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# The Chairman speaks ...



At a time when business the world over is becoming more and more consumer-centered, this issue of our journal brings to you two lead articles dealing with consumer perception.

In our fast-changing world, nations are getting interdependent more closely. No nation can think of remaining in isolation. The individual nation exists as part of a group or groups. Consumers, their tastes, preferences and expectations, rule the world of business. In such a consumer-centric world, consumer spending and theories related to it need re-reading and re-interpretation.

The lead article by Prof. Dharmendra Dhakal, Prof. Kishore G. Kulkarni, and Prof. Kamal P. Upadhyaya, tries to reinterpret the theory of Consumption Function in the present real situation and proposes an estimation of the same in an open economy setting. The theory considers individual nation as the essential part of an entangled group of many nations. The paper analyses the role of international determinants on the consumption pattern of an economy.

The power of a well-respected brand name has been widely accepted by successful business people all over the world. A strong brand name is an invaluable asset as fight for a sizable market share is intensifying day by day. Long term success of a brand is greatly influenced by consumer's perceptions of its value which are not merely based on functional aspects but also based on psychological attributes.

While the whole concept of marketing has evolved from traditional style of marketing to relationship marketing, the focus has now shifted from individual profitable transactions to multiple continuous lifetime transactions through long term never-ending trustful relationships. Here, trust is the foundation stone on which relationships are built and maintained in order to have a base of loyal lifetime customers.

The research paper on the "Role of Trust: Brand Equity," explains brand equity as a multi-dimensional concept that exists in the hearts and minds of consumers.

As usual, you will find many other interesting topics such as home and personal care products, stress and strain, issues in cement industry, home environment, insurance marketing and the like discussed at length in this issue. I am sure you will enjoy the assortment.

**Dr.G.P.C.NAYAR**

**Chairman, SCMS Group of Educational Institutions**

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## Editorial



### Homo Symbolificus

We have to accept the fact that man is not simply Homo sapiens; he's Homo symbolificus – he is someone who makes symbols.

The business executive outlines a proposal. The novelist weaves a gripping tale. The professor labours over a monograph. The student puzzles over a term paper. The scientist reports the findings of a recent experiment. The journalist completes a story just before the deadline. The poet captures a fleeting feeling. The diarist records the events of another day.

Their tasks vary. But each of them confronts the challenge of creating coherent ideas in the private realm of thought and mapping those ideas into the private world of linguistic symbols. In composing a written text, these individuals create meaning for themselves and potentially for their readers. They engage in special form of thinking—the making of meaning—that may well define one of the most unique characteristics of our species.

Walker Percy's fanciful term Homo Symbolificus aptly underscores the centrality of meaning-making in human life. Writing, art, music, dance, and other forms of symbol creation and manipulation reveal the very human process of giving meaning to the experiences of life. Symbolization and meaning-making are essential aspects of being human.

The drive to make sense of our world is at the heart of human nature. We do this moment by moment in interpreting our daily experience. People construct personal, informal models of their experiences. These models comprise symbols that exist both in the private mental world inside one's head and in the public physical world of written texts, works of art, and artifacts of all kinds. It is through the symbols that we communicate to others that our experience is rendered meaningful.

Human cultures are the public records of our strivings to make sense of the world through symbol creation. Culture evolves continually as new ideas are conceived, new symbols are gestated, and new meanings are born. Civilizations rise and fall, but the ideas and meanings that ring true, useful, and beautiful survive for future generations of humanity.

Thinking and writing are the twins of mental life. The more expressive of the twins is writing. It can offer insights into the psychology of thinking, the more reserved member of the pair. Much of what we know about thinking stems from observations of how people solve problems with clearly defined goals. The study of writing can at least broaden and deepen our understanding. Study of writing is a remarkably rich task from a methodological and empirical view point. Writing invokes typical elements of thinking.



Thinking involves a set of mental skills that create, manipulate, and communicate to others the personal symbols of mental life. In the field of business and management, thinking resulting in writing has great advantages over the other types of problem-solving, decision-making, and reasoning tasks.

**Dr.D.Radhakrishnan Nair**

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# Consumption Pattern: Open Economy Setting

**Dharmendra Dhakal, Kishore G.Kulkarni,  
and Kamal P.Upadhyaya**



Since the publication of Keynes' *General Theory of Employment, Interest and Money* in 1936, economists have been noting consumption functions. None of these studies, however, have included the effect of openness on aggregate consumption, despite the fact that the degree of openness has been increasing significantly in recent years, leading to a significant portion of consumption met through import. This paper proposes an estimation of the consumption function in an open economy setting. A consumption function model is developed. Annual time series data from India for a period of 1973 to 2006 are used. The time series properties of the data are diagnosed. Two versions of the error correction model are developed. Estimation of both versions of the model supports the proposition that exchange rate is an important determinant of the aggregate consumption function in Indian economy.

Estimation of aggregate consumption has been considered to be an important exercise by macroeconomists for several decades. A big boost to consumption behaviour on theoretical level was offered by John Maynard Keynes in *General Theory of Employment, Interest and Money* (1936) in which he argued that consumption is primarily a positive and linear function of national income. He further maintained that this relationship between



Dr. Dharmendra Dhakal, Associate Professor, Department of Economics and Finance, Tennessee State University, Nashville, TN 37203-3401, U.S.A., Email: ddhakal@tnstate.edu

Dr. Kishore G. Kulkarni, Professor of Economics and Editor, Indian Journal of Economics and Business, CB 77, P.O. Box 173362, Metropolitan State College of Denver, Denver, CO 80217-3362. Email: kulkarnk@mscd.edu

Dr. Kamal P. Upadhyaya, Professor and Chair, Department of Economics and Finance, University of New Haven, 300 Boston Post Road, West Haven, CT 06516, U.S.A., E-mail: Kupadhyaya@newhaven.edu

income and consumption is fairly stable, and with higher level of national income the level of economy's consumption as well as saving is increased. As it is well-known, that in Keynesian economics, the theory of *consumption function* played a significant role, which led the macroeconomists of 1950s and 1960s to empirically estimate the relationship between consumption and current income. The empirical estimation of the household consumption function did seem to be consistent with

the proposition of Keynes, but the “aggregate” consumption was empirically not found to be proportional to the level of “aggregate” income (Romer, 2006). Thus this finding on aggregate level refuted the Keynesian proposition. While other developments in consumption function theory made a bunch of modifications and justifications, most explanations were carried out for the closed economy behaviour. In fact in early days a little attention was paid to the change in consumption patterns due to the opening of an economy by offering consumers more variety as well as an opportunity to increase the proportion of income consumed. The present paper has main objective of introducing the role of international determinants for consumption pattern of an economy. Assuming that the factors that determine openness of an economy are equally important to determine the consumption, we further notice that countries like India and China where the openness is significant, these factors may have a significant effect on aggregate consumption. Using the modern data for Indian economy, we justify these arguments and explore the changes in aggregate consumption.

The paper is organized as follows: Section 1 makes a survey of (traditional) consumption behaviour arguments in closed economy case and introduces a new argument that explores the importance of external factors in consumption behaviour. Section 2 uses the Indian data to estimate the results for a time series analysis with the advanced model of consumption behaviour. It is pointed out that after 1991 the role of international trade has become more significant in economic decisions including the opportunities for consumers to consume more variety of goods. Section 3 summarizes the results and makes the conclusions.

### **Section 1: Theoretical Developments in Consumption Theory**

After Keynesian revolution started emphasizing the consumption behaviour as the prime determinant of saving behaviour and expenditure multiplier analyses, there were numerous attempts to estimate consumption behaviour on a short and long term basis. Especially in US when the evidence showed that marginal propensity to consume or mpc (ratio of change in consumption and change in

income) was constant on a long run basis and volatile in short term, two main explanations popped up. Friedman (1957) proposed the theory of permanent income hypothesis which suggested that the current consumption is a function of permanent income as opposed to current income, where current income is the sum of permanent income and transitory income. Hence when there are short-term (transitory) changes in income, consumers do not find a reason enough to change their consumption habits. For example if there is, say a flood in California and if GDP temporarily goes down for few days, would consumers change the consumption habit just for those few days? Friedman thought the answer was No. This implied that the key determinant of the slope of the consumption function (relationship between consumption and income) was the permanent income (which does not change due to transitory changes) rather than the current income.

Later, Hall (1978) demonstrated that the permanent income hypothesis implied that consumption follows a random walk. This argument is essentially true because the permanent income changes only when the change in GDP is on a long term basis. While the permanent income hypothesis temporarily reconciled the dilemma faced by US economy, (as explained above about the short and long term behaviour of national Consumption) there was more interest in finding its empirical relevance. Hence after its introduction, the permanent income hypothesis attracted considerable empirical attention. Several experiments such as Modigliani, (1966); Davidson et al, (1978); Ghatak, (1998); and Wen-Jen and Hsing, (2005) are famous in literature that focused on the different aspect of the hypothesis including the test of linearity and co-integration between income and consumption in different countries. Another theoretical development was Duesenberry’s relative income hypothesis, which argued that personal consumption is more dependent upon a person’s relative income, relative to his/her neighbours, friends and other surrounding folks. While this approach also somewhat explained the US economy dilemma, it had practical problems for its estimation. Third, explanation by Ando and Modigliani postulated that consumption goes through a life cycle just as a person finishes his/her life cycle. While young and old generations spend a higher proportion of their income, the middle aged persons

become conservative in terms of lowering the proportion of income spent. Hence the life cycle hypothesis provided another avenue to resolve the US economy dilemma. In later years while the strong interest in empirically estimating consumption behaviour continued, there were no major theoretical contributions to the consumption behaviour of an economy. It is only recently economists have started paying attention to the influence of external factors to consumption determination.

Thus, none of the approaches mentioned above took into consideration the effect of openness on aggregate consumption despite the fact that the degree of openness is increasing significantly in recent years leading to a large portion of aggregate consumption met through imported goods. Therefore, to estimate the consumption function in an open economy setting is seen to be not only desirable but also necessary. In this paper therefore, we introduce some new explanatory variables depending upon the international trade of the country. It is believed that the domestic consumption changes its level as well as its pattern due to opening of an economy, as new variety of consumption opportunities are made available to the residents. For the estimation purposes of this paper we use the data of the Indian economy. As is made aware by recent events in Indian economy, the overall balance of payments factors have been not only dominant but are also significant in determining the overall functioning of the economy. The exports have grown while imports have quadrupled in 17 years.

Two versions of an appropriate model incorporating open economy variable(s) and the recent developments in the consumption theory are developed in the paper. Annual time series data are used to estimate the model. Before estimation of the model, the time series properties of the data are analyzed. It is hoped that the findings of this paper will help us to better understand the theory and empirical evidence for aggregate consumption behaviour.

