313.41	24.61
11-Feb-14	29,287	10330.59	664.55	234.41	10314.19	16.41
13-Feb-14	29,460	10391.72	667.80	235.56	10364.63	27.09
14-Feb-14	29,492	10403.08	668.25	235.72	10371.61	31.47
15-Feb-14	29,355	10354.81	664.75	234.48	10317.29	37.52
17-Feb-14	29,397	10369.64	665.10	234.61	10322.72	46.92
18-Feb-14	29,597	10439.99	670.75	236.60	10410.41	29.58
19-Feb-14	29,276	10326.81	663.90	234.18	10304.10	22.72
20-Feb-14	29,092	10261.92	661.25	233.25	10262.97	-1.05
21-Feb-14	29,863	10534.02	676.60	238.66	10501.21	32.82
22-Feb-14	30,179	10645.35	683.00	240.92	10600.54	44.81
24-Feb-14	30,303	10689.18	685.75	241.89	10643.22	45.96
25-Feb-14	29,920	10554.03	676.20	238.52	10495.00	59.03
26-Feb-14	29,351	10353.27	664.20	234.29	10308.75	44.52

Note: OZ - Ounce

Minimum	-1.05
Maximum	59.03
Range	60.08
Average	33.62
Variance	186.6840001
S D	13.66323535
Correlation	0.996823889

Graph for the month of Feb '14

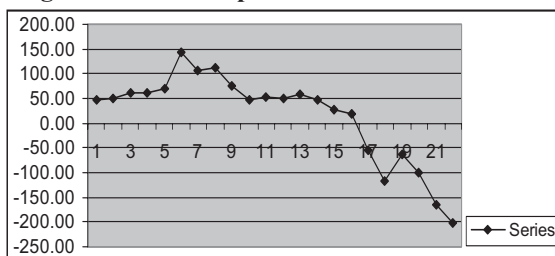


Date	INR per Ounce	INR per 10 gms	US \$ PER OZ	Per 10 gms in US \$	INR per 10 gms	SPREAD (Rs.)
1-Mar-14	28,824	10167.29	651.90	229.95	10117.85	49.44
3-Mar-14	28,192	9944.48	636.75	224.61	9882.71	61.77
4-Mar-14	28,497	10051.99	643.75	227.08	9991.36	60.63
5-Mar-14	28,642	10103.17	646.40	228.01	10032.49	70.68
6-Mar-14	29,196	10298.56	654.25	230.78	10154.32	144.24
7-Mar-14	29,002	10230.27	652.25	230.07	10123.28	106.98
10-Mar-14	28,822	10166.54	647.75	228.49	10053.44	113.10
11-Mar-14	28,847	10175.39	650.80	229.56	10100.78	74.61
12-Mar-14	28,435	10030.11	643.25	226.90	9983.60	46.51
13-Mar-14	28,688	10119.29	648.50	228.75	10065.08	54.21
14-Mar-14	28,881	10187.57	653.20	230.41	10138.03	49.54
15-Mar-14	28,987	10224.88	655.00	231.04	10165.96	58.92
18-Mar-14	29,127	10274.19	659.00	232.46	10228.05	46.14
19-Mar-14	29,061	10250.89	658.75	232.37	10224.17	26.72
20-Mar-14	29,228	10310.01	663.00	233.87	10290.13	19.88
21-Mar-14	28,721	10130.97	656.25	231.49	10185.36	-54.40
22-Mar-14	28,844	10174.36	663.00	233.87	10290.13	-115.76
24-Mar-14	29,040	10243.58	664.00	234.22	10305.65	-62.07
25-Mar-14	29,054	10248.38	666.75	235.19	10348.33	-99.96
26-Mar-14	28,620	10095.29	661.00	233.16	10259.09	-163.80

The above table and chart depicts the gold price and spread between Indian market and US market for the month of Feb '14. During this period gold spread ranged between 60.08 with a minimum -1.05 and maximum 59.03. At the same time the variance is 186.6840001. And the standard deviation is 13.66323535 in this period there exists a strong correlation between these two markets gold prices 0.996823889

Minimum	-202.26
Maximum	144.24
Range	346.50
Average	15.12
Variance	8332.325761
S D	91.28157405
Correlation	0.728182533

Figure No.5.12 Graph for the month of Mar '14



The above table and chart depicts the gold price and spread between Indian market and US market for the month of Mar '09. During this period gold spread ranged between 346.50 with a minimum -202.26 and maximum 144.24. At the same time the variance is 8332.325761. And the standard deviation is 91.28157405 in this period there exists a simple correlation between these two markets gold prices 0.728182533.

Prices of gold in Indian and US market.

Showing the descriptive statistics for the month of April, 2013 to March, 2014

	March. 2013	April. 2014	May. 13	June. 13	July. 13	Aug. 13	Sep. 2013	Oct. 2013	Nov. 2013	Dec. 2013	Jan. 14	Feb. 14	Mar. 2104
Minimum	93.18	193.5	372.6	372.6	423.5	533.8	379.7	209.3	120.2	67.99	42.83	-1.05	-202
Maximum	257	534.7	517	517	677.3	624.4	552.1	407.8	292.8	177.2	130.5	59.03	144.2
Range	163.9	341.2	144.4	144.4	253.8	90.61	172.3	198.6	172.6	109.2	87.67	60.08	346.5
Average	192	317.9	425.1	425.1	551.7	565.1	445.4	301.1	184.4	143.4	69.22	33.62	15.12
Variance	2376	11812	1654	1654	5654	485	2238	2353	1506	760.3	568.1	186.7	8332
S D	48.75	108.7	40.67	40.67	75.19	22.02	47.31	48.51	38.81	27.57	23.83	13.66	91.28
Correlation	0.994	0.958	0.994	0.994	0.954	0.998	0.995	0.972	0.95	0.983	0.995	0.997	0.728

The factors that impact the price of the gold is given below and also the changes in these factors on the gold price are studied.

- US Dollar,
- Crude oil Price
- Repo Rates
- Inflation Rates

The analysis of all these above mentioned factors is as follows:

US DOLLAR: It is an important question that is there any correlation between gold prices and the value of US DOLLAR. Now the answer depends upon situation and changes with change in global economic scenario. There is an inverse relationship between gold prices and US Dollar. Before 1950 US \$ was also considered as the inflation hedge. But this is not true now. So in the past it can observe the positive correlation between gold prices and US \$. But now the relation is negative. US has a large debt (15 trillion \$ as on 16th February, 2013) and also it pays more interest than it earns. So it creates a downward pressure on the Dollar and makes it weak. This creates an inverse relation. As a tool of hedge now gold is demanded

more than the US \$. When the price of gold depreciates the investors outside US will benefited because the dollar price of the gold will increase. Investor can shift away from the dollar denominated assets to gold. Past experiences also that gold has been used as a hedge against currency risk. Gold Prices do not depend upon Dollar exchange rate.

CRUDE OIL

The crude oil is one of the factors for inflation. As the prices of crude oil increases, economy always falls into a recession there is upward pressure on inflation. In order to hedge against the inflation people invest in gold. So it can say that there is a relationship between gold and crude oil prices. It will be clearer from the following discussion. Gold has almost always been the most-highly-sought-after universal store of wealth and the gold is the king of all the currencies. The demand for crude oil is in elastic. Now paper currencies lose their purchasing power with time but this doesn't happen with the gold. So during inflationary period when other currencies lose their value more gold can be purchased with gold due to its purchasing power stability. So during high crude oil prices, high inflation, and declining

equity market gold can be stored to hedge the inflation.

INFLATION RATE

Gold has always been considered a good hedge against inflation. Rising inflation rates typically appreciates gold prices. Traditional theory implies that the relative price of consumer goods and of such real assets as land and gold should not be permanently affected by the rate of inflation. A change in the general rate of inflation should, in equilibrium, cause an equal change in the rate of inflation for each asset price. While calculating the price of gold there are two inflation rates. One is Gold internal inflation rate, which is change in its production from its mines. Other is monetary inflation. The price of gold over the medium to long term is determined by its inflation rate relative to that of the currency you want to measure it with. With most fiat currency inflation rates, running substantially higher than gold's inflation rate it is easy to see why the gold price will continue to increase over time, and why it has consistently increased over time. This is not about to change regardless of short-term volatility.

Global Trends in Gold

Studies show that global gold demand is mainly for making jewellery, as an investment or for technology. Among them, 'Gold in the form of jewellery' has the highest demand; approximately 50 per cent. Private Investments and more recently Central Bank Net Purchases, account for an additional 39 per cent demand. Applications in technology and other types of fabrication such as use of gold in electronics, medicines, dentistry, etc. Constitutes the remaining 11 per cent.

■ Jewellery ■ Investment ■ Technology

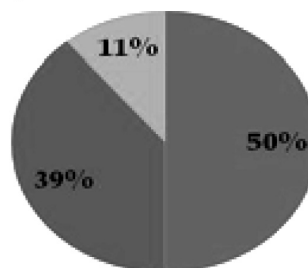


Figure.1

Hundreds of gold mines operate across the world ranging in scale from minor to enormous. Currently, the global gold mine production is relatively stable. Over the last five years the Even when the new mines are developed they will be mostly serving to replace the current production than expanding global production. The mining output is relatively inelastic, unable to respond quickly to a change in price outlook. Supply from gold mine production has averaged to 2,690 tonnes per year.

Gold demand and supply in India

According to the report published by World Gold Council (WGC), the market development organization for the gold industry, the demand for gold in India in the fiscal year 2011 and 2013 were 986.3 tonnes and 864.2 tonnes respectively. It is predicted by the WGC that the demand for gold in India in the year 2013 will be in the range of 865 tonnes to 965 tonnes.

Investment demand for gold in India (tonnes) 2013-14

In India, consumer demand for gold in the second quarter from April to June 2013 was 31 tonnes. This shows an increase of 71 per cent as compared to the second quarter of 2012. Gold in the form of investment is exclusively

in a physical form, typically a gold bar or a gold coin and sometimes the list includes gold medals as well. During the second quarter of 2013, gold bars and gold coins investment rose to 116 per cent, while demand for jewellery rose by 51 per cent as compared to second quarter of 2013. An increased demand for gold as an investment can be seen throughout these years. The expected appreciation for the value of gold and the possibility of raising loans in times of emergency are cited as the reasons why people invest in gold.

Since only three of its gold mines are working full-time and producing about 0.5 per cent of the country's annual gold consumption, India has to import gold to meet the stupendous gold demand. Despite the colossal increase in gold prices throughout the years, there has been no sign of decline in procurement of gold for various reasons, among the consumers in India. Graph 3 shows the trends in gold prices and volume of imports to India from 1995 to 2013. This clearly indicates that the gold is price insensitive where consumers buy gold regardless of the hike in price. Even though the price of the Gold was going spiral, the demand was not affected.

The fluctuations in the gold market affect its consumers

54% per cent of the consumers in US and 60 percent in India wish to buy gold when the prices are lowered. This would enable them to purchase more gold as it can be sold off to meet any of their emergency requirements in the future. Whereas a few consumers in US and India buy gold when the price is on the upsurge, not because of any demonstration effect or for conspicuous consumption, but due to the assumptions that the price may go up further

and it will be difficult for them to buy gold if it goes past their affordable range.

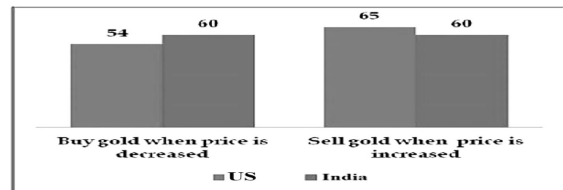


Figure Trends in gold price and consumer behavior (%)

SUMMARY OF FINDINGS

The study concludes the spread prices between the Indian and USA bullion market. From the study conducted we can know that there is no scope for the Arbitrage trade. This analysis concludes the average spread price on the daily prices of the Indian & USA bullion markets. In this study the spread price has been in the form of declining. Every month correlation has been strong and in the month of March 2013 it has been feeble at a value 0.728182533. Due to Indian tradition there is an increase in the demand for gold because of the seasonal marriages held in the month of March. The average spread price has been drastically shirked to a value of 15.12. The standard deviation (risk) of the study ranges between the values of 91.2816. Gold Prices do not depend upon Dollar exchange rate. Gold prices do not depend on crude oil prices. The crude oil prices do affect the prices of gold significantly. The Repo rate does affect the gold prices. Gold prices do depend upon inflation rates. A staggering 70 per cent of the people in India are of the opinion that the government should reduce the import duty on gold as they think that gold is an essential commodity, whether it is for making jewelry or as an investment option. People hope that the government would reduce the import duty on

gold before long as it can decrease the price of gold and thus make it affordable for the middle and lower class consumers and provide them with better access to gold.

As compared to other states in India where tax on gold is only one per cent, India is ranked first for having the highest tax rate on gold at five per cent. According to the sources from India Commercial Tax Department 3,335 crores (20 per cent) out of the 16,679 crores worth of gold sold in the year 2012-13, was sold in the neighboring states due to the high tax rates on gold in India. This has led to a huge revenue loss for the state of India. People in India are of the opinion that reduction of taxes and duties on gold would reduce the problem of tax evasion and smuggling of gold across borders.

SUGGESTIONS AND CONCLUSION

In India, gold is one of the foundation assets for Indian households in the form of investment. It is viewed as secure, liquid investment. Four factors have been considered here which influence the gold prices and the analysis of these factors reveals that: Gold price and Dollar value share an inverse relationship i.e. an increase in gold price will result in decrease in the Dollar value. Gold prices and Crude oil price share a positive correlation which can be understood from the analysis. It can be inferred that an increase in the gold prices will increase the crude oil prices. Gold prices and repo rates are interdependent and also negatively correlated during september-13 to February-2014 i.e. Increase in repo rates resulted in decrease gold prices and. But the correlation remained positive during the other two periods i.e. from March-13 to october-13. Gold prices and inflation rates are also dependent and positively correlated i.e.

increase in inflation increases gold prices also. From the study it is concluded that all the select factors like USD, crude oil prices, repo rate and inflation do have impact on the price of the gold as given in detail their relationship with price of the gold in the conclusions part above. From the study it can be concluded that the demand for gold as an investment is gaining momentum among consumers, especially in India.