## Section 2: Methodology and Estimation

Household consumption includes both durables as well as non-durable goods. Therefore, the consumption functions can be disaggregated into two categories: (i) consumption of durables and (ii) consumption of non-

durables. The consumption of non-durables is further divided leading to an extensive search for accurate specification, by acknowledging the fact that a simple Keynesian linear consumption function does not accurately explain the observed instability that arises from the consumption of durables and the inter-temporal consumption patterns. As discussed in the previous section, these theories have been extensively tested using the data from industrialized countries. It is however noted that the industrialized countries are endowed by high per-capita income as well as developed financial markets. Most developing countries have relatively low per-capita income and the financial markets that rarely follow the laws of efficiency. This hampers the inter-temporal smoothing of consumption patterns. Therefore it is possible that the findings of developed countries may not hold true in case of developing countries. In order to estimate the consumption function for India we postulate the following two consumption functions:

$$C_t = f(Y_t, C_{t-1}, R, RER_t) \quad (1)$$

$$C_t = f(Y_t, C_{t-1}, R, ER_t, REPR_t) \quad (2)$$

Where,

$C$  = consumption expenditure

$Y$  = disposable income

$R$  = interest rate

$ER$  = nominal exchange rate (the value of U.S. dollar in domestic currency)

$REPR$  = relative price ratio defined as the world price index divided by domestic CPI

$RER$  =  $ER$  multiplied by  $REPR$

In equation (1) it is expected  $Y$  carries a positive coefficient as consumption is positively related with the disposable income. An increase in disposable income makes the economy consume higher quantity. The coefficient of  $C_{t-1}$  may carry a positive sign because it is expected that economy goes through the consumption patterns that severely depend upon the last time period's consumption. A higher consumption last year tempts the economic agents to consume higher this year as well. Likewise the coefficient of interest rate ( $R$ ) is easy to investigate. An increase in nominal or real interest rate makes the individuals save more and consume less, so the expected effect of  $R$  on the real consumption is negative.

We have estimated two forms of model in order to capture the effect of openness on the consumption function. In equation (1) we have included real exchange rate (RER) which essentially captures the effect of a change in real exchange rate on consumption assuming that any changes in nominal exchange rate influences consumption only if it leads to a change in real exchange rate. This approach considers only the effect of a movement in real exchange rate and disregards the combination of nominal exchange rate and foreign to domestic price ratio that generates such a movement. If prices rise at the same proportion as the rate of nominal exchange rate then the real exchange rate remains constant leaving no room of change in consumption. Since this approach ignores any asymmetric influence that an initial jump in the exchange rate may have on consumption vis-a-vis the effect of a gradual rise in the price level we also estimate an alternative equation (equation 2) where instead of real exchange rate we include nominal exchange rate (ER) and the relative price level (REPR) separately. The coefficient of RER in equation (1) is expected to be negative as a depreciation of domestic currency increases exports and decreases imports leading to a decrease in domestic consumption. Likewise in equation (2) the coefficients of ER and REPR are also expected to be negative.

We have used annual time series data from 1973 to 2006. All the data are in real term and are in U.S. dollar. The data are derived from various issues of the International Financial Statistics published by International Monetary Fund (IMF).

Since it is much easier to assume that the consumption relationship is log linear, the model is estimated in log form, and we transformed equation (1) and (2) as follows:

$$\log C_t = b_0 + b_1 \log Y_t + b_2 \log C_{t-1} + b_3 R_t + b_4 \log RER_t + e_t \tag{3}$$

$$\log C_t = b_0 + b_1 \log Y_t + b_2 \log C_{t-1} + b_3 R_t + b_4 \log ER_t + b_5 \log REPR_t + n_t \tag{4}$$

In equation (3) and (4)  $e$  and  $n$  are the random error terms. Since the equations are in log form the estimated coefficients also represent the elasticity of consumption with respect to the individual independent variable.

Before carrying out the estimation of equations 3 and 4, we tested for the stationarity of the data series by conducting an augmented Dickey-Fuller test (Nelson and Plosser, 1982). This involved estimating the following regression and carrying out unit root tests.

$$\Delta X_t = \alpha + \rho t + \beta X_{t-1} + \sum_{i=1}^n \lambda_i \Delta X_{t-i} + \epsilon_t \tag{5}$$

In the above equation,  $X$  is the variable under consideration,  $\Delta$  is the first difference operator,  $t$  is a time trend, and  $\epsilon$  is a stationary, random error term. If the null hypothesis that  $\beta = 0$  is not rejected, we know that the variable series contains a unit root and is non-stationary. We identified the optimal lag length in the equation by ensuring a white noise error term (Enders, 1995). In addition, we supplemented the Dickey-Fuller test with a Phillips-Perron test (Phillips, 1987; Phillips-Perron, 1988). The Phillips-Perron test uses a non-parametric correction to deal with any correlation in the error terms.

The unit root test results are reported in Table 1. Both the Dickey-Fuller and the Phillips-Perron tests indicate that the data series are not stationary at level. Therefore, we performed the same tests on first differences. All the data series were found to be stationary in first differences suggesting that they were integrated of order one.

Having established the stationarity of the data we use the Johansen (1988) and Johansen and Juselius (1990) approaches to test for a long-run equilibrium relationship among the variables. This involves the test of co-integrating vectors. Consider a  $p$  dimensional vector auto-regression,

$$X_t = \sum_{i=1}^k \pi_i X_{t-i} + c + \epsilon_t \tag{6}$$

which can be written as

$$\Delta X_t = \sum_{i=1}^k \Gamma_i \Delta X_{t-k} - \pi X_{t-k} + c + \epsilon_t \tag{7}$$

where

$$\Gamma^i = -I + \pi_1 + \pi_2 + \dots + \pi_i \tag{8}$$

$$i = 1, 2, \dots, k-1 \text{ and}$$

$$\pi = I - \pi_1 - \pi_2 - \dots - \pi_k \tag{9}$$



where  $\rho$  is equal to the number of variables under consideration. The matrix  $\pi$  captures the long-run relationship between  $\rho$  variables, and this can be decomposed into two matrices,  $A$  and  $B$ , such that  $\pi = AB'$ .  $A$  is interpreted as the vector error correction parameter and  $B$  as co-integrating vectors. This procedure is used to test the existence of a long run relationship among the variables in Equations 1 and 2. The co-integration test results are reported in Table 2 and 3. Test results in both tables indicate that the null hypothesis of no co-integration is rejected. Therefore, following Engle and Granger (1987), the following two error correction models are developed:

$$\Delta \log C_t = b_0 + b_1 \Delta \log Y_t + b_2 \Delta \log C_{t-1} + b_3 \Delta R_{t-1} + b_4 \Delta \log RER_t + b_5 EC + u_t \quad (10)$$

$$\Delta \log C_t = b_0 + b_1 \Delta \log Y_t + b_2 \Delta \log C_{t-1} + b_3 \Delta R_{t-1} + b_4 \Delta \log ER_t + b_5 \log \Delta REPR_t + b_6 EC + v_t \quad (11)$$

In equation (8)  $EC$  (the error correction term) in Equation 10 is the lag of the estimated error term in Equation 1 and in Equation 11 it is the lag of the estimated error term from equation 2. The estimation of equations 10 and 11 are as follows:

$$\Delta \log C_t = 0.04 + 0.15 \Delta \log Y_t + 0.23 \Delta \log C_{t-1} - 0.0007 \Delta R_t \quad (0.46)$$

(2.61)\*\* (2.75)\*\* (0.73)

$$- 0.14 \Delta \log RER_t - 0.65 EC \quad (12)$$

(3.85\*\*\*) (1.89)\*

adj  $R^2 = 0.42$  Breusch-Godfrey LM = 1.28 F = 5.54  
RESET F = 0.65

$$\Delta \log C_t = 0.03 + 0.17 \Delta \log Y_t + 0.25 \Delta \log C_{t-1} - 0.0007 \Delta R_t \quad (0.51)$$

(2.39)\*\* (2.83)\*\*\* (0.86)\*\*

$$- 0.17 \Delta \log ER_t - 0.10 \log \Delta REPR_t - 0.65 EC \quad (13)$$

(3.20)\*\*\* (1.73)\* (1.88)\*

adj  $R^2 = 0.42$  Breusch-Godfrey LM = 1.75 F = 4.68  
REST F = 1.30

Note: Figures in the parentheses indicate the t-values for the corresponding coefficients. \*\*\*, \*\*, \* indicate significant at one percent, five percent, and ten percent, critical level.

Overall estimation of both versions our model seems to be good in terms of the coefficient of determination, the F-statistics and the signs of the coefficients. Insignificant Breusch-Godfrey LM statistics suggest that the estimation is not suffering from any auto-correlation problem. Likewise the insignificant RESET F values suggest that the model is not suffering from any specification error.

As reported in equations 12 and 13 the coefficient of  $\log Y$  carries a positive and significant coefficient as expected in the theory of consumption function. Lagged consumption however, carries positive coefficient, but they are not statistically significant.

The effect of the real interest rate (R) on the real consumption is negative as expected. But it is not statistically significant in both estimations. Given the limitations of very marginally developed urban monetary sector and dominant crude rural monetary sector this finding is not that surprising. While the interest rate charged by banks on their loans may have a negative effect on the real consumption, all changes in real interest rate do not necessarily get transferred into consumption behaviour. Moreover, in case of India, a complete control over interest rates of any kind by monetary authorities complicates the monetary behaviour even more. In general therefore, we argue that the changes in interest rate in Indian case are not very significant to explain any rational economic behaviour.

The main focus of this study however is to focus on the coefficients of  $\log RER$  in equation 3 and  $\log ER$  and  $\log REPR$  in equation 4. As discussed in the theoretical section, we found  $\log RER$  in equation 12, and  $\log ER$  and  $\log REPR$  in equation 13 carrying negative and statistically significant coefficient. The coefficient of  $\log RER$  in equation 12 suggest that one percent increase in real exchange rate reduces the consumption expenditure by 0.14 percent. Likewise from equation 13 we see that a one percent increase in nominal exchange and relative price ratio decreases consumption expenditure by 0.17 percent and the 0.1 percent respectively. These findings clearly prove our hypothesis that modern consumption in Indian case is

affected by international factors such as exchange rate and relative world price. The traditional consumption behaviour does not recognize the importance of these external factors therefore this finding is crucial. We are especially pleased to observe the fact that both international variables

have significant and expected effects on the domestic consumption. An increase in exchange rate increases the value of domestic currency leading to lower real domestic consumption as imports increase and substitute the domestic consumption to durables and non-durables.

**Table 1: Unit Root Test**

Variable	A-D Test		P-P Test	
	Level	First Difference	Level	First Difference
log C	-2.49	-8.59***	-2.49	-8.59***
log Y	-0.95	-4.42***	-3.87***	-4.77***
R	-2.83	-5.49***	-3.20	-7.61***
Log RER	-2.28	-3.56**	-1.85	-6.46***
log ER	-1.02	-3.30*	-1.61	-3.34*
log REPR	0.42	-6.75***	0.42	-6.71***

Note : \*\*\*, \*\*, \* significant respectively at 1%, 5%, and 10% critical level. Critical values are from MacKinnon, J. (1990).

**Table 2: Johansen’s Co-integration Test; variables: log C, log Y, log R, log RER**

H <sub>0</sub>	Trace Statistics	5% Critical Value	5% Critical Value
r ≤ 0	96.73**	68.52	76.07
r1	61.43**	47.21	54.46
r2	33.05*	29.68	36.65
r3	9.10	15.41	20.04

Note: \*\* and \* indicates the rejection of null hypothesis respectively at 1% and 5% critical level.

**Table 3: Johansen’s Co-integration Test; variables: log C, log Y, log R, log ER, log REPR**

H <sub>0</sub>	Trace Statistics	5% Critical Value	5% Critical Value
r ≤ 0	96.73**	68.52	76.07
r1	61.43**	47.21	54.46
r2	33.05*	29.68	36.65
r3	9.10	15.41	20.04
r4	0.15	3.76	6.65

Note: \*\* and \* indicates the rejection of null hypothesis respectively at 1% and 5%

### Section 3: Conclusion and Summary

This paper intended to infuse the role of external factors such as international prices and exchange rate in the list of determinants of economy’s consumption pattern. While

it is recognized that the traditional consumption function theories were basically looking at domestic determinants, the paper argues that in an open economy the external factors can equally be crucial. It is proved with simple

estimation that the argument is quit applicable to Indian conditions, which have been consistent to opening of the economy. The Indian consumers have not only changed the portfolio of aggregate consumption, but also allowed the imported goods to enter in that portfolio. Clearly variables such as exchange rate and domestic relative price (relative to world prices) have become significant determinants of consumption behaviour.

In general it is seen to be a worthwhile argument as well as empirical exercise that clearly vindicate the new emphasis on consumption determinants. We would like to see a few more evidences for other economies that are in a similar globalization mode as Indian economy has been since 1991.

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# Role of Trust: Brand Equity

**Bilal Mustafa Khan, Syed Afroz Shahid,  
and Asif Akhtar**



Brand Equity is a widely accepted concept. But it does not lend itself to a single definition. Researchers have defined it differently. Brand equity is of paramount importance due to the central and critical role that it plays in maximizing the valuation of the firm. The purpose of this research paper is to explore the different perspectives on brand equity and present a strong case for including trust as one of the components of brand equity. Analysis of trust and its importance in the development of brand equity cannot be understated, given the fact that trust is viewed as the corner-stone, as well as one of the most desirable qualities in any relationship.

The basic idea behind branding has been to distinguish goods of one producer from those of others. The word has been derived from an Old Norse word *Brandr*, which means 'to burn,' as brands were and still are the means through which the owners of livestock identify their animals. According to Farquhar (1989), "A brand is a name, symbol, design, or mark that enhances the value of a product beyond its functional purpose." Brand Equity represents an important research area in the field of

marketing. The concept has undergone a series of evolutionary changes in its understanding and construct.



Dr. Bilal Mustafa Khan, Faculty, Department of Business Administration, Aligarh Muslim University (AMU), Aligarh 202002, Uttar Pradesh, Email: bilalmkhan@rediffmail.com; khanbilalmustafa@gmail.com

Mr. Syed Afroz Shahid, Research Scholar - Brand Equity Management, Department of Business Administration, Aligarh Muslim University (AMU), Aligarh 202002, Uttar Pradesh, Email: afrozbinsalam@gmail.com

Mr. Asif Akhtar, Faculty, Department of Business Administration Aligarh Muslim University (AMU), Aligarh 202002, Uttar Pradesh, Email: asifakh@gmail.com

One of the hottest topics in marketing in recent years has been Brand equity. A strong and powerful brand with affirmative brand equity has several rewards such as higher margins, brand extension opportunities, more powerful and effective communications and higher consumer preferences and purchase intentions (Keller, 1993; Rangaswamy et al., 1993; Cobb-Walgreen

et al., 1995). As a key asset (Ambler, 2003), much of the research has focused on understanding how to create, measure, and manage brand equity (Keller, 1993, 1998, 2007).

Since the late 1980s and the rise of the value-based management philosophy, brand equity has developed into one of the key marketing concepts all the way through management theory and practice (Srinivasan et al., 2005). The need for convincing evidence of brand-based equity creation has led to the growth of a wide range of different brand equity models. To date in all probability more than 300 different models exist worldwide (Amirkhizi, 2005).

Regardless of the sizeable body of brand equity models (Leone et al., 2006) most brand equity models lack an adequately precise theoretical basis (Raggio and Leone, 2006). In meticulous, mercantile approaches barely present a conceptual framework for explaining the selection and weighting of their determinants. However, this basic theoretical foundation is necessary in order to prevent

randomness. The projected approach towards trust-based brand management represents such a theoretical basis for the brand equity model presented in this paper.

### Defining Brand Equity

An attempt to define the relationship between customers and brands produced the term “brand equity” in the marketing literature. The concept of brand equity has been debated both from an accounting and marketing perspective, and has underscored the importance of having an enduring focus within brand management. Brand Equity is one of the most popular topics in marketing, and building strong Brand Equity has become essential for many organizations since it yields a number of marketing advantages and increases companies’ competitive strength. Before we try to understand what is brand equity let us first look into the different definitions proposed by the various scholars. Some definitions of brand equity as found in the literatures are as follows:

**Table 1: Brands and their Dimensions**

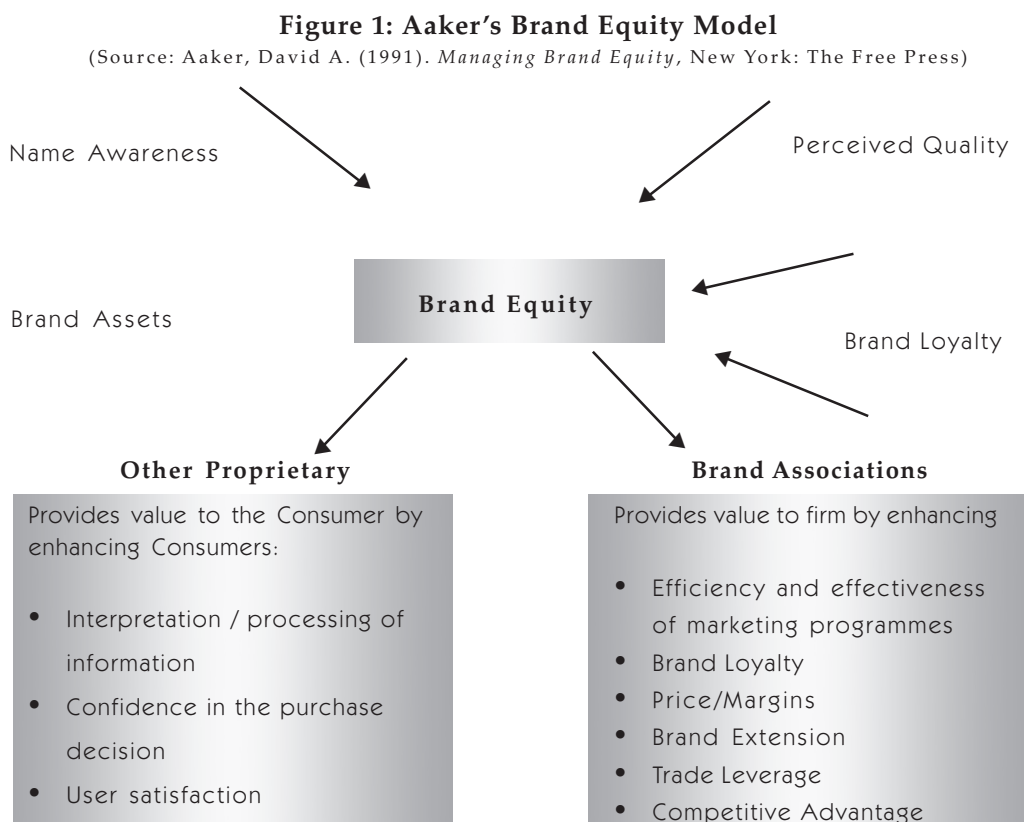
Sl. No.	Author	Definition
1.	Aaker (1991)	A set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and/or to that firm’s customer.
2.	Barwise (1993)	A utility not explained by measured attributes
3.	Barwise (1993)	A differentiated, clear image that goes beyond simple product preference
4.	Broniarczyk & Alba (1994)	The value a brand name adds to a product
5.	Farquhar (1990)	The added value that a brand endows a product with
6.	Keller (1993); Keller (1998)	The Differential effect that Brand knowledge has on the consumer response to the marketing of that brand
7.	Moore (1993)	The combination of brand awareness, liking and perceptions
8.	Park & Srinivasan (1994)	The added value endowed by the brand to the product as perceived by the customer
9.	Keegan; Moriarty & Duncan (1995)	The value attached to a brand because of the powerful relationship that has been developed between the brand and customers and other stakeholders over time

10.	Keegan; Moriarty & Duncan (1995)	The incremental price that a customer will pay for a brand versus the price for comparable product or service without a brand name on it
11.	Keegan; Moriarty & Duncan (1995)	A long term relationship with those people who loyally buy the brand over and over again
12.	Duncan & Moriarty (1997)	The accumulated brand support by all stakeholders, not only by customers
13.	Duncan & Moriarty (1998)	A product of the total net brand support of customers and stakeholders that is determined by all communication interactions of the company
14.	Kerin & Sethuraman (1998)	Off-balance sheet intangible brand properties embedded in a company's brand

**Brand Equity: Literature Review**

The term came to light in 1980s and was defined as “The added value with which a brand endows a product.” (Farquhar,1989). This Definition looks rather simple at first glance but it formed the basis for all the future studies.

Aaker (1991) gave one of the most comprehensive definitions of Brand Equity as “A set of brand assets and liabilities linked to a brand, its name and symbol that add or subtract from the value provided to a firm and/or to that firm’s customers.” The model given by him is as shown below (See Figure 1).



The model incorporates five dimensions of brand loyalty, name awareness, perceived quality, brand associations, and other proprietary brands assets (eg. distribution system). The performance of the brand on these dimensions determines the brand equity. The definitions of brand equity given by Farquhar and Aaker were subsequently validated by the definitions of Keller (1993); Simon and Sullivan (1993); Mahajan et al. (1994). In 1996, some scholars criticized the above mentioned definitions on the ground of being too simplistic. Feldwick (1996) argued that depending on the context brand equity can assume three different meanings. At a given time brand equity can be used to refer to brand narrative, brand strength, and brand value. Thus Brand equity is a vague concept and lacks measurability and application in the business environment.