In this study, variables that are thought to affect the gold prices are analyzed with four methods including the data from 2013 and 2014. Oil prices, USA exchange rate, USA inflation rate, USA reel interest rate data are included in the model as variables. First differences of USA exchange rate and real interest rates are taken and return series of the other variables are used. An models are estimated by US Dollar, Inflation Rates Repo Rates model for the reason that it gives the best results for the estimation of the coefficients. According to empirical findings, highest correlation is found between gold prices and USA exchange rate negatively. Secondly, a positive correlation is found between gold prices and oil prices. According to the findings, a negative and significant relationship is found between the return of gold and the return of USA Dollar, the rest of the variables have no significant relationship with the return of gold. This result is valid both for the conditional and unconditional correlation relationship. On the contrary to this study, significant relationship was found between the variables in the previous studies. But the results are similar to found there is no significant relationship between oil prices and return of gold and inflation rate and the return of gold. Similarly, found gold prices are the factor of USA Dollar and other variables have effects at a lower level. Results are parallels to our study. As a consequence, in

the relevant period, return of gold show a non-linear change, in other words, market is non-linear. When the market is efficient, linearity can be considered, but when there is an inefficient market, relationships are non-linear. As a result of this study, gold market can be evaluated as inefficient. There are many studies showing the same consequences both for the developed and developing countries. On this account, this study motivates the analysis showing the non-linear relationship of the market besides the linear relationship.

In view of above discussions, it may be concluded that the average annual growth is 12.27 percent which indicates that investment in gold is an effective investment avenue in the hand of investors. The recent trends of the gold price have lead to gold's "safe-haven" investment option. Investor deleveraging and capital flight from the Euro has forced the US dollar higher, dampening gold's sensitivity to systemic risk and hampering its performance since September 2013. Even if, with operation twist coming to an end in the next few months, US employment data indicating a stagnating US labor market and Europe's politicians still far from a comprehensive solution to the region's problems, the likelihood of another round of US quantitative easing is increasing. However, high impact risk of a full-blown Euro crisis could also be a catalyst for the gold price to break higher.

In India, gold is one of the foundation assets for Indian households in the form of investment. It is viewed as secure, liquid investment. Four factors have been considered here which influence the gold prices and the analysis of these factors reveals that: Gold price and Dollar value share an inverse relationship i.e. an increase in gold price will result in decrease in the Dollar value. Gold prices and Crude oil price share a

positive correlation which can be understood from the analysis. It can be inferred that an increase in the gold prices will increase the crude oil prices Gold prices and repo rates are interdependent and also negatively correlated during september-13 to February-14 i.e. Increase in repo rates resulted in decrease gold prices and. But the correlation remained positive during the other two periods i.e. from August-13 and March-14. Gold prices and inflation rates are also dependent and positively correlated i.e. increase in inflation increases gold prices also. From the study it is concluded that all the select factors like USD, crude oil prices, repo rate and inflation do have impact on the price of the gold as given in detail their relationship either price of the gold in the conclusions part above.

Gold is at the same time a commodity and financial instrument. This makes changes in the price of gold different from other investment possibilities. The factors, which affect the price of gold, are the supply and demand of gold, changing oil prices and stocks, given their relationship to dollar exchanges rates and geopolitical shocks. According to this thesis, none of these factors have a very strong influence over the price of gold alone, but when combined together, it explains gold price movements. Historically, economic and political crisis situations, plus increasing inflation have had the strongest impact on the price of gold. During times of war, trade embargos and economic crashes, gold prices have changed. Investors have become smarter and do not react as robustly as they did in the 1970's and 1980's. According to study correlation between gold and oil prices was very strong in most of the periods. Nowadays, the best tools for analyzing increases and decreases in the changes of gold prices are

other commodities. In addition nowadays, as the dollar weakens the gold price tends to strengthen, because investors are using gold to hedge the exchanges rates of USD. The supply and demand is affecting the price of gold slowly. In addition there is strong evidence to use gold as diversifier in an investment strategy.

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Organization Competency in Indian and Multinationals Based in India

Dr. Vanitha Agarwal* and Dr. P.T Srinivasan**

Abstract – In this era of globalization, every organization is faced with the task of analyzing and assessing its competency to compete, sustain and achieve its goals and objectives. Many organizations want to identify a list of competencies for their own organization. For effective organizational performance they need to use and expand these competencies. The foreign multinationals in India are considered more efficient than their Indian counterparts. After globalization Indian organizations are finding ways to compete and survive in this challenging scenario. Organization competency and its dimensions were studied between Indian and foreign based multinational organizations operating in India in the Manufacturing and Information technology sectors. The results of the study show that foreign based organizations operating in India score better in terms of organization competency than Indian organizations in both Manufacturing and Information Technology sectors. This study has implications for enhancing organization competency in Indian organizations.

Keywords: *Organization Competency, Globalization, Product competency, Employee Development Competency, Quality and technology Competency, Information technology.*

1. INTRODUCTION

Though the concept of competency has been there for the last two decades, recently organizations have started concentrated on enhancing and implementing competencies to survive in this ever evolving and changing environment. Considerable interest has been generated around competencies as is evident from the number of articles published on competency. Taylor (1911) postulated “one best and the most effective way” of doing a task leading to improved efficiency and production. This functional view of effective management led to the need and development of the competency approach.

“Competency” can have two different connotations. One it is used to denote sufficiency which means an organization or an individual has the necessary attributes that are necessary to perform a particular task. Alternatively it can be used to denote ability which an organization or individual exhibits for performance in a specified area. (Baker *et al*, 1997).

Murray (2003) classified competencies that define the organizations capability to improve performance in any organization are:

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- (a) **Individual Competencies:** These are the competencies that comprise of individual attributes, skills, knowledge and behaviors.
- (b) **Organization competencies:** These are the competencies defined by processes, systems, practices and programs which enable any organization to convert and elevate individual competencies into organization wide competencies. These competencies transform the organization to change as well as grow simultaneously.

2. THE CONCEPT OF ORGANIZATION COMPETENCY:

The development of the concept of organization competency is analyzed by various academicians and theorists from the organization capability to create and develop efficient systems and ways by which it is possible to not only attract, develop and retain best employees but also provide the organization with competitive edge over its competitors in terms of product, quality and technology development.

Organization competency (OC) is a combination of unique skills, assets and procedures, which provide the organization competitive capability and sustainable advantage (Tece, 1990). Organization competencies can also be explained as a system of effective interaction between technology and human resources practices (both formal and informal) (Drejer, 2000). Organization competencies can be used to denote organizational strengths or unique capabilities (Hoffman, 1999) required to sustain the deployment of resources in coordinated and sustained way to help an org,

achieve its objectives (Sanchez, 2001). OC has two essential inputs from managers: the clarity of goals and objectives and coordinated use of resources to carry out actions achieving organization goals. Setting a threshold allows management of organizational competence within desired limits and provides a warning when a shortage of organizational competence puts the organization at risk (Stowell, 2013). Organizations try to achieve their objectives by developing, leveraging and building competencies.

Organization competency requires the organization to focus strategies to the external environment. The organization must allocate and utilize resources effectively and upgrade strategies to maintain its competency. An organization competency can be developed by coordination of internal skills, activities and resources with functional strategies to protect itself against competition focusing on the organization's internal and external environment (Hofer and Schendel, 1978).

3. INTERPRETATIONS OF ORGANIZATION COMPETENCY

Different ways of interpreting organization competency have been identified in the existing literature. Significant interpretations of organization competency are:

- **Distinctive competencies:** The combination of core skills and technologies existing at various levels which give the organization competitive advantage (Prahalad and Hamel, 1990).
- **Customers' competencies:** It can be interpreted in two ways: one way it relates

to the knowledge and skills customers possessed and their willingness to give feedback to the organization (Prahalad and Ramaswamy, 2000) while the other can be related to the organization ability to satisfy the needs and requirements of its customers effectively (Bjerkens *et al.*, 1990).

- **Strategic competencies:** It refers to the degree of synchronization between the strategy executed by the organization and the competitive requirements needed, keeping in mind the external business environment and competitors (Vickery, 1991).
- **Operations competencies:** The degree of fit between a organization's competitive priorities with the strengths of its operative functions and competitive goals (Kim, 1992)
- **Competitive competencies:** It is a measure of the degree to which the core finance, operations and HR processes of an organization are able to compare and measure the efficacy up to an acknowledged best practices standard within their sector. (Baker *et al.*, 1997).
- **Congruency competencies:** The ability of an organization to match capabilities with requirements of the organization to sustain and expand its products and services (Baker *et al.*, 1997).
- **Frontline execution competencies:** The role played by activities of frontline employees can affect the quality of services providing making it very important for service sector to execute frontline competency. (Coyne *et al.*, 1997).
- **Learning competencies:** Producing a string of inventions through learning and

discovering new facts and models creates a first movers advantage (Murray, 2003). For example Canons optics knowledge and miniaturization ability provided it a first mover's advantage.

- **Responsiveness competencies:** Developing responsiveness competencies involves two concepts : technically generating value through the product transformations and having the knowledge of end users perception of value (Engelseth and Felzenstein, 2012).
- **Leadership development competencies:** This competency lies in organizations approach to leadership development through ongoing renewal of organizations leadership cadre, incrementally embedding new learning development behavior (Wilson, 2013).

4. NEED OF THE STUDY

In this volatile, demanding and globalized business environment which results in political, social and economical complexities, organizations in developing countries are going through a phase of survival and intervention. The liberalization of the economy and the extra competition from overseas firms has put a lot of pressure on Indian organizations. Indian organizations have upgraded technology and now compete against global and multinational companies. Dunphy *et al.* (1997); Grant (1991) and Barney (1991) have conducted studies related positively competency with business performance and effective organizational change. Research done by Hirsh and Strebler (1994) has shown that competencies and superior performance are positively associated. So this

study was conducted to compare organization competency between Indian and foreign based organizations operating in India. It was conducted in Manufacturing and Information Technology sector as in this globalized and ever changing scenario organization competency plays a very important role in these highly competitive sectors.

5. HYPOTHESES

H1: Organization competency (OC) and its dimensions will not differ between Indian organizations and Multinational organizations in the manufacturing sector.

H2: Organization competency (OC) and its dimensions will not differ between Indian organizations and Multinational organizations in the IT sector.

6. METHODOLOGY

This study was conducted in four organizations. All the organizations are situated within the geographical region of Chennai. As it was consented to keep the names of the participating organizations confidential, the organizations from the manufacturing sector are named as Indian manufacturing and multinational manufacturing. Indian manufacturing is an Indian automobile industry with a major presence in India's commercial vehicle industry. Multinational manufacturing is a Korean based Car manufacturing company with its plant in Chennai, which started in December; 1996. The organizations from IT sector were named as Indian IT and multinational IT. Indian IT is an Indian software development firm, which is a global solutions specialist with a dedicated

focus on the banking financial services and insurance vertical. Multinational IT is a UK based \$800 million IT services and business process company.

Stratified random Sampling was adopted with stratification based on functional areas, to select the respondents. The total sample size was 359 (Manufacturing-197, IT-162).

7. INSTRUMENT USED

Organization competency questionnaire developed by Chaston, Badges, Mangles and Smith (2001) was used for collecting the data. It measures the degree of an organization's ability to effectively manage the various aspects of internal operations. It has 25 items and a seven point response ranging from 'strongly agree' to 'strongly disagree'. Aggregate data collected from all the respondents from Manufacturing and IT sectors by using organization competency questionnaire were factor analyzed to know its internal structure and the grouping of items. This analysis was conducted by using Principal Components method with Varimax rotation. The rotation revealed three factors with Eigen value greater than 1 explaining 59.98 % of the total variance. The analysis suggested dropping one item due to the loading value being below 0.5. The results of the subsequent factor analysis are shown in Table 1. After factor analyses the three factors were named as Employee Development Competency (6 items, $\alpha = .90$), Product Development Competency (6 items, $\alpha = .80$) and Quality and Technology Development Competency (12 items, $\alpha = .94$). The composite organization competency index (24 items) showed $\alpha = 0.96$.

Table 1 Factor Analysis – Rotated Factor Matrix for OCQ

Item No. Ability to	Factor 1	Factor 2	Factor 3
Develop superior products	.20	.06	.51
Operate using internal profits	.47	.23	.49
Develop New products	.26	.15	.80
Increase product launches	.22	.27	.76
Reduce product development time	.25	.39	.52
Develop products to enter new market	.32	.38	.54
Structure organization	.45	.52	.32
Optimize work environment	.44	.64	.20
Appraise staff	.26	.76	.21
Provide employee development	.21	.81	.19
Optimize employee productivity	.36	.73	.18
Finding new ways to enhance productivity	.41	.64	.25
Prepare plan	.55	.33	.39
Introduce new technology	.55	.29	.35
Upgrade assets to improve quality	.63	.19	.24
Measure customer expectations	.68	.29	.26
Use customers to define quality standards	.71	.25	.26
Identify quality variance	.70	.28	.22
Improve quality	.71	.22	.34
Use information to optimize decisions	.67	.35	.18
Create control systems	.66	.36	.26
Rapidly identify niche market change	.57	.31	.35
Use IT to acquire data	.66	.34	.25
Incorporate advances in IT into existing information system	.69	.32	.23
Eigen Value	12.10	1.22	1.08
Cum % variance.	50.42	55.51	59.98

8. RESULTS

T-Test was employed to ascertain if there was any significant difference within the Manufacturing sector and within the IT sector and the results are furnished in table 2 and table 3 respectively.

As shown in the table 2 the results revealed statistically significant difference

between Indian Manufacturing and Multinational Manufacturing in terms of Organization Competency, Employee development and Quality & technology development score. So the results do not support the hypothesis H1, except in the case of product development dimension and, hence it was rejected.

Table 2: Mean differences in Organization Competency within the Manufacturing sector

	Manufacturing Indian (n= 101)		Manufacturing Multinational (n=96)		T Value
	Mean Value	S.D. Value	Mean Value	S.D. Value	
Organization Competency	126.65	12.10	133.08	1.56	-2.443*
Product development	32.32	5.76	32.89	3.99	-0.80
Employee development	30.03	6.18	32.82	4.72	-3.55**
Quality and technology development	64.31	10.91	67.38	8.99	-2.15*

Significant at * $p < 0.05$ ** $p < 0.01$,

As shown in the table 3 the results revealed statistically significant difference between Indian IT and multinational IT for Organization

competency as well as for all its dimensions. Hence the hypothesis H2 was rejected, as the results were not in favor of supporting it.