Supporting the conclusions of Farquhar and Aaker, Kotler et al. (1996) defined brand equity as “The value of a brand, based on the extent to which it has high brand loyalty, name awareness, perceived quality, strong brand associations, and other assets such as patents, trademarks, and channel relationships.” The concept got further strength from the works of Agarwal et al (1996), who tried to validate the various measures of band equity. Aaker (1996) came up with an upgraded model based on his previous work on Brand equity and proposed a ten dimensional brand equity model (See figure 2).

The lack of tangibility and clear definition for brand equity as pointed out by Feldwick (1996) was further supported by Ehrenberg (1997a). He was of the view that high brand equity is the result of large sales and advertising budget, since consumers in his opinion more often than not preferred the larger brand names. However, his assertion was contradicted by Baldinger and Rubinson (1997), who conducted a research which showed that customer attitudes can be measured with some level of validity and that brands ( large or small ) do show a decrease of strength when observed over a long period of time.

According to Ehrenberg (1997b) who debated against brand equity, it is very difficult to maintain differentiation based on brand and that too in case of competitive brands because in his views a unique brand as well as a successful advertising can and is imitated by the competition. Thus, it

**Figure 2: Aaker’s Ten Brand Equity Dimensions**

(Source: Aaker, David A. (1996). Measuring Brand Equity across Products and Markets, *California Management Review*)



becomes very difficult for a brand to maintain sustainable differentiation over a period of time. As per Cook (1997) due to long-term product and company lifecycles there is no substantial impact of advertising on brand equity.

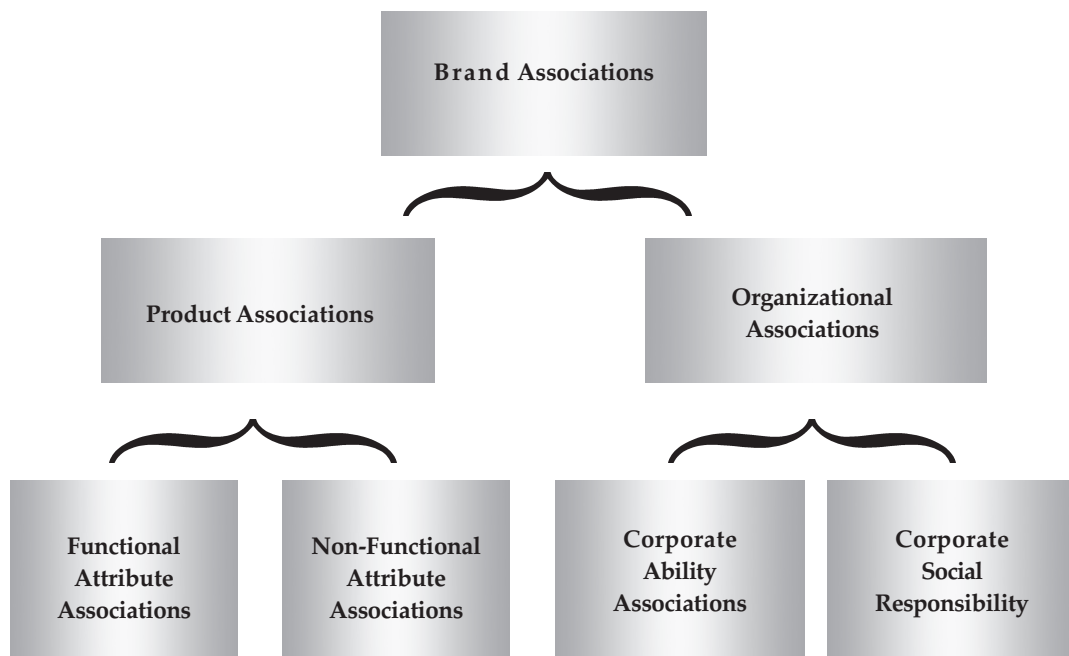
Advertising campaigns add to the development of brand equity over a period of time (Farr and Hollis, 1997). The attitude consumer’s form regarding a brand leads to the image the brand takes in their mind. The brand attitude

contributes to the brand image and would lead to brand equity. Faircloth et al (2001) developed a stage model supporting the argument. It was Chen (2001) who tried to develop a model where he tried to identify the types of association and the relationship between brand equity and

brand associations. He classified the brand association into product association and organizational association. The model developed by him is shown below (See Figure 3). He tried to basically study the impact of brand association on brand equity.

**Figure 3: Chen Brand Association Model**

(Source: Chen, Arthur Cheng-Hsui (2001). Using Free Association to Examine the Relationship between the Characteristics of Brand Associations and Brand Equity, *Journal of Product and Brand Management*)



**Consumer Based Brand Equity**

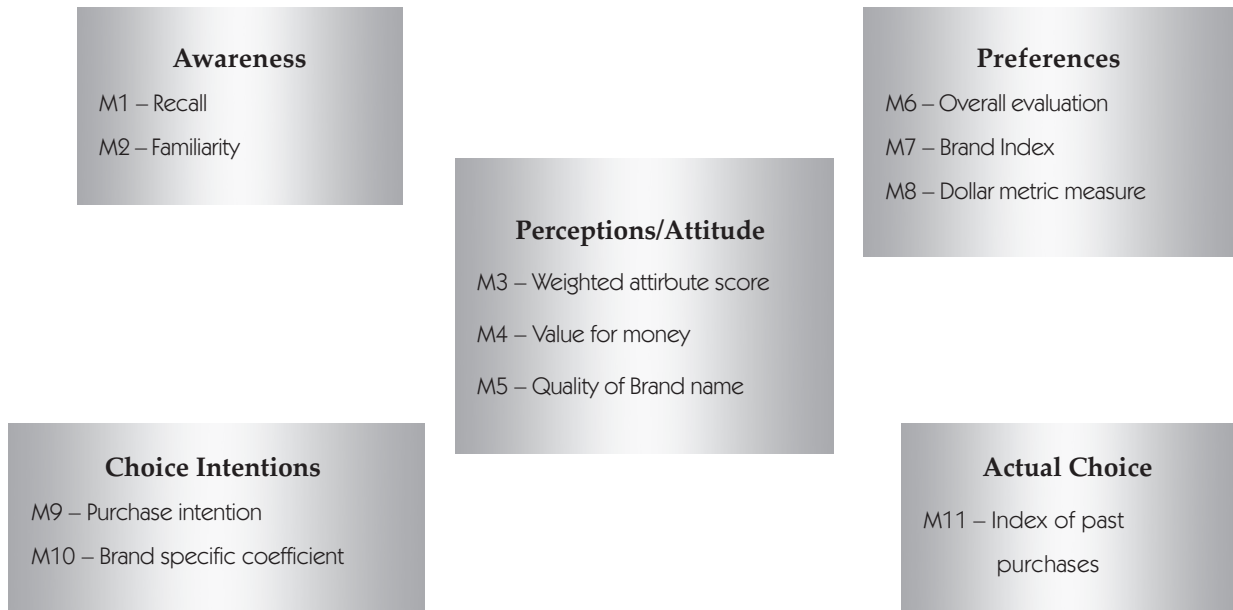
The chief proponent of Consumer based brand equity is Keller (1993). Customer-based brand equity as defined by him is the differential effect of brand knowledge on consumer response to the marketing of a brand. Keller proposed an indirect approach to measure the level of brand awareness using techniques such as aided and unaided memory measures. Next using branded and unbranded products he tried to determine the effect of brand knowledge on consumer response, thereby leading to a measurement tool.

Park and Srinivasan (1994) developed a survey-based method of measurement. This method calls for gathering consumer’s attitudes and opinions in order to come down to various factors contributing to the brand equity. Lassar et al (1995) developed a 17 point scale which tries to measure brand equity across performance, value, social image, trustworthiness, and commitment. Agarwal and Rao (1996) came up with an 11 point scale to measure consumer based brand equity. These measures of brand equity are as shown in the figure 4.



**Figure 4: Eleven Measures of Customer-Based Brand Equity**

(Source: Agarwal, Manoj K. and Rao, Vithala R. (1996). An Empirical Comparison of Consumer-Based Measures of Brand Equity, *Marketing Letters*)



Finally, Yoo and Donthu (2001) developed a multi-dimensional consumer based brand equity scale which was based on the work of Aaker. The scale measures brand equity across brand awareness, brand associations, brand perceived quality and brand loyalty. The scale developed by Yoo and Donthu (2001) was validated by Washburn and Plank (2002) and supported their scale to be a major step towards development of a reliable scale to measure Brand Equity.

### Defining Trust

Trust has received a great deal of attention from scholars in several disciplines such as psychology, sociology, economics, as well as in more applied areas such as management and marketing. This multidisciplinary interest has added richness to the construct, but has also made it difficult to integrate the various perspectives on trust and to find a consensus on its nature. Nevertheless, a careful review of the extant literature reveals that confident expectations and risk are critical components of a definition of trust.

Rempel et.al. (1985) opine that development of trust is based on past experiences and prior interaction. This idea has also found support from Raval and Groonroos (1996) who feel that it originates and develops through experience, and Curran et.al (1998) who feels that it evolves over a period of time.

Even though trust is a dynamic concept, one of the pre-requisites of trust to arise is the perceived risk (e.g Andaleeb, 1992; Mayer et. al. 1995; Rempel et.al. 1985). This is inherently due to the fact that there could be situations where the customer faces some degree of uncertainty or ambiguity in the consumption expectations. And trust becomes operational when the individual becomes vulnerable and when his decision outcomes are based on uncertainty and are important to him/her (high involvement purchase settings). In such a situation the consumer looks for a trustworthy brand which eliminates all types of risk which may be inherent with the product class. Table 1 represents certain types of risks which a trustworthy brand eliminates thereby reducing cognitive dissonance.

**Table 2: Brands, Risk and Risk Reduction**

Sl.No	Type of Risk	Risk Reduction	Examples
1	Functional risk	Will the product perform to expectations?	Brands such as airliners (Boeing) reduce the immense risk involved. Major reason why the fledgling Chinese aircrafts manufacturers are finding the going uphill
2	Physical risk	Does the product pose a threat to the self and health?	Cosmetics, Medicines etc. Reputed brands such as Dior, Ranbaxy, Pfizer reduce such risk.
3	Financial risk	Is the product worth the price?	Brands with high emotional components or added values reduce financial risk as they justify the premium price and thereby reducing dissonance. (Rolls-Royce, BMW)
4	Social risk	Will the product result in embarrassment?	Consumers prefer brands with self expressive benefits such as Harley Davidson and those which are in sync with or enhance their social status. They avoid brands which will cause embarrassment.
5	Time risk	Will there be associated opportunity costs with a product failure? Reduces search time.	Usually with high-involvement products such as purchase of an apartment, laptop or a car. If a wrong choice is made the buyer is stuck with the product.

**Trust as a Component of Brand Equity**

Inspired by the work of David Aaker (1991), we wish to propose our own model for Brand Equity. The model tries to capture the Brand equity dimensions related to consumer perception. In addition to Brand Awareness, Brand Association, Perceived quality and Brand Loyalty we wish to incorporate the fifth dimension of Brand Trust in the construct of Brand Equity.

Trust is viewed as the keystone and one of the most desired traits in a relationship. It is the most important attribute any brand can own. It is also based on the consumer’s belief that the brand has speciûc qualities that make it consistent, competent, honest, responsible and so on, which is in line with the research on trust (eg Andaleeb, 1992; Doney and Cannon, 1997; Larzelere and Huston, 1980).

Chaudhuri and Holbrook (2001) define Brand Trust as “The willingness of the average consumer to rely on the ability of the brand to perform its stated function.” Dawar and

Pillutla (2000), describe brand trust in terms of reliability and dependability.

The most recent literature (Falkenberg , 1996; Hooley et al., 2005; Srivastava et al., 1998, 2001) considers brand equity as a relational market-based asset because it exists outside the firm and resides in the relationships of final users with brands. At the same time, the emergence of relationship marketing as a dominant focus of both marketing theorists and practitioners, suggests that trust is the main factor on which a relationship is based.

The study of brand trust in the branding literature has not flourished. Much of the interest in this issue has been conceptual or theoretical in nature, and there has been little empirical research into it. This lack of research is pointed out by Chaudhuri and Holbrook (2001) who affirm that the role of brand trust in the brand equity processes has not been explicitly considered. Nevertheless, its importance has been theoretically highlighted in the branding literature (Ambler, 1997; Sheth and Parvatiyar,

1995) and in the current brand management practices (Bainbridge, 1997; Kamp, 1999; Scott, 2000).

The Model attempts to capture the various facets of brand equity from the perspective of the consumers. Thus, according to Bainbridge (1997) "A trustworthy brand places the consumer at the center of the world and relies more on understanding real consumer needs and fulfilling them than the particular service or product. It is not merely responsive, but responsible." Realizing the importance of brand trust in the construct of Brand Equity, we propose the following model of brands equity as in Figure 5.

### Conclusions

In spite of the agreement amongst researchers about the value of brand equity, there is still no consensus regarding its conceptualization and measurement. After an extensive literature review, it can be said that there are various facets of brand equity and no single definition captures the essence of Brand Equity in its entirety. Rather, brand equity should be thought of as a multi-dimensional concept that depends on which knowledge structures are present in the consumers' minds and which actions a company can take to capitalize on the potential offered by these knowledge structures.

This study has several managerial implications as regards to brand equity. First, in order to enjoy the substantial competitive and economic advantages provided by brand equity as a relational market-based asset, companies must build brand trust. To that purpose a promise-centric approach is needed when managing the brand. It implies to position the brand as a promise, as a set of expectations that the brand offers a certain type and level of value. Providing this value on a consistent basis is at the heart of building strong relationships with consumers because they develop a sense of trust that the brand will continue to deliver that value. When this happens, the brand can serve as a catalyst for strengthening the relationship and for forming a bond that competitors will find difficult to break. This will be the foundation for the ongoing success and sustained competitive advantage.

However, companies must take care not to assure everything for all people. They have to consider their own

**Figure 5: Brand Equity Model**



capabilities and the desires of their target consumer segments before defining their promises of value. Once they are defined these promises have to be kept consistently, especially when things change quickly and buyers face great uncertainty.

Second, since trust is built through experience, the more positive experiences the consumer has with the brand, the more trusting he or she is likely to become. As such, investments in satisfaction programs, complaint handling and in the design of communication and merchandising strategies, that aid in creating and informing consumers about the responsive attitudes and behaviours of the brands, are ways of building brand trust.

Third, history has proven that consumers will give second chances to brands they trust (Harvin, 2000). Brands such as *Coca-Cola* and *Pepsi* continue to thrive even after the pesticide controversy.

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# Home and Personal Care Products: Awareness and Consumption

Vinod Kumar Bishnoi and Bharti



This paper aims to study the consumption pattern of ruralites: select home, personal care products, and the awareness level about the existing brands. The study also highlights the consumers' motives behind the purchase and the factors affecting their purchase decisions. The data have been collected from 415 respondents across the entire Haryana regarding the six products: detergent, washing soap, bathing soap, toothpaste, shampoo, and hair oil. Majority of them have been using *Nirma*, *Nirol*, *Lux*, *Lifebouy*, *Colgate*, *Clinic Plus* and *Dabur Amla* and local brands of mustard oil. The study reflects that brand awareness level of respondents is very high though it does not affect the product usage to a large extent. Majority respondents have been using these products purely due to the utilitarian value of the product rather than the peripheral aspects.

In recent years, consumer India is at such a point where there is a multiplicative effect in income growth, aspirations and changed consumption pattern across the income level segments (Bijapurkar, 2000). Therefore, the buying behaviour of rural consumers has acquired significant attention of the corporate biggies as they have started consuming everything from shampoo to motor cycles (Pani, 2000). The size of rural market is bigger than the urban for both FMCG and durables as it accounts 53 and 59 percent of the market share respectively (Kashyap, 2003). The recent thrust of marketers into rural market is

triggered by the saturated urban market and the huge rural potential which is reflected in growing demand, has created uproar in this market (Kumar and Bishnoi, 2007). The rural India has been witnessing a sea change

in all sphere of life, be it enhance standard of living or adoption of new lifestyle. The entire credit goes to the revolution in technology and media as the private satellite channels have brought the world to the courtyards of many village houses (Sakkthivel and Mishra, 2005).

The concept of rural market in India is still evolving and poses numerous challenges like



Dr. Vinod Kumar Bishnoi, Reader, Haryana School of Business, Guru Jambheshwar University of Science and Technology, Hisar, Haryana, E-mail: bishnoivk29@gmail.com



Ms. Bharti, Research Scholar, Haryana School of Business, Guru Jambheshwar University of Science and Technology, Hisar, Haryana, E-mail: rawatbharti@gmail.com

understanding rural consumers, reaching products and services to remote locations, and communicating with heterogeneous rural audience (Kashyap, 2003). The unique consumption pattern, tastes, different rural geographies and vast sub-cultural differences display numerous heterogeneity, calling for better understanding and pin-pointed strategies.

## Literature Review

Sayulu and Ramana Reddy (1996) suggest that the rural market offers a very promising future. But this market has certain characteristics that hinder marketers from exploiting the opportunities. These include low literacy level, ignorance of right consumers, indifference to quality standards and lack of cooperative spirit. Ramana Rao (1997) observes that the boom in rural areas is caused by such factors as increased discretionary income, rural development schemes, improved infrastructure, increased awareness, expanding private TV channel coverage and emphasis on rural markets by companies. Ghosh (2007) highlights that FMCG is an important contributor to India's Gross Domestic Product (GDP) and is also the fourth largest sector in the Indian economy responsible for providing employment to approximately five percent of the total factory employment. He further observes that the food processing and the backward linkages established by eminent companies that have already entered the rural zone, and with a number of Indian and foreign companies that are stepping in, the purchasing power of farmers is surely going to increase.

Though the small packets made a considerable impact on rural consumer buying behaviour and consumption pattern, yet this trend reflects only in certain products such as shampoos, washing powder, coconut oil, toothpaste etc. (Sakkthivel and Mishra, 2005). The study further claims that sachets (small packs) facilitating rural consumers to try new products and also played a vital role in modifying their buying behaviour. Hence, it may be viewed as a promotional tool for modifying buying behaviour. According to the study of Naidu (2004) regarding toothpaste and hair oil, almost every ruralite is now aware of famous brands like *Pepsodent*, *Colgate*, *Acquafresh*, *Cibaca* and same is also true in case of

hair oil. Sehrawat and Kundu (2007) argue in their study that rural and urban consumers vary in their behaviour as far as simplicity of packaging is concerned; the study has shown that rural consumers are comparatively less influenced by simplicity of package than urban consumers. Pandey (2005) observes that marketers are successfully using product design and packaging strategies to target the rural consumers, for example, small packages of *Fair & Lovely* are being pushed aggressively in rural markets by *Hindustan Lever Limited (HLL)*. Toothpastes were long assumed to be the only sort of oral care product rural market would buy, yet toothpaste penetration has actually overtaken powders (Singh and Pandey, 2005).

Sakkthivel (2006) has gauged that companies intended to attract the rural consumers ought to be very courteous in their approach and should try to develop the personal rapport by offering better products and supportive services. Once this is done, they don't have to worry about promotion as word of mouth will take care of it. The rural consumer will act as brand ambassador. The study further observes that survival of brands in rural markets would purely be based on their performance. Rural consumer would prefer the performance of the product rather than the brands. If they are satisfied with the same brand, they may look for other products of the same brand. Mahapatra (2006) claims that once the marketer creates a positive attitude for the brand/ service, then it is very difficult to deviate the rural consumers. They not only seek comfort in their brand but also from the person who is selling them the brand. The study also describes that the growing literacy rate and the high penetration of conventional media changed the perception of rural consumers. Shinde (2007) concludes in his study that rural consumers buy from weekly markets in majority and a meager number of consumers buy from districts. The small size packaging is the most important factor when it comes to the factors affecting purchase. The television has been found to be the biggest source of information followed by the radio and their friend circle also plays a vital role in this regard. Kumar and Madhavi (2006) bring out that rural consumers are quality conscious but with reasonable price offers. People understand the local dialect and prefer to be informed in their local



language and dialect. Therefore it can be useful for promotion of brands in rural markets by major players (Patel and Prasad, 2005).

The above mentioned studies highlight the various issues related to the rural markets like packaging preference of the consumers, brand awareness, growing demand for different products, and consciousness of the consumers regarding price. However, due attention has not been given to factors like consumption pattern of ruralities their motives behind the purchase, and how different brands are consumed by the consumers who have varied demographic profiles. The present study is an endeavour in this direction.

**Research Objectives**

The main objective of this research is to study the rural consumers’ behaviour towards select Home and Personal care products. To achieve this objective, the following sub objectives have been designed:

1. To know the brand awareness and consumption pattern of ruralites.
2. To find out the motives behind the purchase and the factors affecting purchase decision.
3. To identify the sources of information.
4. To measure an association between demographic variables and brand consumption.

**Research Methodology**

The present research being exploratory-cum-descriptive in nature mainly depends upon primary sources of information, which have been collected with the help of a structured questionnaire. The study has been conducted in all four administrative divisions of Haryana as divided by Government of Haryana. Two districts from each division have been selected at random and further two villages have been chosen randomly from each of the district and from each village five-ten percent of households have been surveyed. In the entire survey, 16 villages have been covered from eight districts of four administrative divisions. A total of 500 questionnaires were administered among the respondents. Out of these collected questionnaires, 415 questionnaires were considered fit for analysis. The results have been obtained primarily with the help of frequency and percentage techniques. The chi-square test has also been applied to observe the association between certain demographic factors and other variables under study.