Table 3 Mean differences in Organization Competency within the IT sector

	IT Indian (n = 101)		IT Multinational (n=96)		T Value
	Mean Value	S.D. Value	Mean Value	S.D. Value	
Organization Competency	112.45	21.17	141.41	22.33	-8.39**
Product development	28.57	6.80	35.20	6.13	-6.39**
Employee development	28.17	5.80	35.45	6.15	-7.67**
Quality and technology development	55.71	11.72	70.75	11.26	-8.20**

Significant at * $p < 0.05$, ** $p < 0.01$,

9. DISCUSSION OF THE RESULTS

From the results of the T-test (refer table 2), it is evident that the mean scores of Organization, Employee development and Quality and Technology development competency in Indian Manufacturing differ significantly from the corresponding mean scores in Multinational Manufacturing. Being a foreign based organization Multinational manufacturing displays more Organization Competency. In Multinational manufacturing Product development competency is also more though it is not significant enough. This indicates that the difference in Organization competency is because of Employee development and Quality and technology development competency. In

terms of Product development though Indian manufacturing is significantly better in ability to develop superior products; yet it lags behind multinational Manufacturing in terms of ability to reduce product development time. Further, analyzing the dimensions of Employee development individually, Multinational Manufacturing is significantly better in its ability to- appraise staff, optimize employee productivity and find new ways to enhance productivity. Ability to use customers to define quality standards is significantly better in Indian Manufacturing while ability to – use information to optimize decision, rapidly identify market change and incorporate advances into existing information systems is significantly more in Multinational Manufacturing.

T-tests (refer table3) further reveal that the mean score of dimensions of Organization competency in Indian IT differ significantly from the mean score of Organization competency in Multinational IT. Multinational IT is a UK based organization operating in India while Indian IT is an Indian organization. Organization Competency is greater in Multinational IT as compared to Indian IT. The results show that all the dimensions of the Organization competency (Product development, Employee development and Quality and technology development competency) are higher in multinational IT. On all the 24 items of organization competency multinational IT scored significantly more than Indian IT.

10. IMPLICATIONS AND SUGGESTIONS

On analysis of the manufacturing sector, the factors Employee development and Quality & technology development competency are the cause of less Organization Competency in Indian based organizations. Indian manufacturing organizations should develop their employees and concentrate on improving quality. They should use information technology to acquire data, use information to optimize decisions, create control systems and rapidly identify market change which are the factors contributing to technology development competency. Multinational organizations in the manufacturing sector can increase their ability to develop superior products and ability to use customers to define quality standards to further enhance their Organization Competency.

In the IT sector the Indian based organization is lagging behind in organization competency as well as in all its components. So Indian based IT organizations should concentrate on developing Product competency

which includes developing superior and newer products, increasing number of product launches, reducing product development time and entering new markets. Indian IT firms should also develop Employee competency by finding new ways to increase the efficiency of its workforce. Factors contributing to quality variance should be analyzed to improve the quality. Customers' expectations can be measured to define quality standards.

11. CONCLUSION

This study showed that Organization competency is more in foreign based organizations operating in India than Indian organizations, in the Manufacturing and IT sectors. The Multinational organizations better organization competency seen consistently in both manufacturing as well as IT sector may be attributed to the multinationals culture and work ethics. In the present scenario of barrier free trade, Indian organizations cannot afford to be complacent with their competency. They need to develop their product, employees as well as quality & technology to enhance their organization competency. The phenomenon of competent organization has replaced the industrial economy throughout the world.

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A Study on Emotional Intelligence and Job Satisfaction Among Sales People in Retail Sector

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Organisations offer several benefits, welfare measures and facilities to motivate the employees in performing their jobs; having offered these the company is interested in knowing the satisfaction level to upgrade facilities. The satisfaction level of an employee towards his job has clear financial implications for the future success of the organisation.

The study on job satisfaction and emotional intelligence is expected to be useful from the organisation's point of view to identify the satisfaction level, as well as the factors which influences and gives the maximum satisfaction while performing a job. The study also points out the significance of emotional intelligence among the sales people.

JOB SATISFACTION

Hoppock, (1935), defined job satisfaction as any combination of psychological, physiological and environmental circumstances that cause a person truthfully to say he is satisfied with his job. According to this approach although job satisfaction is under the influence of many external factors, it remains something internal that has to do with the way how the employee feels.

Vroom(1964), defined job satisfaction as affective orientations on the part of individuals toward work roles which they are presently occupying. Vroom in his definition on job satisfaction focuses on the role of the employee in the workplace.

Job satisfaction represents a combination of positive or negative feelings that workers have towards their work. A worker employed in a business organization, brings with it the needs, desires and experiences which determinates expectations that he has dismissed. Job satisfaction represents the extent to which expectations are and match the real awards. Job satisfaction is closely linked to that individual's behaviour in the work place (Davis et al., 1985).

Factors that influence job satisfaction

- pay – satisfaction with pay and pay raises
- promotion - satisfaction with promotion opportunities
- supervision - satisfaction with the immediate supervisor
- fringe benefits - satisfaction with fringe benefits
- contingent rewards - satisfaction with rewards(not necessarily monetary)given for good performance

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- operating conditions - satisfaction with rules and procedures
- co-workers - satisfaction with co-workers
- nature of work - satisfaction with the type of work done
- communication - satisfaction with communication within the organisation.

EMOTIONAL INTELLIGENCE

Emotional intelligence (EI) is the area of cognitive ability involving traits and social skills that facilitate interpersonal behaviour. Intelligence can be broadly defined as the capacity for goal-oriented adaptive behavior. Emotional intelligence focuses on the aspects of intelligence that govern self-knowledge and social adaptation.

Goleman describes emotional intelligence as “managing feelings so that they are expressed appropriately and effectively, enabling people to work together smoothly toward their common goals.” According to Goleman, the four major skills that make up emotional intelligence are:

- Self-Awareness
- Self-Management
- Social Awareness
- Relationship Management.

REVIEW OF LITERATURE

Bhavani T.R., (2012) conducted a survey on “a study of job satisfaction correlates with work environment among employees in textile industries”. The main purpose of the study was to measure the organizational, individual and group mechanisms at the work place associated

with job satisfaction level of employees in the organisation. The study evaluated employee wellbeing and organizational performance through innovative changes in work environment. The results of the study showed the intensity of working conditions and indicated that dissatisfaction might happen due to lack of recognition, tedious work, unhealthy peer relations, poor working conditions, occupational stress, heavy work load, work station setup, work load, overtime, team work and supervisor support.

Vanitha G., Barani G., (2012) in a study on the “impact of emotional intelligence of textile employees with reference to Tamil nadu” found that emotional intelligence is an essential factor responsible for determining success in life and psychological wellbeing. Emotional Intelligence was found to play an important role in shaping the interaction between individuals and their work environment. Emotional intelligence was considered as a factor that would make the workers work more effectively by managing the emotions at workplace and thereby improving level of productivity.

Abi Ealias in the year (2012) conducted a study on “Emotional intelligence and job satisfaction: a correlational study”. The primary aim of this study was to examine the relationship between emotional intelligence and job satisfaction. The study tried to analyse how designation, experience and marital status of an employee affect his/her emotional intelligence and job satisfaction. The study revealed that there was a very high positive relationship between emotional intelligence and job satisfaction. It was found that designation of the employee does not affect his job satisfaction and emotional intelligence.

However, experience and marital status has significant effects on the job satisfaction and emotional intelligence.

Syed sofiyan syed sahim, et.al., (2012), conducted a survey on “The role of emotional intelligence on job satisfaction and the effect of gender on the relationship between emotional intelligence and job satisfaction”. Emotional intelligence was found to be important in terms of its relationship with job satisfaction which also influences human behaviour especially pertaining to job and careers. The finding showed that gender factor did not affect the interaction between emotional intelligence with job satisfaction. A conducive working environment will make work more interesting and attractive.

Ravindra shinde and Dr Mahendra patil, (2011) conducted a survey on “A role of emotional intelligence and personality types in job satisfaction of college teachers”. The main purpose of the study was to describe the relationship between personality type, emotional intelligence and job satisfaction of extension agents in tracking profession. The results states that high emotional teacher would be more job satisfied than low emotionally intelligent teacher.

Abdulazin ghonien, Sayed elkhonly, Ghada mohan and Mohammed Ibrahim, (2011) conducted a research work on the topic “Impact of emotional intelligence and gender on jobsatisfaction among Egyptian government sector employees”. The aim of the study was to determine whether emotional intelligence, gender influences the job satisfaction. The results showed that emotional intelligence has significant influence with job satisfaction but gender had insignificant influence with job satisfaction.

Thiruchelvi A. and Supriya M.V., (2009) conducted a study on “Emotional intelligence and job satisfaction”. The study was to test the relationship between emotional intelligence and job satisfaction from white collared employees working in the petroleum industry. This study showed that there exists a positive relationship between emotional intelligence and job satisfaction. The inclusion of emotional intelligence in training programs can help employees to cooperate better and motivate more, thereby increasing productivity and profits.

Sukumarakurup Krishna Kumar, (2008) in a study on “The role of emotional intelligence and job emotional requirements in job attitudes and behaviour” found that emotional intelligence had a significant influence on job satisfaction. The aim of the study was to understand the role of emotional intelligence on individual attitudinal and performance outcomes. The study reflects that emotional intelligence did not have any effect on job satisfaction, turnover intention and job performance. Employees in many job roles in these professions face substantial emotional situations; it will be immensely valuable to understand the mechanism through which EI skills are used by employee to deal with the effects of those emotions.

Hosseinian, Simin et.al., (2008) conducted a study on “Emotional intelligence and Job satisfaction” among 28 employees who earned lowest scores for emotional intelligence. The study was conducted among the employees of Marine Installations and construction company . The aim of the study was to investigate the effect of training of emotional intelligence on job satisfaction and productivity. The study was conducted using a

quasi-experimental method using pre and post test with control group and follow up for four month. Experimental groups were exposed to emotional intelligence training. It was found that emotional intelligence significantly influenced the productivity level.

Thomas Sy, Susanna Tram et.al., (2006) conducted a study among 187 food service employees of a restaurant. The study was aimed to examine the relationship among employees intelligence and job satisfaction. It was found that employees emotional intelligence was positively associated with job satisfaction and performance.

Jichul jang and Thomas George R (2007) conducted a study on “The relationship of emotional intelligence to job stress, affective commitment and turnover intention among restaurant employees”. The goal of the study was to examine the effects of emotional intelligence of employees on job stress, to investigate the effects of emotional intelligence of employees on affective commitment, to assess the effect of emotional intelligence of employees on turnover intention in the restaurant industry. The study proved that emotional intelligent people face less of job stress and employees are more emotionally attached to the organisations and some respondents state that they would like to leave the job.

Ricardo china, Joaquin alegre (2005) conducted a study on “Emotional intelligence and job satisfaction: the role of organisational learning capability”. The aim of the study is to analyze the relationship between emotional intelligence and job satisfaction, by taking into consideration organizational learning capability. The study clearly showed that to improve employee job satisfaction, practitioners should take into account the link between

the emotional intelligence and organizational learning capability and under certain conditions emotionally intelligent people are more likely to be satisfied.

Jane Z sojika, Dawn R.deeter-schmelz (2005) in a study on “Enhancing the emotional intelligence of salespeople” found that emotional intelligence may be critical skill that offers practitioners the potential to improve the performance of salespeople. A greater understanding of the role of emotional intelligence was found to influence sales performance and it can be developed more effectively by conducting investigations in a regular intervals.

OBJECTIVE OF THE STUDY

- To study the demographic influence on factors of emotional intelligence and job satisfaction.
- To identify the factors affecting the job satisfaction of the employees.
- To identify the factors of emotional intelligence on employees
- To see the relationship of emotional intelligence on job satisfaction

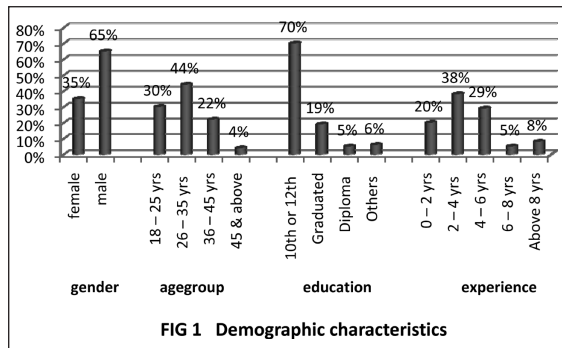
METHODOLOGY

A descriptive study was conducted among 120 sales people of a textile retail outlet in Chennai. Job Satisfaction Survey instrument by Paul E. Spector (1994) and Emotional intelligence instrument by Schutte et al., (1998) was used. Job satisfaction survey instrument had 36 items and measured nine facets of job satisfaction like Pay, Promotion, Supervision, Fringe Benefits, Contingent Rewards (performance based rewards), Operating conditions (required rules

and procedures), Co-workers, Nature of Work, and Communication. The emotional intelligence instrument had 33 items which measured six sub-scales as used and suggested by Lane et al. (2009). The six subscales are: utilization of emotions, appraisal of other’s emotions, optimism, appraisal of one own emotions, emotional regulation, and social emotional intelligence.

FINDINGS 1:

It was found from the study that 35% of the respondents were female and 65% of the respondent were male. (refer Fig 1). 44% of the sales people were in the age group of 26 to 35 years. The educational status of the sales person in these textile retail showrooms was high school or higher secondary with experience of 4 years (38%). There were only 8 % of the employees who have put in more than 6 to 8 years of experience.



FINDINGS 2:

It was found that factors like Pay, Nature of Work and Promotion influences Job satisfaction among the sales person.(table 1)

Table 1 Showing Relationship Between Mean Ranks and Factors of Job Satisfaction

Factors on Job Satisfaction	Mean Rank	CHI Square	P Value
Pay	8.63	781.706	0.000**
Promotion	6.23		
Supervision	5.71		
Fringe benefits	3.09		
Contingent rewards	3.24		
Operating conditions	1.26		
Co-workers	5.49		
Nature of work	7.92		
communication	3.44		

Friedman Test was conducted to study the null hypothesis “ There is no significant difference between mean ranks towards factors on job satisfaction”. It was found that since the p value is less than 0.01 the null hypothesis is rejected at 1% level of significance. Hence concluded that alternate hypothesis “there is significant difference between mean ranks towards factors on job satisfaction” is accepted. Based on mean rank the pay (8.63) is the most important factor for job satisfaction. The next most important factors are nature of work (7.92), promotion (6.23), supervision (5.71), and co-workers (5.49). The least important factors are communication (3.44), contingent rewards (3.24), fringe benefits (3.09) and operating conditions (1.26). The above table points out that pay plays the significant role in the satisfaction level among sales people.

It was further found that recognition, encouragement at the job influenced job satisfaction among the sales person.(refer table 2). Sales person were found to have a great sense of pride and happiness in the nature of the job performed. Salesperson found their job enjoyable and was found more satisfied in performing the job.

Table 2 Showing Descriptive Statistics for Job Satisfaction

S.No	Particulars	N	Mean	S.D
1.	Opinion of the employees regarding receiving recognition	120	5.82	.635
2.	Coordination and encouragement shown by the supervisor	120	5.79	.709
3.	Opinion of the employee regarding enjoyable job	120	5.76	.661
4.	Opinion of the employee regarding pride of performing the job	120	5.59	.874
5.	Fairness of payment of employees	120	5.53	.952
6.	Opinion regarding salary increment offered to the employees	120	5.49	.898
7.	Offers for the fair chance of promotion of employees when job is done well	120	5.48	.970
8.	Satisfaction level of being promoted of employees	120	5.48	1.115
9.	Feeling of appreciation while salary is received	120	5.11	1.346

FINDINGS 3

Emotional intelligence was found to have a significant influence on the sales persons. It was found that emotional intelligence component like social skills with a mean value of 5.83 and appraisal

of others emotion with a mean value of 4.49 was relatively higher. While emotional intelligence component optimisation with mean value of 1.08 and utilization of emotions with mean value of 3.13 was relatively lower.(refer table 3).

Table 3 Showing Relationship Between Mean Ranks and Factors of Emotional Intelligence

Factors on Emotional Intelligence	Mean Rank	CHI Square	P Value
Appraisal of others emotions	4.49	457.508	0.000**
Appraisal of own emotions	3.33		
Regulation	3.15		
Social skills	5.83		
Utilisation of emotions	3.13		
Optimisation	1.08		

Friedman Test was conducted to study the null hypothesis “There is no significant difference between mean ranks towards factors on emotional intelligence”. Since the p value is less than 0.01 the null hypothesis is rejected at 1% level of significance. Hence concluded that there is significant difference between mean ranks towards factors on emotional intelligence. Based on mean rank the social skill (5.83) is the most important factor for emotional intelligence.

The employees exhibited higher mean value for the following emotional factors.(refer table 4). It was found that the “social skills”

factor of emotional intelligence in terms of complementing each other, sharing of positive emotions and “appraisal of own emotions” as a factor of emotional intelligence in terms of control over their own emotions, was relatively high with mean value of around 4.74. It was also found that the salesperson exhibited relatively higher emotional intelligence towards factors of “Appraisal of other emotions” in terms of recognition of facial expression, identification of feeling through voice and non verbal messages of the customers, enabling them in their satisfactory customer service.

Table 4 Showing Descriptive Statistics for Emotional Intelligence

Particulars	N	MEAN
Social Skills		
opinion of the employee regarding complimenting others	120	4.74
opinion of the employee regarding sharing of emotions	120	4.71
Appraisal of Own Emotions		
opinion of the employee regarding control over own emotions	120	4.74
Appraisal of Others Emotion		
opinion of the employee regarding recognition of facial expression	120	4.65
opinion of the employee regarding identification of feeling through voice	120	4.65
opinion of the employee regarding non-verbal messages sent to others	120	4.61

FINDINGS 4

It was found from the correlation analysis that there is no relationship between job satisfaction and emotional intelligence. (refer table 5). The correlation between job satisfaction and emotional intelligence was not significant with p value of 0.495. However it was found that some factors of emotional intelligence had significant correlation with some factors of job satisfaction. From table 5 it could be found that factors of job satisfaction like promotion and pay was significantly correlated with the emotional intelligence factor – optimisation, with p value of 0.004 and 0.002 respectively. This point out that optimistic belief is associated with regulatory behavior of individuals. It could be added that optimistic approach to the situation influences the level of job satisfaction towards pay and promotion.

Similarly appraisal of others emotions and utilization of emotions as a factor of emotional intelligence has significant correlation with supervision and co-workers as factors of job satisfaction with p value of 0.013 and 0.023 respectively (refer table 5). Appraisal of others emotions points out to the emotions that results from people's interpretations and explanations of their circumstances while utilization of emotions is defined as an adaptive cognition and action that uses techniques and

strategies that enable the individual in creating a constructive thought and action. The findings points out that the individuals interpretation of the circumstances influences their satisfaction towards the outcome of supervision exercised upon them, while an individual's spontaneity in well planned constructive usage of the emotions influence the relationship with the co-workers.

Table 5 Correlation Analysis on Factors of Job Satisfaction and Emotional Intelligence

Variable	Correlation Coefficient	N	P Value
Emotional Intelligence	0.063	120	0.495
Job Satisfaction			
Variable	Correlation Coefficient	N	P Value
Promotion	0.261	120	0.004**
Optimisation			
Variable	Correlation Coefficient	N	P Value
Pay	0.209	120	0.022*
Optimisation			
Variable	Correlation Coefficient	N	P Value
Supervision	0.226	120	0.013*
Appraisal of others Emotions			
Variable	Correlation Coefficient	N	P Value
Co-Workers	0.208	120	0.023*
Utilization of Emotions			

CONCLUSION

In conclusion, the present study shed light on the linkage between emotional intelligence and job satisfaction among sales person in a textile retail outlet. Though there was no relationship between job satisfaction and emotional intelligence among the sales person, it was found that the sales person in the study exhibited higher emotional intelligence towards social skills and appraisal of others emotions. They were found to be satisfied with their job. Some of their emotional intelligence factors like optimisation, utilization of emotions and appraisal of others emotions seems to influence their competence in understanding and identifying the expectations of the customers who come to the textile retail outlet. The study thus gives scope for future study in understanding the significance of emotional intelligence in competency development of sales person in successful handling and efficient rendering of service to the customer.

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The Impact of Service Recovery on Customer Satisfaction and Customer Loyalty

P. Madhan Kumar Research Scholar and Dr. K.S. Sathyanarayanan

Abstract : – Service failure is almost inevitable in the best run organization and this has the potential for the organization to lose its customer. Therefore, service recovery should be the cornerstone of customer retention strategy. Service recovery is considered the tool to reconstruct customer satisfaction after failures. However, if implemented successfully, Service Recovery can rectify the breakdown in service, and turn angry, frustrated customers into loyal ones. This study attempted to rectify the situation, to ensure that the bank does not fail its customers a second time. The major focus of the study is to assess customer satisfaction with Service Recovery (SR) from banks in Chennai. Specifically this study examines the effects of six dimensions of service recovery; namely “Empowerment”, “Explanation”, “Communication”, “Feedback”, “Atonement” and “Tangibles” on customer service recovery satisfaction which was then regressed to the customer loyalty. A sample of 604 customers those who faced service failure in banks were participated in the study. The findings were tested using structural equation modeling procedure. In general, the results indicate that service recovery dimensions namely “Empowerment”, “Explanation”, “Communication”,

“Feedback”, “Atonement” and “Tangibles” were found to have positive significant effects on customer service recovery satisfaction. In addition, customer satisfaction is found to be positively related to customer loyalty. In short service recovery measure can rectify the service failure and make the customer satisfied and loyal.

Key words : *Service Failure, Service Recovery, Satisfaction and Customer Loyalty.*

INTRODUCTION

Banks are one of the most important service institutions in the economy of any country. Especially, in the Indian economy it plays huge role in the socio-economic development since independence. Banking industry in India is very competitive, and it is difficult for retails banks to provide unique banking services as required by clients. The nature of business in the banking industry involves a lot of interactions between customers and employees. Such interactions may provide opportunities for the occurrence of service failures. Service failure occurs when customers experience dissatisfaction because the service was not delivered as promised or as expected. It means that the consumers’ perceptions of service delivery do not match their adequate service expectations. To overcome service failure, banks can benefit from service

recovery efforts. Service recovery efforts in banks are more important as they influence the satisfaction, loyalty and Trust. Moreover, previous studies have shown that there is a significant relationship between the service recovery efforts and customer satisfaction (Boschoff 2005). Both banks and their clients can get benefit from the service recovery efforts. Service recovery may result in enhanced customer satisfaction, customer loyalty, and possibly increased customer retention levels for banks (Boschoff 2005). These benefits can all contribute to the survival of banks and ensure greater banking success. It is therefore important to identify whether improved service recovery efforts by banks can make the customers loyal. Therefore, the main objective of this study is to investigate the service recovery efforts that could influence customer satisfaction and subsequently examine the effect of customer service recovery satisfaction on customer loyalty.

LITERATURE OVERVIEW

The word “recovery” in service context was originated from British Airways and the central theme was “Putting the Customer First”. Service recovery is defined as actions and activities that service providers take in response to service defections or failures in service delivery to return “aggrieved customers” to a state of satisfaction. To measure a service recovery Boshoff (1999) developed a scale, RECOVSAT that could measure the satisfaction generated by the service recovery. Based on responses from customers of banks, airlines, taxi services and health care, he developed a 17 item scale with 6 underlying dimensions.

EMPOWERMENT

The word “to empower” merely signifies “to give power to someone”. In banking service, empowerment refers the ability to solve the problem alone by the banker who first received the complaint and need not any help from the others or ask for someone else to solve the problem. Empowered service providers are given both the monetary and informational resources required to meet consumer needs; these resources are then used to ensure high- quality service recovery satisfaction. Horovitz and Cudenne-Poon (1990) pointed out that service deliverers play a significant role in determining the extent and quality of consumer experience and satisfaction. Given the volatility of clients, service employees are best placed to respond to customer wants. An empowered employee is in the best position to both understand and deliver the service needed, and their understanding of the customer needs and their service improves the quality of service they provide to customers (Hartline and Ferrell, 1996). As such it is hypothesized that:

H1a: Empowerment will have a significant positive effect on customer service recovery satisfaction.

FEEDBACK

Feedback is used with the perspective of the service provider, it’s not the feedback about the service given by the service provider but refers to the information being supplied by the service provider/ organization about the problem and what is being done to resolve that problem. As previously mentioned, a complaining customer gives the service provider a second chance at satisfying him/her. This satisfaction will hinder

not only switching behavior, but also negative word-of-mouth. The information obtained from the complaint can be used by the service provider to take action in reducing or eliminating the cause of the complaint. When a customer's complaint leads to corrective measures and the customer is told about it, it makes the customer feel like it belongs to a protracted quality control team and if it has to do with something the company cannot fix/handle, the customer should be told why (Hart et al., 2000). The speed at which complaining customers receive feedback plays a significant role in determining customer satisfaction and repurchase decisions (Kincade et al., 1992). As such, it is postulated that :

H1b : Feedback will have a significant positive effect on customer service recovery satisfaction.

COMMUNICATION

Communication in terms of Banking service perspective, is to communicate with the client clearly and whenever customer ask any question then clarifying the situation with proper understanding and maintaining reliability with the honesty with proper endeavors, how they can retrieve themselves from the problem. Customers expect to be viewed /regarded politely, with care and honesty in the advent of a service failure. This particular dimension has the tendency to override the others if the customer feels/perceives that the service provider has an uncaring attitude and might do little to resolve the failure. Boshoff (1999) distinguishes two types of communication styles: convergence and maintenance. Convergence refers to a voice-to-voice encounter as a communication style in which the banker adapts his/her "tone of voice" in accordance with the Banker's

schemas held by the customer (Boshoff, 1999). In a maintenance style, the banker displays no effort to adapt to the customer needs (Boshoff, 1999). Levesque and McDougall (2000) carried out a study on what is done in a service recovery. Their study showed that how an employee communicates with a customer during a service recovery situation is likely to affect the customer satisfaction and future intentions of customers (Levesque and McDougall, 2000). Based on the preceding argument it is hypothesized that:

H1c : Communication will have a significant positive effect on customer service recovery satisfaction.

EXPLANATION

Explanation in banking service refers to the level of banker's ability to explaining the problematic situation and level of customer satisfaction it can provide towards bank clients. Explanation basically refers to information given by the service provider about why the problem occurred. Suitable provision of explanation decreases the recipient's perceptions of injustice and in turn affects recipient satisfaction and loyalty. Appropriate and adequate provision of explanation lessens the recipient's perceptions of injustice and, in turn, affects recipient satisfaction and loyalty (Dunning and Pecotich, 2000). Therefore, this study postulates that :

H1d : Explanation will have a significant positive effect on customer service recovery satisfaction.

TANGIBLES

The term 'tangibles' refers to the appearance/standard of dress of employees, the equipment

they use, and the physical environment in which they handle complaints. It refers to the way the employees are dressed, the type of equipment's in use and the physical environment in which they take care of complaints (Boshoff, 1999). They are also the visible aspects of the service facility (equipment's, employee appearance, etc.) or the man-made physical aspect called the servicescape (Sureshchandar et al., 2003). According to (Boshoff, 1999), customers expect employees that deal with their complaints to do so in a neat and professional manner, and also goes on to tell us that these tangibles have an important part in after encounter assessments. Based on this argument, it can be hypothesized that :

H1e : Tangibles will have a significant positive effect on customer service recovery satisfaction.

ATONEMENT

Atonement refers to some value-added compensation to restore the ratio of inputs to outputs, by 'making it up to the customer' for the inconvenience of service failure. Atoning for service failure is one of the most cost effective recovery strategies especially when it is administered with other service recovery strategies (Cengiz et al., 2007). This atonement for a service failure can be undertaken in three ways; there can either be a simple apology, or an apology with compensations for incurred expenses (Boshoff, 1996), a compensation and a substantial outcome (Zemke and Bell, 1990). Research by (Zemke and Bell, 1990) show that atonement is better when personally delivered, saying that an unhappy/dissatisfied customer might need just an apology as long as the service provider shows some understanding. This study therefore postulates that :

H1f: Atonement will have a significant positive effect on customer service recovery satisfaction.