**Results and Discussions  
Brand Awareness and Usage**

In case of detergents, it has been found that respondents have high awareness level with regard to *Nirma, Ariel, Wheel, Tide, Fena* and *Rin*. It shows that they are fully aware of leading national brands but when it comes to use, *Nirma* is far ahead than other brands

**Table 1: Awareness and Usage regarding Detergent Brands**

Detergents	Awareness		Usage	
	Frequency	Percentage	Frequency	Percentage
Ariel	310	74.7	17	4.1
Nirma	334	80.5	227	54.7
Wheel	257	61.9	36	8.7
Rin	222	53.5	37	8.9
Surf Excel	107	25.9	50	12.0
Tide	251	60.5	14	3.4
Fena	225	54.2	0	0
Mr. White	49	11.8	0	0
Henko	61	14.7	0	0
Ghari	181	43.6	0	0
Any other	—	—	12	2.9
Non users	—	—	22	5.3
Total	—	—	415	100

Source: Primary data. Frequencies regarding awareness are more than the actual because of multiple responses.

**Table 2: Awareness and Usage regarding Washing Soap Brands**

Washing Soaps	Awareness		Usage	
	Frequency	Percentage	Frequency	Percentage
Nirma	300	72.3	36	8.7
Rin	320	77.1	48	11.6
Wheel	281	67.7	8	1.9
Henko	78	18.8	13	3.1
Rin Surf Excel	172	41.4	42	10.1
Tide	200	48.2	8	1.9
Ariel	229	55.2	0	0
Fena	242	58.3	0	0
Nirol	—	—	256	61.7
Any other	04	1.0	4	1.0
Total	—	—	415	100.0

Source: Primary data, Frequencies regarding awareness are more than the actual because of multiple responses.

**Table 3: Awareness and Usage regarding Bathing Soap Brands**

Bathing Soaps	Awareness		Usage	
	Frequency	Percentage	Frequency	Percentage
Lux	343	82.7	237	57.1
Lifebuoy	335	80.7	103	24.8
Cinthol	161	38.8	17	4.1
Dettol	279	67.2	26	6.3
Breeze	115	27.7	8	1.9
Nirma	189	45.5	4	1.0
Godrej No. 1	92	22.2	8	1.9
Medimix	29	6.9	4	1.0
Hamam	221	53.3	0	0
Pears	87	20.9	0	0
Rexona	69	16.6	0	0
Dove	25	6.0	0	0
Santoor	48	11.6	0	0
Pamolive	9	2.2	0	0
Neem	25	6.0	0	0
Any other	—	—	—	—
Non users	—	—	8	1.9
Total	—	—	415	100.0

Source: Primary data, Frequencies regarding awareness are more than the actual because of multiple responses.

(table 1). In washing soaps, respondents are adequately aware about the leading brands but as far as usage is concerned, locally made *Nirol* has been found as the sole leader in this market. It is pertinent to mention here that various local brands of *Nirol* are available in the market and also being sold in loose form. The few respondents have also been found using some leading national brands like *Rin*, *Nirma* and *Rin Surf Excel* (table 2).

It can be gauged from the table three that respondents possess high awareness regarding *Lux*, *Lifebuoy*, *Dettol*, *Hamam* and *Nirma* and it is moderate in case of *Breeze*, *Pears* and *Rexona* as far as bathing soaps are concerned. But regarding usage, *Lux* is the most preferred brand followed by *Lifebuoy*.

In toothpaste, consumers are much aware about almost all the leading brands available in the market but in case

of use, *Colgate* has been found as the front runner followed by *Pepsodent* and *Close-up* (table 4). The other national brands are still struggling to convert themselves into the sales. *Clinic Plus*, *Sunsilk*, *Pentene*, *Clinic All Clear*, *Chik* and *Head & Shoulder* are able to make a dent in the mind of rural consumers so far as awareness level of the shampoo brands are concerned but when usage part comes, it is the *Clinic Plus* which has been found as the most preferred brand (table 5). The other well-known brands in this product are also absorbed by the consumers but in meager number. In case of hair oil, respondents have significant awareness about almost all the leading national brands but the *Dabur Amla* is consumed most by the rural consumers followed by the mustard oil which is locally made and is available with many brand names. *Parachute*, *Keo Karpin* and *Vatika* are the other brands which are also consumed by the few respondents (table 6).

**Table 4: Awareness and Usage regarding Toothpaste Brands**

Toothpastes	Awareness		Usage	
	Frequency	Percentage	Frequency	Percentage
Pepsodent	371	89.4	95	22.9
Neem	160	38.6	8	1.9
Colgate	317	76.4	181	43.6
Close up	299	72.0	51	12.3
Dabur Ial	201	48.4	30	7.2
Anchor	139	33.5	30	7.2
Babool	204	49.1	16	3.9
Aquafresh	81	19.5	0	0
Miswak	165	39.8	0	0
Vicco	12	2.9	0	0
Any other	—	—	0	0
Non users	—	—	4	1.0
Total			415	100.0

Source: Primary data, Frequencies regarding awareness are more than the actual because of multiple responses.

**Table 5: Awareness and Usage regarding Shampoo Brands**

Shampoos	Awareness		Usage	
	Frequency	Percentage	Frequency	Percentage
Pentene	246	59.3	4	1.0
Clinic Plus	319	76.9	247	59.5
Sunsilk	309	74.5	45	10.8
Ayur	142	34.2	18	4.3
Clinic All Clear	223	53.7	13	3.1
Head & Shoulder	169	40.7	16	3.9
Chik	186	44.8	12	2.9
Garnier Frutics	59	14.2	20	4.8
Ayush	48	11.6	4	1.0
Lure	09	2.2	0	0
Shikakai	48	11.6	0	0
Halo	73	17.6	0	0
Non users	—	—	36	8.7
Total	—	—	415	100.0

Source: Primary data, Frequencies regarding awareness are more than the actual because of multiple responses.

**Table 6: Awareness and Usage regarding Hair Oil Brands**

Hair Oil	Awareness		Usage	
	Frequency	Percentage	Frequency	Percentage
Vatika	313	75.4	20	4.8
Dabur Amla	322	77.6	149	35.9
Almond Drops	143	34.5	13	3.1
Clinic All Clear	268	64.6	20	4.8
Navratan	284	68.4	14	3.4
Parachute	247	59.5	47	11.3
Keo Karpin	146	35.2	33	8.0
Hair & Care	134	32.3	9	2.2
Mustard Oil	—	—	106	25.5
Any other	32	7.7	4	1.0
Total	—	—	415	100.0

Source: Primary data, Frequencies regarding awareness are more than the actual because of multiple responses.

### Motives behind Use of Products

It can be traced from table 7 that the utilitarian aspect of detergent i.e. removal of stains has been found the most dominating reason for its purchase. The few respondents bought it for its fragrance value. The

consumers buy washing soap due to its primary function for cleanliness and some respondents buy it for its fragrance (table 8).

Table 9 gauges that the skincare and fragrance have been found as the prime reasons for using bathing

**Table 7: Motives for using Detergent**

Motive	Frequency	Percentage
Fragrance	73	17.6
Remove stains	316	76.1
Washing machine friendly	4	1.0
Non users	22	5.3
Any other	0	0
Total	415	100.0

Source: Primary data

**Table 9: Motives for using Bathing Soap**

Motive	Frequency	Percentage
Fragrance	180	43.4
Skincare	197	47.5
Medicinal Use	14	3.4
Enhance beauty	12	2.9
Any other	4	1.0
Non users	8	1.9
Total	415	100.0

Source: Primary data

**Table 11: Motives for using Shampoo**

Motive	Frequency	Percentage
Cleanliness	282	68.0
Remove Dandruff	59	14.2
Medicinal use	4	1.0
Hair conditioning	34	8.2
Non users	36	8.7
Total	415	100.0

Source: Primary data

**Table 13: Factors affecting Purchase Decision**

Factor	Frequency	Percentage
Advertisement	80	19.3
Low Prices	63	15.2
Good Quality	165	39.8
Friends & Relatives	24	5.8
Retailer's Influence	70	16.9
Any other	13	3.1
Total	415	100.0

Source: Primary data

**Table 8: Motives for using Washing Soap**

Motive	Frequency	Percentage
Fragrance	50	12.0
Cleanliness	365	88.0
Skin friendly	0	0
Any other	0	0
Total	415	100.0

Source: Primary data

**Table 10: Motives for using Tooth Paste**

Motive	Frequency	Percentage
Cleanliness	204	49.2
Freshness	103	24.8
Check germs	48	11.6
Whiteness	48	11.6
Bad Breath	4	1.0
Taste	4	1.0
Non users	4	1.0
Total	415	100.0

Source: Primary data

**Table 12: Motives for using Hair Oil**

Motive	Frequency	Percentage
Hair care	259	62.4
Good look	137	33.0
Fragrance	10	2.4
Medicinal use	5	1.2
Any other	4	1.0
Total	415	100.0

Source: Primary data

**Table 14: Sources of Information**

Source	Frequency	Percentage
Television	367	88.4
Radio	47	11.3
Retailer	80	19.3
Newspaper	144	34.7
Hoarding	25	6.0
Relatives	40	9.6
Magazines	4	1
Any other	20	4.8

Source: Primary data, Frequencies are more than the actual because of multiple responses.

soaps. However meager number of respondents has mentioned that they use it for medicinal purpose or to enhance beauty. Table 10 highlights that the cleanliness followed by freshness has been found as the primary motives for the purchase of toothpaste. Some of the respondents also purchase it for the purpose of protection from germs and whiteness value. Cleanliness has been found as the primary motive behind the purchase of shampoos. The very few respondents also buy it for removal of dandruff or hair conditioning (table 11). Table 12 gauges into the reason for buying hair oil and it is found that the respondents have been buying it for hair care and good looks.

**Factors Affecting Purchase Decision**

Table 13 discusses the factors influencing the purchase decision of the respondents. It can be well observed

from the table that quality has been the major factor behind the purchase of these items whereas advertisement and retailer’s influence also play a vital role in deciding about a particular brand. A small number of respondents also give weight to the lower prices when it comes to purchase. Any other factors like hoarding and mobile van etc do not have any significant effect on the consumers.

**Sources of Information for Brands**

As far as sources of information are concerned, television is far ahead than the other sources. Newspaper also plays a significant role in imparting information to consumers probably due to their local edition. Retailers, radio and relatives are the other sources of information for the rural consumers (table 14).