CUSTOMER SATISFACTION AND LOYALTY

Customer satisfaction is an important factor of customer loyalty. Previous research confirmed the significant positive correlation between post recovery satisfaction and customer loyalty. Customer loyalty underlies a commitment to a particular vendor and is often reflected as the continued patronage of the same provider. Customer loyalty is important as the long term survival of the firm lies in its ability to retain and attract profitable customers. Loyal customers generally possess lower marketing requirements and are deemed to be more profitable than new customers (Dawkins and Reichheld, 1990). Reichheld and Sasser (1990) also reported that a service company could boost profits by 100 percent just by increasing customer retention rate by 5 percent. When a firm develops a good system of resolving customer complaints, it leads to greater customer loyalty (Tax and Brown, 2000). Similarly, Andreassen (1999) also affirmed that satisfaction with service recovery had a strong impact on customer loyalty. As such, it can be hypothesized that satisfaction with service recovery would lead to higher consumer loyalty.

H1g: customer service recovery satisfaction has positive significant effect on customer loyalty.

METHODOLOGY

A measuring instrument in the form of a structured questionnaire was distributed by means of purposive sampling to individual

banking customers. According to McBurney and White (2004), a purposive sample is selected non-randomly but for a particular reason. The reason in this case was that only customers who had experienced service failure and complained to enable the banks either recover from the service failure or do nothing at all were considered suitable for this study. There were totally Eight hundred questionnaires were distributed, out of which six hundred and four questionnaires were found usable. Among 604 respondents 59% percent were male, 41% were Female. Ages varied between 25 years to over 51 years. 41.7% were between 21 and 30 years; 30% were between 31 and 40 years; 16.1% were between 41 and 50 years; and 12.3% were over 51 years. 40% had been customers at the bank for 1-5 years, 16% for 6-10 years, and 44% for more than 10 years.

MEASUREMENT

The service recovery measures which consist of Empowerment, Explanation, Feedback, Communication, Atonement and Tangibles were measured using Recovsat Instrument developed by Boshoff (1999). The three-item scale used by the Maxham and Netemeyer, (2002) was employed to measure the customer satisfaction after the recovery effort made by the service provider. The four item scale used by the Gerrard, & Cunningham, (1997) & Allred, & Addams, (2000) was employed to measure the customer loyalty. These measures used a Five point Likert scale ranging from strongly disagree to strongly agree.

RESULTS AND FINDINGS

Confirmatory Factor Analysis (CFA) was performed to examine the factorial validity of

the factors and to assess the goodness of fit of the model (Byrne, 2001). The model was then tested using structural equation modeling (SEM) procedure. Besides fit statistics, of particular interest is the path significance indicated by the standardized regression estimate (β) that assesses the effects of the studied variables. The central point in analyzing structural models is the extent to which the hypothesized model "fits" or adequately describes the sample data (Byrne, 2001). A model fit can be evaluated by examining several fit indices which include: chi-square (χ^2), chi-square/degree of freedom (χ^2/df), Goodness-of-Fit Index (GFI), Tucker Lewis Index (TLI), Comparative Fit Index (CFI), Standardized Root Mean Residual (SRMR) and Root Mean Square Error of Approximation (RMSEA). Besides fit statistics, of particular interest is the path significance indicated by the standardized regression estimate (β) that assesses the effect of one variable on another. The significance level was set at $p < .05$. Prior to testing the model, the psychometric properties and the goodness of fit of the constructs studied were undertaken.

The results of CFA analysis suggest that the factor loadings for all major variables range between 0.89 and 0.98. The Cronbach alpha values reported for the variables are as follows: Empowerment = 0.94, Explanation = 0.96, Feedback = 0.97, Communication = 0.96, Atonement = 0.93, Tangibles = 0.92, Customer service recovery satisfaction = 0.94 and Loyalty = 0.98. The model was then tested using the structural equation modeling (SEM) procedure. The central point in analyzing structural models is the extent to which the hypothesized model "fits" or adequately describes the sample data (Byrne, 2001). From the SEM process, Model showed significant relationship between factors. The good-of-fit results are shown in Table 1,

the model yielded a good fit given the sample data of $\chi^2 = 16.40$, $p = .012$, $\chi/df = 2.734$, GFI = .993, IFI = .998, CFI = .998, TLI = .991 and RMSEA = .054.

Table 1: SEM Goodness-of-fit indices

S No	Index	Result
1	CMIN / DF	2.734
2	CFI	.998
3	GFI	.993
4	IFI	.998
5	RMSEA	.054
6	TLI	.991

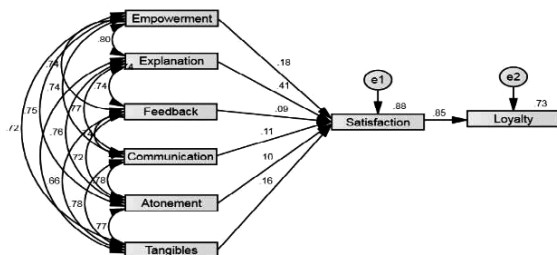


Figure 1: Structural Equation Modeling Procedure

An analysis of the data using the structural equation modeling procedure, as depicted in Figure 1, shows significant direct effects of Empowerment ($\beta = .18$, $p < .001$), Explanation ($\beta = .41$, $p < .001$), Feedback ($\beta = .09$, $p < .001$), Communication ($\beta = .11$, $p < .001$), Atonement ($\beta = .10$, $p < .001$) and Tangibles ($\beta = .16$, $p < .001$). The six independent variables account for 88% of the customer satisfaction variance. These results were congruence with the previous findings of (Conlon & Murray, 1996; Smith et al., 1999; Tax et al., 1998, Goodwin and Ross., 1989, Boshoff, C & Staude, G, 2003). In addition, the effect of satisfaction on customer loyalty is also found significant ($\beta = .85$, $p < .001$) and the variable accounts for 73% of the loyalty variance. In summary, considering the

empirical results, all the formulated hypothesis can be accepted, as six independent variables (Communication, Empowerment, Feedback, Atonement, Explanation, and Tangibles) have positive relationship with intervening variable (Satisfaction) and the intervening variable (Satisfaction) has a positive relationship with the dependent variable, Customer Loyalty. Therefore, Hypotheses H1a, H1b, H1c, H1d, H1e, H1f and H1g are accepted.

DISCUSSION AND IMPLICATIONS

The real value of research work lies in making appropriate suggestions on the basis of the empirical findings. The present research work is having a lot of practical implications for banking service providers who strive to organize their service offerings in order to accomplish their corporate objectives. According to the results obtained from this study, service recovery strongly influences customer satisfaction. This indicates that the ability to provide high quality service recovery is the key to achieving higher satisfied customers. Furthermore, customer satisfaction strongly influences loyalty. This implies that service recovery is important to predict customers' satisfaction, which in turn predicts customer loyalty. Following implications have been made by this research study in order to improve service recovery.

Since service recovery has a strong influence on customer satisfaction, service providers should consider the role of service recovery. It appeared in this study that explanation is the strongest dimension, followed by other dimensions. Employees should be trained and encouraged to be empathetic while explaining the reason for the failure to the customer, the explanation should be appropriate and adequate for the customer. During the explanation process

the customers should not feel that the bank is trying to protect their reputation. Hence it is advisable to service providers to give proper training to their employees to make them more knowledgeable and skillful. The other dimensions of service recovery are also equally important and service providers should be able to manage proportionally which aspects of service recovery best accommodates their companies to further have best effect on customer satisfaction.

Like any other service failure and recovery studies, this research also had some limitations which need to be addressed with further study into the topic in future. Firstly, the present study focused only on one service sector (Banking industry) and in a specific region, the findings cannot be generalized to other service sectors. Therefore, future research can be carried out in other service sectors. Secondly, the present study used a purposive sampling method, as banks were unwilling to release their customer database. Future research can overcome this limitation by taking a larger randomly selected sample which may provide a more comprehensive result.

CONCLUSION

Due to the economic liberalization in India, banks have already been exposed to difficult conditions. There is heightened competition and new players have entered with new financial products and services, regulations have been tightened. On the other hand, Customers expected the banker to perform efficiently and provide a flawless service. However, service failure is inevitable; banks must provide effective service recovery to make a customer satisfied. This research has developed a conceptual model of service recovery from the customer perspective. This study considers the perception of banks customers viewing the relationship

among service recovery, customer satisfaction, and its impact on customer loyalty. The results of this study support the importance of customer satisfaction in the service recovery process. The above findings contribute to the expansion and enrichment of knowledge in the service recovery literature. The research outcome had served as a stepping stone for future research endeavors. Beyond the acknowledged areas of research limitations, this research made an important contribution to service marketing theory.

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A Study on Disclosure of Interest by Directors

Dr. N. Ragavan

Abstract – 400 samples were taken for this study, descriptive statistics, multiple-regression and t-test was done to analyze the antecedents of quality of work life and the impact of quality of work life in between male and female. The concluding observation is that more satisfied and productive workers produce better and quality products.

Key words: Job Satisfaction, Organizational Policies, Organizational Support, Quality of work life, Self-Motivation, Time Management, Work Hours and Occupational Pressure.

1. INTRODUCTION

Organization, in the past, gave more importance on innovative technology for higher productivity surpassing the needs and mental state of its employees. This created a negative impact on the working environment among the employees. Thus, it was realized that societal support goes hand in hand with technical innovations. This integration can only be made through quality of work life programmers. Quality of work life refers to all the organizational inputs that aim at the employee's satisfaction and enhancing organizational effectiveness. The Emerging Workforce Study revealed a troubling gap

between employers and employees on critical workplace issues such as retention factors, training and development and work-life balance (Spherion Pacific Entreprises LLC, 2005). Harrington and Ladge (2009) stated that work-life balance was one of the most significant business concerns of the twenty-first century.

The various factors necessitating the study of work-life issues are globalization, organizational flexibility, changing family structure and technological change. Having concern with the life on the job is not new. The increased upheaval of union activities in the 30s and 40s, through collective bargaining and legislations, led to improved working conditions. Even before that, labour was vigorously protesting management attempts to change the work environment.

A study by Professor Robert F.Hoxie, Chicago University in 1915, reported how the unions, particularly the machinists, were fighting scientific management techniques. In the late, 1950s, the term QWL was used to stress the prevailing poor quality of life at workplace and it was first defined then in terms of people's reacting to work, particularly an individual's job satisfaction and mental health.

In the new economy, emphasis is placed upon the latest technology, most groundbreaking management practices, and state-of-the-art office buildings. However, these are of no worth without the talent, commitment, and contribution

of a quality workforce. Every organization must do its best to provide a working environment that is inclusive, enriching and encouraging to all employees. This spirit must be visible in all work processes and benefits.

2. QUALITY OF WORK LIFE

Meaning and Concept of QWL

The term “quality of work life” (QWL) has different meaning. Some consider it industrial democracy or co-determination with increased employee participation in the decision making process. For others, particularly managers and administrators, the term denotes improvement in the psychological aspects of work to improve productivity. Unions and workers interpret it as more equitable sharing of profits, job security and healthy and humane working conditions. Others view it as improving social relationships at workplace through autonomous workgroups. Finally, others take a broader view of changing the entire organizational climate by humanizing work, individualizing organizations and changing the structural and managerial systems.

In general terms, QWL, refers to the favourableness or unfavourableness of a job environment for people. It refers to the quality of relationship between employees and the total working environment. According to Harrison, QWL is the degree to which work in an organization contributes to material and psychological well-being of its members. One expert defines quality of working life as “a process of joint decision making, collaboration and building mutual respect between management and employees”.

It is concerned with increasing labour management co-operatives to solve the problems

of improving organizational performance and employee satisfaction. According to the American Society of Training and Development, it is “a process of work organization which enables its members at all levels to actively participate in shaping the organization’s environment, methods and outcomes. This value-based process is aimed towards meeting the twin goals of enhanced effectiveness of organization and improved quality of life at work for employees.

Broadly, the definition of quality of work life involves four major parts: safe work environment, occupational health care, suitable working time and appropriate salary. The safe work environment provides the basis for the person to enjoy working. The work should not pose a health hazard for the person. The employer and employee, aware of their risks and rights, could achieve a lot in their mutually beneficial dialogue. The working time has been established by the state according to legislation.

The standard limits on overtime, rest days, and public holidays etc., have also been stipulated. The appropriate salary is agreed upon by the employee and the employer and fixed by the Pay Commission. The Government also establishes the rate of minimum wage; the employer should not pay less than that to the employee.

The concept of QWL is based on the assumption that a job is more than just a job. It is the centre of a person’s life. In recent years, there has been increasing concern for QWL due to several factors:

Increase in education level and consequently job aspirations of employees;

Association of workers;

Significance of human resource management;

Widespread industrial unrest;

Growing of Knowledge on human behaviour, etc.

3. OBJECTIVES OF QWL

The main objectives of the QWL programs are:

- Improve employee satisfaction;
- Improve physical and psychological health of employees which creates positive feelings;
- Enhance productivity of employees;
- Reinforce workplace learning;
- Improved management of the on-going change and transition; and
- Build the image of the company as best in recruitment, retention, and in general motivation of employees.

4. DEFINITIONS

Robbins (1989) has defined Quality of Work Life as process by which an organization responds to employee needs by developing mechanisms to allow them to share fully in making the decisions that design their lives at work. Johnson and Stephen (1999) have defined Quality of Work Life as “the favourable conditions and environments of a workplace that support and promote employee satisfaction by providing them with rewards, job security, and growth opportunities”.

Workload is considered to be an important element of the Quality of Working Life. For many people having too much work to do and

not enough time or resources to do it can be stressful. Surveys commonly identify workload as a major source of stress. Workload causes both psychological as well as physical outcomes that are reflected through factors like job satisfaction, job stress and burnout. Work overload exists when demands exceed the capacity of a worker to meet all of them adequately.

Job Satisfaction is central to the concept of Quality of Work Life.

Job Satisfaction is concerned with expectations and outcomes. It is a measure of the degree to which valued and expected rewards, extrinsic or intrinsic, are realized on the job. The relationship between job satisfaction and performance is a complex one that still is largely unexplained by theory or research. While a positive correlation clearly exists between the two, the degree and direction of the interaction is unclear. (Ann Harriman, 1996). According to P.C. Smith et.al. (1960) ‘Job Satisfaction is the persistent feeling towards discriminable aspects of the job situation.’

Locke (1976, p. 1300), has defined job satisfaction as a “pleasurable or positive emotional state, resulting from the appraisal of one’s job experiences.” Psychologists have identified a number of dimensions or sources of job satisfaction, including attitudes to pay, working conditions, co-workers and superiors, career prospects, and the intrinsic features of the tasks performed.

The Job Description Index (Smith, Kendall, and Hulin 1969), one of the commonly used scales for measuring job satisfaction, uses the following five constructs to measure job satisfaction viz., satisfaction with pay, satisfaction with promotion policies, satisfaction with supervision and satisfaction with co-

workers. An evaluation of all these dimensions of the job is a necessary pre-requisite for determining the Quality of Work Life.

Researchers working in the area of quality of work life use many scales to measure Quality of Work Life. Some of these are (1) Need Satisfaction Questionnaire (2) Job Description Index (3) Hassles and Uplifts Scale (4) McNabb and Sepic's Quality-of-Work Life Measure (5) Lewellyn and Wibker's Job Satisfaction Measure (6) Manz and Grothe's Quality-of-Work Life Measure and (7) Hart Quality of Work Life Measure. (Joseph Sirgy, 2001)

Thus, Quality of working life (QWL) refers to the favourableness or unfavourableness of a job environment for people. The basic objective is to develop jobs that are excellent for people as well as for production. QWL is a target step forward from the traditional job design of scientific management, which focused solely on specialisation and efficiency for the performance of narrow tasks, adopting division of labour, rigid hierarchy, and standardisation of labour to reach its objective of efficiency. The idea was to reduce cost by using unskilled, repetitive labour that could be trained easily to do a small part of the job. Job performance was controlled by a large hierarchy that strictly enforced the one best way of work as defined by technical experts.

Many workers were so deskilled that they lost pride in their work. The result was higher turnover and absenteeism. Quality declined and workers became alienated. Conflict arose as workers tried to improve their conditions. Management responded to the situation by tightening controls, increasing supervision and organising more rigidly. These actions were expected to improve the situation but actually, they made situation worse because they further dehumanised the work.

A factor contributing to the problem was that the workers themselves were changing. They are more educated, more affluent and more independent. They began reaching for higher-order needs, which is more than physiological needs. Classical design was best for poor and uneducated workers who lacked skills but was not appropriate for the new workforce. Design of jobs and organisations had failed to keep up with vast changes in workers' aspirations and attitudes.

Employers now have to redesign jobs for a better QWL for two reasons:

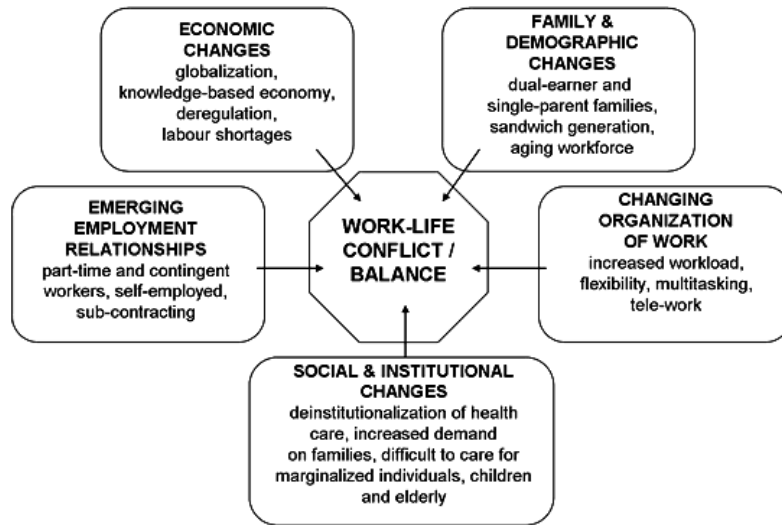
- Classical design gave inadequate attention to human needs and
- Needs and aspirations of workers themselves are changing.
- Several options available are:
- Leave the job as it is and employ only those workers who like rigid environment and classical design.
- Leave the job as it is but pay the workers more so that they will accept the situation.
- Let machine do the routine job and terminate the unhappy workers.
- Redesign jobs that have attributes desired by the people. This approach will help to improve the QWL.

QWL produces more humanised jobs. It seeks to serve the higher-order needs of workers as well as their basic needs. It seeks to bring out the higher skills of workers and provide an environment that encourages them to improve their skills. The basic assumption of humanised work is that it is most advantageous when it provides a "best fit" among workers, jobs, technology and the environment.

The relationship of man to work is the basic element of social life. Drastic change in this relationship has been termed as revolution. There have been two such revolutions in the past. First one with the use of machine power (replacing

muscle power with machines in the 19th century), the second one with the explosion of information technology (computer). The third revolution is now taking place—humanisation of work.

Why Is Work-Life Balance so Important in Today's World?



5. SCOPE OF THE STUDY

Work life balance states different things to different people, depending on their work and non-work circumstances, its causes and forms are also bound to differ, it vary with time and even from day to day (Pittman, Kerpelman and Solheim, 2001). What comprises a satisfactory work-life balance varies from person to person, reflecting a wide range of individual circumstances and preferences.

6. REVIEW OF WORK-LIFE BALANCE

Roberts in 2007 traced the sources and outcomes of work-life imbalance based on international evidence on hours of time and work, employee’s

attitudes in hours of work and complaints about work-life imbalance. Johansson (2002) explained about the antecedents of work life imbalance with two empirical studies carried out in 1996 and 1998. 50% of the study reported that work dominated over non-work. One of the surveys it was found that poor mental health was modest but significantly higher among individuals reporting imbalance than among those perceiving balance between work and non-work activities.

Cohen 1997 examined several dimensions of non-work domains such as work-non-work to work spill over, work-non-work conflict, coping strategies and organizational support for non-work and their relationship

to withdrawal cognitions. Data were collected through questionnaire method from employees of a school in Canada. Findings showed that high work-non-work conflict was significantly related to high withdrawal cognitions.

Imbalance = poor health

Balance = good health and well being

Balance equals low conflict high enhancement support from Frone (2003) model. Work-life conflict was experienced more frequently than life to work conflict.

Feeling of balance = satisfaction

Feeling of imbalance = guilt

7. OBJECTIVE OF THE STUDY

- To evaluate the significant difference in quality of work-life in an organization in-between male and female employees.
- To identify the predictability of quality of work life and the variables (a) time management (b) self motivation (c) job satisfaction (d) organisational support (e) working hours (f) organizational policies (g) occupational pressure.

1. Factors affecting quality of work life:

- Time Management
- Self motivation
- Job satisfaction
- Organizational support
- Work hours
- Organizational policies
- Occupational pressure

8. RESEARCH METHODOLOGY

Sampling Design

In the present study, the investigator has selected a simple random sampling technique method. In the present study, a total of 400 employees were randomly selected from various operating offices and controlling office in Chennai Region. Out of 400 employees, 267 respondents were male and remaining 133 were female.

9. DATA ANALYSIS AND INTERPRETATION

The demographic details of the respondents are given below:

No	Variables	Group	N	Percentage
		Male	267	66.75
1	Gender	Female	133	33.25
		Total	400	100
2	Designation	Marketing Executives	44	11.0
		Clerical Cadre	123	30.75
		Total	400	100
		Less than 5 years	39	9.75
		5 – 10 years	29	7.25
3	Experience	10 – 15 years	52	13
		15 – 20 years	68	17
		Above 20 years	212	53
		Total	400	100
		Upto Rs. 150000	43	10.75
		Rs. 15000 – 20000	49	12.25

4	Income	Rs. 20000 – 25000	98	24.5
		Rs. 25000 – 30000	104	26
		Above Rs. 30000	106	26.5
		Total	400	100
		Married	354	88.5
5	Marital status	Single	46	11.5
		Total	400	100
Source: Primary Data Analysis				

10. INSTRUMENT DEVELOPED

Tool: Quality of work Life Questionnaire

From the 52 items of Quality of Work Life (QWL) scale by Sangeetha Jain (1991) and Steward Doss (1999), 16 items were selected out of an exhaustive survey of literature, one item has been included out of suggestions made by the specialists in the field of management, and personnel belong to insurance company. In total, 17 items were used in the questionnaire of quality of work Life. It is a 7-point scale varying from the response of “Strongly Disagree” to “Strongly Agree”. The respondents were asked to give their scores from 1-7 for each of the questions given in the questionnaire.

11. ANALYSIS AND DISCUSSION

Multiple - Regression

Kerlinger and Lee (2000) defined that multiple regression is a statistical method that is related to dependent variable in a linear combination of one or more independent variables (predictors). MR help researchers determine how much each

independent variable (predictors) explains or relates to the dependent variable. An important output of multiple regressions is R². The significant of R² is determined by the F-test, which is the same as testing the significance of the regression model. The probability of obtaining a large value for F less than 0.001, the model is considered significant. It is concluded that there is a linear relationship between the dependent variable and the independent variable.

Hypothesis 1

H0: There is no predictability of quality of work life and the variables (a) time management (b) self motivation (c) job satisfaction (d) organisational support (e) working hours (f) organizational policies (g) occupational pressure.

H1: There is predictability of quality of work life and the variables (a) time management (b) self motivation (c) job satisfaction (d) organisational support (e) working hours (f) organizational policies (g) occupational pressure.

Variables Entered	R	R Square	F	p-value
Time Management Self motivation Job satisfaction Organizational support Work hours Organizational policies Occupational pressure	0.626	0.392	43.274	0.000**
** Significant at 0.01 level Source: Primary Data Analysis				

	Beta		t	p-value
	Un standard	Standard		
Time Management	0.133	0.219	3.668	0.000**
Self motivation	0.237	0.162	2.986	0.003**
Job satisfaction	0.105	0.100	1.876	0.001**
Organizational support	0.248	0.129	3.233	0.061
Work hours	0.391	0.166	3.187	0.002**
Organizational policies	0.469	0.133	2.645	0.008**
Occupational Pressure	0.422	0.132	2.455	0.008**
** Significant at 0.01 level				
<i>Source:</i> Primary Data Analysis				

A step-wise regression is performed by taking Time management, Self motivation, Job satisfaction, organizational support, working hours, organizational policies and occupational pressure were independent variable and quality of work life as dependent variable.

The model's R square value is 0.392, which indicates the good fit and the model is significant at 1% level. That is the variability of Time management, Self motivation, Job satisfaction, organizational support, working hours, organizational policies and occupational pressure over quality of work life is more than 39%. Time

management, Self motivation, Job satisfaction, organizational support, working hours and organizational policies occupational pressure were the significant predictors of Quality of work life.

t Test

Hypothesis 2

H0: There is no significant difference in the quality of work-life job in organization between male and female employees.

H1: There is significant difference in the quality of work-life job in organization between male and female employees.

VARIABLE	Gender	N	Mean	Std. Deviation	Std. Error Mean
Time management	Male	267	3.81	0.938	0.119
	Female	133	3.55	1.058	0.172
Self motivation	Male	267	3.85	0.765	0.097
	Female	133	3.47	0.951	0.154
Job satisfaction	Male	267	3.90	0.863	0.110
	Female	133	3.55	1.201	0.195
Organizational Support	Male	267	3.89	0.630	0.080
	Female	133	3.45	1.083	0.176
Working hour	Male	267	3.95	0.612	0.078
	Female	133	3.50	0.726	0.118
Organizational policies	Male	267	3.73	0.772	0.098
	Female	133	3.34	0.878	0.143
Occupational pressure	Male	267	3.79	0.852	0.108
	Female	133	3.50	0.923	0.150
<i>Source:</i> Primary Data Analysis					

Table 5 t-test

ITEMS	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Time management	1.09	0.299	1.251	98	0.214	0.254	0.203	-0.149	0.657
			1.215	71.231	0.228	0.254	0.209	-0.163	0.670
Self motivation	6.28	0.014	2.202	98	0.030	0.381	0.173	0.038	0.725
			2.090	65.870	0.040	0.381	0.182	0.017	0.745
Job satisfaction	5.40	0.022	1.695	98	0.093	0.351	0.207	-0.060	0.761
			1.568	60.435	0.122	0.351	0.224	-0.097	0.798
Organizational Support	19.55	0.000	2.570	98	0.012	0.440	0.171	0.100	0.779
			2.278	52.568	0.027	0.440	0.193	0.052	0.827
Working hour	9.76	0.002	3.334	98	0.001	0.452	0.135	0.183	0.720
			3.200	68.392	0.002	0.452	0.141	0.170	0.733
Organizational policies	1.84	0.178	2.289	98	0.024	0.384	0.168	0.051	0.716
			2.218	70.696	0.030	0.384	0.173	0.039	0.729
Occupational pressure	2.44	0.121	1.603	98	0.112	0.290	0.181	-0.069	0.650
			1.572	73.583	0.120	0.290	0.185	-0.078	0.658

Source: Primary Data Analysis

The above table states that the sample size of the study is 400 and the above table with mean and standard deviation states the standard error for the sample is significantly less. The means and standard deviation of the sample varies. The mean and standard deviation for time management on the company is 3.81 with the standard deviation of 0.94 and t-value 1.25, for male followed by female mean value of 3.55 and S.D 1.06 and t-value 1.21 which states male employees possess higher satisfaction than female. Employee states time management is more challenging for male employees than female employees having their t-value of 2.20 for male and 2.09 for female.

The job satisfaction have a mean value of 3.90 for male employees and 3.55 for females, standard deviation 0.86 and 1.20 for both male and female followed by t-value 1.69 and 1.57, organizational support for male and female have their mean value of 3.89 and 6.45, S.D is 0.63 and 1.08 and t-value is 2.57 and 2.28, this states that males employees have a feeling that they have a better support than the female employees. Working hours mean value for males 3.95 and females 3.50, S.D for males 0.61 and 0.73 for females and t-value is 3.34 and 3.20 for male and female.

Organizational Policies had the mean value of 3.73 and 3.34 for male and female employees, 0.77, and 0.88 as S.D and t-value of 2.29 and 2.22 for male and female employees. Organizational Pressure had the mean value of 3.79 and 3.50 for male and female employees, 0.85, and 0.92 as S.D and t-value of 2.29 and 2.29 for male and female employees. Based on the results obtained by SPSS, the significant value is 0.00 and it is less than 0.05.

Hence, there is significant difference between the test value and actual calculated

mean of quality of work life in between male and female employees.