**Table 15: Income Level and Detergents’ Brand Consumption**

Detergent Monthly Income	Nirma	Wheel	Rin	Rin Surf Excel	Any other	Total
below 5000	32(57.1)	12(21.4)	4(7.1)	4(7.1)	4(7.1)	56(100.0)
5001-10000	133(76.0)	4(2.3)	4(2.3)	21(12.0)	13(7.4)	175(100.0)
10001-15000	29(27.6)	12(11.4)	21(20.0)	25(23.8)	18(17.1)	105(100.0)
above 15000	33(57.9)	8(14.0)	8(14.0)	0(0)	8(14.0)	57(100.0)
Total	227(57.8)	36(9.2)	37(9.4)	50(12.7)	43(10.9)	393(100.0)

Source: Primary data, Chi-square value 96.179, significant at 5% level, Figures in parenthesis denote percentage.

\*Any other also includes Ariel & Tide

**Table 16: Education Level and Detergents’ Brand Consumption**

Detergent Education level	Nirma	Wheel	Rin Excel	Rin Surf other	Any	Total
Illiterate	37(100.0)	0(0)	0(0)	0(0)	0(0)	37(100.0)
Upto 12th	156(59.1)	20(7.6)	12(4.5)	33(12.5)	43(16.3)	264(100.0)
Graduate/P.G.	34(37.0)	16(17.4)	25(27.2)	17(18.5)	0(.0)	92(100.0)
Total	227(57.8)	36(9.2)	37(9.4)	50(12.7)	43(10.9)	393(100.0)

Source: Primary data, Figures in parenthesis denote percentage

**Table 17: Income Level and Washing Soaps’ Brand Consumption**

Washing Soap Monthly Income	Nirma	Rin	Nirol	Any other	Total
below 5000	8(11.6)	8(11.6)	45(65.2)	8(11.6)	69(100.0)
5001-10000	16(9.1)	12(6.9)	121(69.1)	26(14.9)	175(100.0)
10001-15000	8(7.0)	15(13.2)	58(50.9)	33(28.9)	114(100.0)
above 15000	4(7.0)	13(22.0)	32(56.1)	8(14.0)	57(100.0)
Total	36(8.7)	48(11.6)	256(61.7)	75(18.1)	415(100.0)

Source: Primary data, Chi-square value 25.833, significant at 5% level, Figures in parenthesis denote percentage, \*Any other also includes Wheel, Tide, Henko and Rin Surf Excel.

**Table 18: Education Level and Washing Soaps’ Brand Consumption**

Washing Soap Education Level	Nirma	Rin	Nirol	Any other	Total
Illiterate	4(10.8)	9(24.3)	24(64.9)	0(0)	37(100.0)
Upto 12th	20(7.2)	21(7.6)	181(65.3)	55(19.9)	277(100.0)
Graduate/P.G	12(11.9)	18(17.8)	51(50.5)	20(19.8)	101(100.0)
Total	36(8.7)	48(11.6)	256(61.7)	75(18.1)	415(100.0)

Source: Primary data, Chi-square value 24.547, significant at 5% level, Figures in parenthesis denote percentage

**Table 19: Income Level and Bathing Soaps’ Brand Consumption**

Bathing Soap Monthly Income	Lux	Lifebuoy	Dettol	Any other	Total
below 5000	41(63.1)	16(24.6)	0(0)	8(12.3)	65(100.0)
5001-10000	96(56.1)	59(34.5)	8(4.7)	8(4.7)	171(100.0)
10001-15000	55(48.2)	24(21.1)	18(15.8)	17(14.9)	114(100.0)
above 15000	45(78.9)	4(7.0)	0(0)	8(14.0)	57(100.0)
Total	237(58.2)	103(25.3)	26(6.4)	24(5.9)	407(100.0)

Source: Primary data, Chi-square value 53.769, significant at 5% level, Figures in parenthesis denote percentage  
\*Any other also includes Nirma, Breeze, Godrej , Medimix & Cinthol.

**Table 20: Education Level and Bathing Soaps’ Brand Consumption**

Bathing Soap Education Level	Lux	Lifebuoy	Dettol	Any other	Total
Illiterate	33(100.0)	0(0)	0(0)	0(0)	33(100.0)
Upto 12th	160(58.6)	83(30.4)	14(5.1)	16(5.9)	273(100.0)
Graduate/P.G.	44(43.6)	20(19.8)	12(11.9)	25(24.8)	101(100.0)
Total	237(58.2)	103(25.3)	26(6.4)	41(10.1)	407(100.0)

Source: Primary data, Figures in parenthesis denote percentage

### Association of Demographic Variables and Brand Usage

It can be observed from the table 15 that *Nirma* is the sole leader in all the income categories in comparison to the other brands of detergents. But in case of sophisticated brands like *Surf Excel*, *Ariel* and *Tide*, the usage increases as the income level increases. This association is also reflected from the value of chi-square as well. When it comes to the association between education level and brand consumption of detergents (table 16), *Nirma* is the only brand which is consumed by the all illiterate respondents. However, as the education level of respondents increases the trend is downward in case of *Nirma* whereas *Wheel*, *Rin* and *Surf Excel* show an increasing trend.

The table 17 discloses that *NiroI* (a local brand) is the most utilized washing soap brand among all income categories. However, the figures reflect the decreasing trend with the increasing income level. But it is vice-versa in case of *Rin*. This fact is also revealed by chi-square value. By seeing the pattern of washing soap brands as per the education level of the respondents

(table 18), *NiroI* is being used by the majority of illiterate respondents and its use is decreasing with the increasing education level. But, *Nirma* and *Rin* are on increasing side as the education level increases. Hence, the figures reveal that as the education level of respondents goes up, they tend to use more sophisticated national brands.

The table 19 reveals the fact that *Lux* is the most consumed bathing soap irrespective of different income categories however it also discloses that the consumers seek more variety as the income level goes up. Chi-square value also shows a significant association between income level and bathing soaps brand usage. As per table 20 again *Lux* is the leading brand in all education categories of respondents with a decreasing trend with the increasing education level whereas consumption of *Dettol* and other brand increases with the increasing education level. So education has a positive association with brand choice. Lower age groups are more variety seeking whereas with the increase in age, the respondents stick to the two leading brands i.e. *Lux* and *Lifebuoy* (table 21).

**Table 21: Age and Bathing Soaps’ Brand Consumption**

Bathing Soap \ Age	Lux	Lifebuoy	Dettol	Any other	Total
15-25	61(53.0)	29(25.2)	8(7.0)	17(14.8)	115(100.0)
26-35	124(63.3)	46(23.5)	14(7.1)	12(6.1)	196(100.0)
36-50	48(63.2)	12(15.8)	4(5.3)	12(15.8)	76(100.0)
above 50	4(20.0)	16(80.0)	0(0)	0(0)	20(100.0)
Total	237(58.2)	103(25.3)	26(6.4)	41(10.1)	407(100.0)

Source: Primary data, Chi-square value 45.053, significant at 5% level, Figures in parenthesis denote percentage

**Table 22: Income Level and Toothpastes’ Brand Consumption**

Toothpaste \ Monthly Income	Pepsodent	Colgate	Close up	Any other	Total
below 5000	8(12.3)	28(43.1)	4(6.2)	25(38.5)	65(100.0)
5001-10000	33(18.9)	87(49.7)	38(21.7)	17(9.7)	175(100.0)
10001-15000	17(14.9)	54(47.4)	9(7.9)	34(29.8)	114(100.0)
above 15000	37(64.9)	12(21.1)	0(0)	8(14.0)	57(100.0)
Total	95(23.1)	181(44.0)	51(12.4)	84(20.4)	411(100.0)

Source: Primary data, Chi-square value 108.919, significant at 5% level, Figures in parenthesis denote percentage, \*Any other also includes Neem, Babool, Dabur Lal & Anchor.



**Table 23: Age and Toothpastes' Brand Consumption**

Age \ Toothpaste	Pepsodent	Colgate	Close up	Any other	Total
15-25	27(23.5)	33(28.7)	17(14.8)	38(33.0)	115(100.0)
26-35	48(24.0)	96(48.0)	30(15.0)	26(13.0)	200(100.0)
36-50	16(21.1)	36(47.4)	4(5.3)	20(26.3)	76(100.0)
above 50	4(20.0)	16(80.0)	0(0)	0(0)	20(100.0)
Total	95(23.1)	181(44.0)	51(12.4)	84(20.4)	411(100.0)

Source: Primary data, Chi-square value 40.163, significant at 5% level, Figures in parenthesis denote percentage

**Table 24: Education Level and Shampoos' Brand Consumption**

Shampoo \ Edu.level	Ayur	Clinic Plus	Sunsilk	Head & Shoulder	Garnier Frutics	Any other	Total
Illiterate	0(0)	33(100.0)	0(0)	0(0)	0(0)	0(0)	33(100.0)
Upto 12th	18(7.3)	167(68.2)	28(11.4)	0(0)	16(6.5)	16(6.5)	245(100.0)
Graduate/P.G.	0(0)	47(46.5)	17(16.8)	16(15.8)	4(4.0)	17(16.8)	101(100.0)
Total	18(4.7)	247(65.2)	45(11.9)	16(4.2)	20(5.3)	33(8.7)	379(100.0)

Source: Primary data, Figures in parenthesis denote percentage, \*Any other also includes Pentene, Clinic All Clear, Chik & Ayush

**Table 25: Gender and Shampoos' Brand Consumption**

Shampoo \ Gender	Ayur	Clinic Plus	Sunsilk	Head & Shoulder	Garnier Frutics	Any other	Total
Male	9(3.5)	172(67.7)	28(11.0)	16(6.3)	4(1.6)	25(9.8)	254(100.0)
Female	9(7.2)	75(60.0)	17(13.6)	0(0)	16(12.8)	8(6.4)	125(100.0)
Total	18(4.7)	247(65.2)	45(11.9)	16(4.2)	20(5.3)	33(8.7)	379(100.0)

Source: Primary data, Figures in parenthesis denote percentage

The table 22 gauges about the association between income level of the respondents and their brand consumption with regard to toothpaste. It reveals that *Colgate* is the most preferred brand among low and middle income categories but in the income category of above Rs.15000, it is the *Pepsodent* which leads. *Close up* is also used by a significant number of respondents in the middle income categories. When we look at the table 23 to see the association between age and toothpaste brand consumption, it can be found that *Colgate* is preferred by every age category but it is on much higher side in the case of aged people (50 and above) whereas the young respondents are more variety seeking as they use different brands. These associations are also highlighted by chi-square values.

Table 24 exhibits the association between education level of respondents and brand usage of shampoo. It is highlighted that *Clinic Plus* is the only brand used by each and every illiterate respondent. It shows a declining trend as the education level goes up but there is a reverse trend in case of *Sunsilk* and *Garnier Frutics* etc. As far as association with gender is concerned (table 25), *Clinic Plus* is the choice of both the genders, however, it is little bit higher in case of males. But the brands like *Ayur*, *Sunsilk* and *Garnier Frutics* are consumed dominantly by female whereas *Head & Shoulder* is solely used by males.