13. CONCLUSION

Life has four quadrants: Work, Family, Friends/ community and self. To make one's life happy, it is very important in today's world to maintain a right balance between all the four quadrants. To give proper and timely attention to each can creates a feeling of satisfaction in oneself. If an individual gives focus on these four areas as key components, they are not hard to implement. Balance is a must in all aspects of life. It is just like walking on a narrow bridge, as long as we keep ourselves well balanced, we will keep walking towards our destination. It involves time management, concentration and coping up with situations in the right spirit. The best way to maintain work life balance is to have time management.

Improved communication and co-ordination among the workers and organization helps to integrate different jobs resulting in better task performance, better working condition enhances workers motivation to work in a healthy atmosphere resulting in motivation and increase in production, QWL attracts talented employees and make them loyal towards the organization, makes employees feel valued, Increase productivity, Reduce absenteeism, earn the reputation of being an employer of choice. The net result is — more satisfied and productive workers produce better and quality products.

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“Patronage Towards Islamic Banking”

A Study Among the Students of Selected Private Universities in Tamilnadu

***Dr. Y. Lokeswara Choudary and **Yaseen Maswood**

Abstract–Islamic banking is a new age concept to the world to mitigate many financial risks arising out of market sentiments and speculative activities. Banking is an activity closely associated with trust and confidence of the customers at large. The hard earned savings of the customer’s needs to be invested in the best and risk free securities and optimise the returns of the customers from time to time. Conventional banks through the traditional products lacks in doing the same in the recent past due to aggressive portfolios in real industry and by creating market boom and blast in the short span. The credit risk of the banks is also rising due to unstable employment situation and irregularity of income for repayment of loans. Conventional banks depends on the market sentiments and accordingly interest rates are adjusted , which have direct impact on the EMIs of the customers .Increased EMIs may be additional burden to the average customer and slowly become default culture and goes up to insolvency. The impact of this at individual customer level is less when compared to corporate customer defaults.

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Such risks can be mitigated through Islamic banking adoption. The basic flaw in adopting the same is religious sentiments, lack of awareness on the concept and availability and accessibility of such institutions. The role of government in popularising such new practices is the need of the hour.

The current paper focused to find out the level of awareness, perceptions and patronage towards Islamic banking among the students of selected private universities in Chennai city. The reason behind selection of students from higher education is the level of awareness on financial aspects and risk is quite good when compared to others. The findings reveals that, Islamic banking can be one of the alternative to the risk mitigation along with the portfolio management services for the customers , who believes that risk is inseparable from investments and the positive perceptions towards the Islamic banking is observed.

Keywords: *Risk Mitigation-Portfolio Management Services- Investment-Religious Sentiments Profit and loss sharing*

1.0 INTRODUCTION

Islamic Banking has experienced global growth rates of 10-15 percent per annum, and

has been moving into an increasing number of conventional financial systems at such a rapid pace that Islamic financial institutions are present today in over 51 countries. Despite this consistent growth, many supervisory authorities and finance practitioners remain unfamiliar with the process by which Islamic banks are introduced into a conventional system. This paper is focused on finding the business graduates level of awareness and patronage towards Islamic banking system.

1.1 DIFFERENCE BETWEEN ISLAMIC BANKING AND CONVENTIONAL BANKING

Prominent Islamic scholars have taken the system of Islamic finance to task on the grounds that the contractual modes offered by Islamic bankers are little different from conventional ones. One reason is that the profit-and-loss sharing (PLS) concept is not readily adaptable to consumer, trade and government finance. In seeking to fill this void, the adaptation of classical merchandising sales contracts for financing using deferred pricing contractual forms has changed the landscape in two ways. First, the risk of merchandising is retained by the traders but the risk of credit is shifted to the bankers. This is precisely what happens in conventional interest-based finance. Second, banks' profit rate comes from the charging of a difference between the deferred price and the spot price that can be 'benchmarked' to conventional interest rates. Controversial even by classical standards, this practice leaves the system open to the charge that there is seemingly little, if any, substantive difference between conventional and Islamic Finance.

1.2 NEED FOR ISLAMIC BANKING

The 2008 Financial Crisis has compelled the international financial industry, politicians and

homeowners to search their souls for the root causes of the problem. Many point to insufficient regulatory supervision, others to a culture addicted to credit and sheer greed. While these issues certainly exist, we believe that the residential mortgage and capital markets harbour structural attributes that are fraught with uncertainty and create opportunities for unjust enrichment and exploitation. These malaises, among others can be prevented by applying some core principles from Islamic Finance, a system predicated on transparency and justice, and which seeks to benefit society as well as entrepreneurs.

2.1 REVIEW OF LITERATURE

Several writers of Indian origin have made well-established theoretical contributions in the field of Islamic economics. However, one important aspect that appears to have hitherto been ignored is India's contribution towards the practical development of Islamic banking and finance. The aim of this article is to analyse the current state of Islamic finance in India. During early 1990s the government of India threw open the financial sector for private players. Taking this chance many opportunistic people entered the arena in the name of Islamic finance and ultimately vitiated the whole environment leading to the crisis of confidence. This brought closure to some of the most promising Islamic financial institutions in the country. The future of Islamic finance, as a result, does not at the moment look very bright (Shariq Nisar).

3.1 OBJECTIVES OF THE STUDY

1. To understand the level of awareness and perceptions towards the Islamic banking among the students in selected private universities in Chennai.

2. To analyze the factors affecting the growth and development of Islamic banks in India.

3.2 HYPOTHESIS

1. There is no significant difference between the perceptions of Indian and foreign students with regard to patronage and adoption of Islamic banking in India.
2. There is no relationship between the faculty of study and patronage towards Islamic banking in India.
3. There is no relationship between the University of Study and the perceptions towards patronage of Islamic banking adoption in India.

3.3 METHODOLOGY

For the purpose of study, three reputed private universities in Chennai are selected. The

students admitted in these institutions for higher education courses in the faculty of engineering & Technology, Science and Humanities, Medical and Paramedical and Management are from varied states in the country and from abroad. Majority of the students have bank accounts and basic aspects of finance and risks associated with it. The students are selected in random from all the four faculties. The data required for the study is collected through a tested structured questionnaire. The questionnaire is tested through pilot study and reliability test. A modified version is used for the final study. The reliability alpha (Cronbach's) is found at 0.786 and found reliable. Majority of the questionnaires are collected in person. The sample size is fixed at 150. On scrutiny, incomplete, dual entry questionnaires are removed and for the analysis, 140 questionnaires are considered for analysis and discussion.

4.1 DATA ANALYSIS AND DISCUSSION

Table 1: Distribution of sample on the basis of key demographical variables

University of study	N	%	Religion belongs to	N	%
SRM	79	56.4	Hindu	46	32.9
BSA	48	34.3	Muslim	67	47.9
Sathyabama	13	9.3	Christian	27	19.3
Total	140	100.0	Total	140	100.0
Gender	N	%	Basic awareness status	N	%
Male	119	85.0	Yes	79	56.4
Female	21	15.0	No	61	43.6
Total	140	100.0	Total	140	100.0
Faculty of study	N	%	Reasons to prefer Islamic banks	N	%
Engineering & Technology	72	51.4	Religious Reason	53	37.9
Science and Humanities	3	2.1	Socially Responsible investing	11	7.9
Medical	11	7.9	Success story in the rest of the world	39	27.9

Management	54	38.6	Sustainability of profit-loss sharing model	6	4.3
Total	140	100.0	Recommendation from family/friends	9	6.4
Nationality	N	%	Attractiveness of the various financial products and service	12	8.6
Indian	116	82.9	Immediate Vicinity	6	4.3
Foreign	24	17.1	Others	4	2.9
Total	140	100.0	Total	140	100.0

Table 2: Distribution of sample on the basis of perceptions on Future prospects of Islamic Banking in India

Future prospects of Islamic banks	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Very Strong	35	25.0	25.0	25.0
Strong	48	34.3	34.3	59.3
Average	48	34.3	34.3	93.6
Weak	6	4.3	4.3	97.9
Very Weak	3	2.1	2.1	100.0
Total	140	100.0	100.0	

It is observed from the table 2, that the students among the sample perceived that the future prospects of Islamic banking adoption in India are going to be bright and strong. The reasons for the same is quoted as risk mitigation and safety to the funds invested. It indicates that there is a need for the Islamic banks introduction in trial and error basis at different portals and operations can be spread to other places in a phased manner. It is a new opportunity to the banks as well as to the customers to create better

portfolio of investments. It is noted that, the results of this study is correlated with Beng, Soon Chong, Ming-Hua Liu study in Malaysia. The question of difference between conventional and Islamic is not shown much of a difference in perceptions.

t-test

Ho: There is no significant difference between the Indian and foreign students with regards to patronage towards Islamic banking adoption.

Table 3: t-test results indicating the differences between the perceptions of Indian and Foreign with regard to level of awareness and factors influencing the patronage towards adoption of Islamic banks

Dimension of study	Nationality	N	Mean	SD	t-value	p-value
Awareness	Indian	116	22.95	4.257	1.543	0.125
	Foreign	24	24.50	5.477		
Religious Reasons	Indian	116	8.81	3.059	0.323	0.747
	Foreign	24	8.58	3.501		

Products and Services	Indian	116	9.57	2.993	0.160	0.873
	Foreign	24	9.46	3.464		
Vicinity/Ease of Access	Indian	116	8.54	3.005	0.840	0.402
	Foreign	24	7.96	3.557		
Attractiveness	Indian	116	7.77	2.941	0.553	0.581
	Foreign	24	8.13	2.593		
Reputation	Indian	116	9.56	2.780	2.535	.012**
	Foreign	24	11.17	3.046		
Cost/Benefit	Indian	116	9.38	2.383	1.823	0.071
	Foreign	24	10.38	2.683		
Perception	Indian	116	16.66	4.956	2.671	0.008**
	Foreign	24	19.54	4.064		
Motivation	Indian	116	22.95	5.703	2.791	0.007**
	Foreign	24	26.33	4.724		
Bottlenecks for Implementation	Indian	116	16.41	3.919	0.063	0.950
	Foreign	24	16.46	2.963		
Suggestions for Implementation	Indian	116	13.98	4.226	2.771	0.006**
	Foreign	24	16.50	3.022		
Overall Patronage towards Islamic Banking	Indian	116	146.57	27.203	2.120	0.036*
	Foreign	24	159.00	20.041		

Since p value is less than 0.001, the null hypothesis, there is no significant difference between the Indian and foreign students with regards to reputation, perception, motivation, and overall patronage towards Islamic banking adoption in India are rejected at 1% level of significance. Hence, it is concluded that, there is a highly significant difference between the Indian and foreign students with regards to reputation, perception, motivation, and overall patronage towards Islamic banking adoption in India. Based on the mean value, high level of awareness and positive perceptions are observed among the foreign students towards Islamic banks when compared to others in the sample.

Similarly, the p value is greater than 0.05, for the dimensions namely, awareness,

religious reasons, products and services, ease of access, attractiveness, cost benefit, and bottlenecks for implementation is accepted at 5% level of significance. Based on the mean value, it is noted that, mixed perceptions are observed for the above mentioned dimensions of awareness and patronage towards Islamic banking adoption among the students of private universities. This indicates that below average level of awareness on Islamic banking and its adoption among the Indian students studying in private universities when compared to foreigners in the sample.

ANOVA:

Ho: There is no relationship between the faculty of study and awareness and patronage towards Islamic banking in India

Table 4: ANOVA results indicating the relationship between the perceptions of students of different faculties with regard to level of awareness and factors influencing the patronage towards adoption of Islamic banks in India

		Faculty				F value	P value
		E&T	S&H	MED	MGMT		
Awareness	Mean	22.90	29.33	26.18	22.69	4.048	.009**
	SD	(4.47)	(2.31)	(6.82)	(3.62)		
Religious Reasons	Mean	9.10	13.33	9.55	7.93	4.203	.007**
	SD	(3.45)	(2.89)	(3.62)	(2.18)		
Products and Services	Mean	9.40	11.00	7.82	10.02	1.906	.132
	SD	(3.17)	(1.73)	(3.22)	(2.85)		
Vicinity/Ease of Access	Mean	8.35	8.00	5.91	9.11	3.507	.017**
	SD	(3.26)	(1.73)	(2.95)	(2.72)		
Attractiveness	Mean	7.82	7.00	5.36	8.39	3.651	.014**
	SD	(3.12)	(1.73)	(1.57)	(2.54)		
Reputation	Mean	9.38	9.67	8.45	10.74	3.406	.020**
	SD	(2.91)	(.58)	(2.84)	(2.71)		
Cost/Benefit	Mean	9.28	10.33	10.27	9.72	.799	.497
	SD	(2.46)	(1.53)	(3.32)	(2.30)		
Perception	Mean	16.89	21.00	20.27	16.65	2.412	.070
	SD	(5.55)	(5.29)	(4.80)	(3.70)		
Motivation	Mean	23.56	27.33	28.27	22.31	4.088	.008**
	SD	(6.04)	(5.51)	(5.41)	(4.69)		
Bottlenecks for Implementation	Mean	16.92	16.67	17.00	15.61	1.351	.260
	SD	(4.34)	(3.51)	(2.83)	(2.97)		
Suggestions for Implementation	Mean	14.07	17.67	16.18	14.33	1.469	.226
	SD	(4.44)	(2.08)	(3.66)	(3.82)		
Overall Patronage towards Islamic Banking	Mean	147.65	171.33	155.27	147.50	1.032	.380
	SD	(29.26)	(15.95)	(25.53)	(22.76)		

Since p value is less than 0.001, the null hypothesis, there is no relationship between the perceptions of students of different faculties with regard to level of awareness and patronage towards adoption in the dimensions (level of awareness, religious reasons, ease of accessibility, attractiveness, reputation, and motivation) of Islamic banks in India is rejected at 1% level of significance. Hence, it is concluded that, there is a highly significant relationship

between the perceptions of students of different faculties with regard to level of awareness and patronage towards adoption in the dimensions (level of awareness, religious reasons, ease of accessibility, attractiveness, reputation, cost benefit and motivation) of Islamic banks in India.

On the other hand, it is noted that the dimensions like products and services, cost benefit, positive perceptions, bottlenecks for implementation, suggestions for implementation

and overall patronage towards Islamic banks in India is accepted at 5% level of significance. It indicates that there is no relationship between the perceptions of students of different faculties with regard to level of awareness and patronage towards adoption of Islamic banks in India

Based on the mean values, it is observed that the level of awareness and the overall positive patronage towards Islamic banks is observed among the students belongs to science and

humanities faculty when compared to others in the sample, it is followed by management faculty students. It indicates that faculty of study has some relationship with the level of awareness on banking systems and its implications in life and need for risk mitigation in banking activities through alternative banking systems.

Ho: There is no relationship between the University of Study and the perceptions towards patronage of Islamic banking adoption in India

Table 5: ANOVA results indicating the relationship between university of study and perceptions with regard to level of awareness and factors influencing the patronage towards adoption of Islamic banks

		Private University			F value	P value
		SRM	BSA	Sathya bama		
Awareness	Mean	22.37	24.42	23.92	3.379	.037*
	SD	(4.58)	(4.71)	(1.04)		
Religious Reasons	Mean	8.10	9.75	9.23	4.525	.013*
	SD	(2.79)	(3.76)	(.44)		
Products and Services	Mean	9.57	8.98	11.54	3.707	.027*
	SD	(3.07)	(3.25)	(.97)		
Vicinity/Ease of Access	Mean	8.87	7.90	7.85	1.768	.174
	SD	(2.85)	(3.77)	(.55)		
Attractiveness	Mean	7.96	7.94	6.62	1.279	.282
	SD	(2.49)	(3.68)	(.96)		
Reputation	Mean	9.89	9.25	11.69	1.279	.282
	SD	(2.84)	(3.13)	(.63)		
Cost/Benefit	Mean	9.52	9.00	11.77	3.857	.023
	SD	(2.43)	(2.50)	(.60)		
Perception	Mean	17.42	16.73	17.08	7.086	.001**
	SD	(4.33)	(6.34)	(.86)		
Motivation	Mean	23.70	23.92	21.08	.291	.748
	SD	(5.49)	(6.59)	(.28)		
Bottlenecks for Implementation	Mean	15.84	17.23	16.92	1.366	.259
	SD	(3.35)	(4.69)	(.28)		
Suggestions for Implementation	Mean	14.29	14.10	16.31	1.536	.219
	SD	(3.79)	(4.99)	(1.97)		
Overall Patronage towards Islamic Banking	Mean	147.52	149.21	154.00	.345	.709
	SD	(24.03)	(33.21)	(2.35)		

It is observed that p value is less than 0.05, hence, the null hypothesis, There is no relationship between the University of Study and levels of awareness the perceptions towards patronage of (awareness, religious reasons, products and services) Islamic banking adoption in India is rejected at 5% level of significance. Hence, it is concluded that, There is a significant relationship between the University of Study and levels of awareness the perceptions towards patronage of (awareness, religious reasons, products and services) Islamic banking adoption in India. Based on the mean value is observed that high level of awareness on Islamic banking is observed among the students studying at BSA university is high when compared to others in the sample.

On the other hand, it is noted that the p value is greater than 0.05, hence, the null hypothesis, There is no relationship between the University of Study and the overall perceptions towards patronage of Islamic banking adoption in India is accepted at 5% level of significance. Hence, it is concluded that, there is no relationship between the University of Study and the perceptions towards patronage of Islamic banking adoption in India. Based on the mean value, high level of positive patronage is observed among the students studying at Sathyabama University when compared to others in the sample. It indicates that the level of awareness and overall patronage may exist or may not exist with regard to the banking systems.

5.1 FINDINGS OF THE STUDY

1. Reasons to prefer Islamic banking systems are religious reasons and success stories of the system in rest of the world is quoted by the sample students in the study.
2. The students among the sample perceived that the future prospects of Islamic banking adoption in India are going to be bright and strong. The reasons for the same is quoted as risk mitigation and safety to the funds invested.
3. There is a highly significant difference between the Indian and foreign students with regards to reputation, perception, motivation, and overall patronage towards Islamic banking adoption in India.
4. There is a highly significant relationship between the perceptions of students of different faculties with regard to level of awareness and patronage towards adoption in the dimensions (level of awareness, religious reasons, ease of accessibility, attractiveness, reputation, cost benefit and motivation) of Islamic banks in India.
5. There is a significant relationship between the University of Study and levels of awareness the perceptions towards patronage of (awareness, religious reasons, products and services) Islamic banking adoption in India.

6.1 SUMMARY AND CONCLUSION

It is noted that, Islamic banking is definitely accepted as an alternative to the conventional banking system in risk mitigation and to avoid speculator losses on investments in finance. It is mutually beneficial to both customers and banks. But the markets are operating on speculative basis and there by investors gets capital gains. If the concept of capital gain is the highly attractive one in the financial market. In Islamic banking capital appreciation due to market appreciation and demand is not discussed. In

such cases, markets may not perform well and growth may become stagnant. However, for the benefit of the laymen customer Islamic banking is a boon either to borrow or to invest with risk mitigation. The present study also indicates the positive signs and patronage towards Islamic banking in India.

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Principals' Role in Effective Management with Reference to Affiliated Colleges of Mother Teresa Women's University, Kodaikanal

V. Mary Pramila Santhi and Dr. A. Velanganni Joseph

Abstract – An effective leader is one who not only changes the behavior of his followers but also their attitudes by using largely his personal power. Hence a study was made to find out the role played by the Principals of affiliated colleges in Mother Teresa Women's University, Kodaikanal in the effective management of their institution. For the purpose of the study, exploratory research design was used. Disproportionate Stratified Random Sampling method was used to draw information from the respondents comprising of Principals, faculty and students. The results from the study indicate that the Principals exhibit participative leadership style in managing their colleges. The faculty and students opine that their Principals play an effective role in managing their institution. To overcome the problems faced by the Principals in managing the faculty, training programmes may be arranged to equip them with updated knowledge and teaching skills

Keywords: Principal, leadership style, leadership qualities, effective management, perception.

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“Effective leadership is putting first things first. Effective management is discipline, carrying it out”.
Stephen Covey

INTRODUCTION

Leadership is often described as the ability to enlist, mobilize, and motivate others to apply their abilities and resources to a given cause. It is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds a group together and motivates it towards goal. A successful leader may get the things done by his followers by using largely his positional power the result being a short-lived one. But it is the effective leader who not only changes the behavior of his followers but also their attitudes by using largely his personal power. The result is always an enduring one.

An educational institution is a place where future leaders of a nation are produced and developed. (Mortimore et al. 1988) Hence the success of a nation is largely determined by the quality of education being given in an educational institution. The role played by the Principals who are the heads of these institutions is highly significant which can't be undermined.

Statement of the Problem:

Effective leadership is a function of the leader, the followers and the situation. An

important element of effective leadership in the management of his/ her institution / organization is the style of the leader. A leader's style is influenced by his views of man in work situations. He may follow either an authoritarian style or participative style in managing the workforce and students. If a leader follows a style which is inconsistent with his assumptions about the nature of man, he is likely to use that style ineffectively. It is also necessary that a leader carefully assesses the feelings and expectations about rewards, tasks and style of his followers. Situational characteristics also play a vital role in the effective management of a leader. Hence this study aims to determine the role played by the Principals in the effective management of affiliated colleges of Mother Teresa Women's University, Kodaikanal.

Review of literature:

Goldring, Huff, May and Camburn (2008) studied the influence of school context and individual characteristic on Principal's performance. They applied cluster analysis to data collected using daily entries in a log book. The conclusion was that effective Principals are instructional leaders, and will delegate duties to their juniors to effectively manage the school.

Quinn (2002) carried out a study on the impact of Principals' leadership behavior on teacher instructional practice and student engagement. The purpose of the study was to identify the relationship between principal leadership behaviors and teacher instructional practice descriptors. The study included eight elementary, eight middle and eight high schools. Teachers were surveyed for the principal's instructional leadership abilities. The instruments for data collection were questionnaires, documents review and observation.

Objectives:

The main objectives of this study are:

1. To determine the leadership style followed by the Principals.
2. To understand the perception of faculty and students with reference to the leadership qualities of the Principals.
3. To find out the problems faced by the Principals in the management of the staff and students and to offer suggestions to overcome the problems.

Methodology

The study is exploratory in nature as it seeks to discover ideas and insights to evolve new understanding. There are 5 Arts and Science Colleges affiliated to Mother Teresa University, Kodaikanal. (<http://www.collegesintamilnadu.com/University/Mother-Teresa-Womens-University-Tamil-Nadu>) The study used disproportionate stratified random sampling method to elicit information from 25 faculty and 100 students by using lottery method. The diversity of the study is that it involves faculty of all cadres and students of all disciplines. To have a better understanding the entire universe of the Principals (5) was taken into study.

The study is based on both primary and secondary data. Primary data were collected from the staff and students through a well-structured questionnaire and interview schedule was used to collect the information from the Principals.

Statistical tools like percentages were used for the interpretation of the results. The Statistical Package for Social Sciences (SPSS) was used for the analysis of the data.

The secondary data were collected from journals, books, published articles and websites. The materials gathered from secondary sources have provided a broad framework and perspective to the study.

Limitations of the study:

Like any other study, the study also undergoes various limitations. The staff and students were hesitant to provide the information as the data are relating to job that earns money for their livelihood. Hence the researcher had to elicit the answer after assuring them about the confidentiality. The findings of the study are

purely an outcome of the responses given by the respondents who are subject to personal biases and there may be undoubtedly such biases.

RESULTS AND DISCUSSION*I. Leadership Style followed by the Principals:***Table 1 Perception of Principals with regard to their Style**

S.no.	Particulars	Yes (%)	No (%)	Total
1.	The decision is always made by me	40	60	100
2.	I make the plans for the College	20	80	100
3.	I tell the staff what they have to do	20	80	100
4.	I have great concern for their work	40	60	100
5.	I have a Committee for making decisions	80	20	100
6.	I always check whether the communication is effective	80	20	100
7.	I delegate the work	80	20	100
8.	I send the staff for Faculty Development Programmes	60	40	100
9.	I don't control the staff	60	40	100
10.	For me the staff are more important than the work they do.	60	40	100

Source: Primary data

From the above table it is understood that 80 percent of the Principals have a Committee for taking decisions, check whether the communication system is effective, and delegate the power to the faculty. About 80 percent of the Principals do not make the plans by themselves and do not tell the faculty what they have to do.

About 60 percent of the Principals state that they send the faculty for Faculty Development Programmes, do not control the faculty and give more importance to the workers than the work they do. From the analysis of the variables in Table 1 it can be inferred that the leadership style followed by the Principals is participative in nature.

S.no.	Leadership Qualities	Yes (no.)	No. (no.)	Total	%
1	My Principal is friendly and approachable	18 (72)	7 (28)	25	100
2	My Principal consults me before taking decisions	15 (60)	10 (40)	25	100
3	I am important for my Principal	20 (80)	5 (20)	25	100
4	I am respected for my age and experience	18 (72)	7 (28)	25	100
5	My Principal is ready to accept my suggestions	15 (60)	10 (40)	25	100
6	Excellence in performance is rewarded by my Principal	20 (80)	5 (20)	25	100
7	Freedom and Responsibility are given to me	16 (64)	9 (36)	25	100
8	The delegation of power is judicious and fair	15 (60)	10 (40)	25	100
9	I feel proud to work under my Principal	16 (64)	9 (36)	25	100
10	My Principal is an effective administrator	20 (80)	5 (20)	25	100

Source: Primary data

Note: Figures in the brackets are the Percentages of totals'

From the above Table it is understood that 80 percent of the faculty state that they are important to the Principal, their Principal rewards them for the faculty's excellent performance. About 80 percent of the faculty states that their Principal is friendly and approachable respect them for their age and experience. About 64 percent of the faculty state that their problems

are considered by their Principals and freedom and responsibility are given to them. About 64 percent of the faculty state that they feel proud to work under their Principal and 80 percent of them state that their Principal is an effective administrator. From the above analysis it can be inferred that the faculty are of the opinion that their Principals have effective management.

III Perception of students

Table 3 : Perception of students with regard to Principals' Leadership Qualities

S.no.	Leadership Qualities	Yes	No	Total (No.)	%
1	My Principal provides opportunities for growth	74 (74)	26 (26)	100	100
2	My Principal is approachable	65 (65)	35 (35)	100	100
3	My Principal is a disciplinarian	70 (70)	30 (30)	100	100
4	My Principal is impartial	73 (73)	27 (27)	100	100
5	My Principal is an effective administrator	80 (80)	20 (20)	100	100

Source: Primary Data

Note: Figures in the brackets are the Percentages of totals

From the above Table it is understood that a majority of the students state that their Principal provides opportunities for growth (74%), is

approachable (65%), is a disciplinarian (70%) and is impartial (70%). About 80 percent of the students state that their Principal is an effective administrator.

IV Problems faced by the Principals

Table 4: Problems faced by the Principals				
S.No	Problems	Yes (%)	No (%)	%
1	Adherence to Government rules	80	20	100
2	Non-availability of qualified staff	80	20	100
3	Change in the mindset of the students	60	40	100
4	Values of the Management	40	60	100
5	Pressure of Time	40	60	100

Source : Primary data

From the above Table it is understood that a majority (80 %) of the Principals face problems with regard to adherence to Government rules and non-availability of qualified staff. About 60 percent of the Principals feel that the mindset of the students is changed. About 40 percent of the Principals opine that the values of the management

pose problems and pressure of time does not permit them to have effective management.

Findings:

1. Principals of the affiliated colleges in Mother Teresa University, Kodaikanal exhibit a participative leadership style.

2. A majority of the faculty opine that their Principals demonstrate effective management.
3. A majority of the students state that their Principals are effective in managing the institution.
4. A majority of the Principals face problems with regard to non-availability of qualified staff and change in the mindset of the students.

SUGGESTIONS

1. More training programmes may be conducted to equip the staff with the updated knowledge and teaching skills.
2. As the feedback is the cornerstone of success, the Principals may adopt an effective mechanism so as to understand the expectations of the faculty and students. This type of evaluation would help the management in filling the gaps that exist in need and fulfillment.

CONCLUSION

The purpose of the study is to find out the Principals' role in the effective management

of affiliated colleges in Mother Teresa Univeristy, Kodaikanal. It has been found out that the Principals demonstrate a high level of participative leadership style in their management. Though the participative leadership style results in effective management it has to be practiced with caution as sometimes it may result in watered-down solutions that compromise different points of view.

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