In case of hair oil (table 26), it is the *Dabur Amla* followed by mustard oil which are most consumed

**Table 26: Age and Hair Oils’ Brand Consumption**

Hair Oil Age	Dabur Amla	Parachute	Mustard Oil	Any other	Total
15-25	39(33.9)	30(26.1)	21(18.3)	25(21.7)	115(100.0)
26-35	62(31.0)	9(4.5)	65(32.5)	64(32.0)	200(100.0)
36-50	32(42.1)	4(5.3)	16(21.1)	24(31.6)	76(100.0)
above 50	16(66.7)	4(16.7)	4(16.7)	0(0)	24(100.0)
Total	149(35.9)	47(11.3)	106(25.5)	113(27.2)	415(100.0)

Source: Primary data, Chi-square value 59.556, significant at 5% level, Figures in parenthesis denote percentage, \*Any other also includes Almond Drops, Navratan ,Hair & Care, Vatika, Clinic All Clear and Keo Karpin

**Table 27: Gender and Hair Oils’ Brand Consumption**

Hair Oil Gender	Dabur Amla	Parachute	Mustard Oil	Any other	Total
Male	116(40.0)	12(4.1)	86(29.7)	76(26.2)	290(100.0)
Female	33(26.4)	35(28.0)	20(16.0)	37(29.6)	125(100.0)
Total	149(35.9)	47(11.3)	106(25.5)	113(27.2)	415(100.0)

Source: Primary data, Chi-square value 55.162, significant at 5% level, Figures in parenthesis denote percentage

brands among all age groups. But a significant number of respondents belonging to the age category of 15 to 25 years also use Parachute. The table reflects clearly that old age people are stick to two brands (*Dabur Amla* and locally produced mustard oil) only whereas the youth also go for experiencing newer and latest brands of the hair oil. Although *Dabur Amla* and local brands of mustard oil are being used heavily by both the genders (table 27), but *Parachute* is also used by a considerable number of female respondents, this association is also conformed by chi-square values.

**Findings**

The overall analysis of brand usage and its association with the certain demographic variables, the motives behind the purchase, the factors affecting purchase decision of the ruralites and the sources of information regarding major home and personal care products have helped in reaching certain conclusions. The following are the main findings thereof:

- ◆ In rural Haryana, consumers have been found using the leading national brands like *Nirma* (detergent),

*Lux* and *Lifebuoy* (bathing soap), *Colgate* and *Pepsodent* (toothpaste), *Clinic Plus* (shampoo), *Dabur Amla* (hair oil) where as in case of washing soaps and hair oil *NiroI* (locally produced soap) and local brands of mustard oil are predominantly used by the rural consumers.

- ◆ When it comes to the brand awareness level of the rural consumers, it has been found that they are fully aware of the leading brands in case of bathing soaps, toothpaste and detergent but it is moderate regarding few brands of shampoo, hair oil and washing soaps.
- ◆ It is revealed from the study that primarily consumers buy these products for their prime utilitarian value than the peripheral aspects.
- ◆ The television has been the primary source of information besides newspapers. They also seek information from their relatives and the concerned retailers. The study revealed that the rural consumers are very much quality conscious and consider the advertisement and retailer’s advice while deciding about purchasing a particular brand. They are also little cautious about the prices as well.

- ◆ The study highlights some very interesting aspects that whatever is the leading brand in all the products, that remains leading irrespective of any demographic variables be it income, education, age or gender. But with the increasing income and education level, the consumers were found using other sophisticated brands in that product category. The younger rural consumers have been found more variety seeking whereas the old aged consumers are stick to two or three brands.

### Policy Implications

It is apparent from the study that once the rural consumers get convinced regarding the utility of the product for current use, there are every likely chances of ruralites going for it. Therefore, marketers desirous of tapping rural market must first study the consumers' requirement related to the utilitarian aspect that they attach to the products and then design the product accordingly. Ruralites in Haryana are conscious about the quality of the products; this underlines a very important fact for the marketers that they must consistently try to build upon the perceived image about the quality of the product along with maintaining the quality. As the main source of information are television and newspaper, it is suggested to the marketers that reaching rural consumer is not a difficult task but strategy needs to be properly design-based on the kind of media and programmes they are exposed to.

### Conclusion

The study has been conducted on the awareness and consumption pattern of rural consumers towards home and personal care products. This study on the one hand has broken many old beliefs regarding rural market whereas it has upheld many others. Contrary to the belief that only rich and well educated consumers utilize the top national brands but even low income level consumers were found to be absorbing such brands. Similarly the consumers have been found well exposed to the different media primarily to the television and newspapers. The younger rural consumers have been found more variety seeking in comparison to their

old aged counterparts. Once satisfied, they become loyal to the brand. The rural consumer can be convinced on the utilitarian value of the product. In nutshell, the study can be concluded by saying that though rural market is full of complexities yet accessible if tapped through well conceived and properly designed marketing programmes which is a bigger challenge but equally rewarding.

### Future Research Direction

This is an effort to study the awareness and consumption pattern of rural consumers towards select products in the category of home and personal care. It is only a broader view of the certain aspects. Further research can be conducted on a single product while taking into consideration the more variables. This study has been conducted only in the state of Haryana in India. For comprehensive and detailed understanding of rural market in India, studies should be conducted at national level by taking larger sample size.

**Key words:** Rural, consumption pattern, motives, home and personal care.

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# Stress and Strain: Faculty Performance

**Kalyani R., Panchanatham N., and  
Parimala R.**



This study investigated the contribution of stress on college teachers' work performance. 207 male and 93 female lecturers were the samples from a reputed university in South India and they completed a structured questionnaire. The hypotheses were that occupational stress and coping styles would explain the performance of college teachers, and gender would affect occupational stress, coping styles and college teachers' performance. There was a significant influence of occupational stress and coping styles on work performance. Male and female lecturers did not show any significant differences in occupational stress, coping styles and work performance.

Studies have consistently concluded that teaching is a stressful occupation, and that a significant number of teachers, perhaps even a majority, are affected by work-related stress (Rudow, 1999; Dunham, 1998; Kyriacou, 1989, 1999, 2001; Guglielmi and Tatrow, 1998). Comparative studies have echoed these findings: for example, in a 2005 study in the U.S., Johnson, Cooper, Cartwright, Donald, Taylor and Millet examined 26 occupations and concluded that teaching was one of the most stressful occupations.

Stress experts acknowledge the pressures of teaching. Cary Cooper, professor of organizational psychology and

health at the University of Manchester's Institute of Science and Technology, says teaching is not intrinsically stressful in the same way as the job of a bomb disposal officer. 'Teaching is a political football, it changes all the time,' he explains. The combination of continual change with frequent new government demands coupled with long, unsociable hours and poor pay, make up a stressful recipe. He also agrees



Ms.Kalyani R., Research Scholar, Department of Business Administration, Annamalai University, Annamalainagar - 608002, Tamil Nadu, India, E-mail : kalki.vijay@yahoo.co.in



Dr.Panchanatham N., Professor and Head, Department of Business Administration, Annamalai University, Annamalainagar -608002, Tamil Nadu, India, E-mail: npanchanatham@yahoo.com



Ms.Parimala R., Final Year Student, Department of Business Administration, Annamalai University, Annamalainagar - 608002, Tamil Nadu, India.

with teachers' leaders that the workload is excessive. Although the working day may be shorter than most office working days, teachers put in many more hours in the evenings and at weekends preparing lessons, marking work and organizing extracurricular events, he says.

### Teachers' Stress

Much of the research literature on the causes of teacher stress has focused on the highly interpersonal nature of teaching, and, in the compulsory sector, has identified disruptive behaviour by students, dealing with parents, and conflict with colleagues to be among the major sources of stress reported by teachers (Kyriacou, 2001; Griffith et al., 1999). These findings have also been echoed in the New Zealand compulsory sector (Dewe, 1986; Manthei and Solman, 1988; Whitehead and Ryba, 1995; Hawe, Tuck, Manthei, Adair and Moore, 2000). Most of this research has also identified other major stressors, such as workload and time pressure, role conflict and ambiguity, the working environment, and organizational and educational change. Some researchers have argued that structural rather than interpersonal factors are responsible for teacher stress; Manthei and Solman, for example, in their 1988 study of a group of New Zealand state schools, cite several other studies in support of their contention that "the major sources of stress for teachers are structural, and need to be recognized as such." As an example, they point out that reducing class size would have a significant effect on two of the major stressors reported by teachers, disruptive student behaviour and the physical working environment. In other words, organizational structures determine the extent of the impact on teachers of the interpersonal stressors inherent in their role.

There is also almost universal agreement about the effects of stress. Although some researchers (Guglielmi and Tatrow, 1998; Wainwright and Calnan, 2002) question the reliability of findings about causality, research across several disciplines in the field of occupational stress has consistently confirmed the relationship between stress and 10 negative emotional, cognitive, behavioural and physiological responses (Travers and Cooper, 1998;

Kinman, 2001; Hogan, Carlson and Dua, 2002). These responses include fatigue, substance abuse, appetite disturbances, heart disease, stroke, cancer, musculoskeletal and gastrointestinal problems, anxiety, depression, accidents and suicide (European Commission, 2002); hypochondria, loss of concentration, recall and creativity, inability to learn new things, indecisiveness, destructive behaviour, and refusal to seek help (Levi, 2002); headaches, sleep disturbances, low morale, irritability and relationship problems (NIOSH, 1999). These findings are corroborated in the research literature on teacher stress.

### Coping Strategies

Folkman and Lazarus (1980, cited in Rice, 1992), define coping "as all cognitive and behavioural efforts to master, reduce, or tolerate demands." Adding to this definition, Matheny (1986,) defined coping as "any effort, healthy or unhealthy, conscious or unconscious, to prevent, eliminate, or weaken stressors, or to tolerate their effects in the least hurtful manner."

Comparatively little research has been conducted into the coping strategies employed by teachers (Griffith et al., 1999; Dunham, 1989). Most studies report a range of both emotion-focussed and problem-focussed strategies (Kyriacou, 2001; Dunham and Bath, 1998; Dunham, 1989); an exception is the survey of 532 New Zealand teachers conducted by Whitehead and Ryba (1995), where only emotion-focussed strategies were included in the checklist used, which had been compiled from items previously nominated by five teachers. In the tertiary sector, a range of both emotion and problem focused strategies has also been reported (Abouserie, 1996; Gillespie et al., 2001). There has been even less research into the effectiveness of different coping strategies. In one study, however, Griffith et al. (1999) surveyed the coping strategies of 780 U.S. teachers and investigated both emotion-focussed and problem-focussed strategies in relation to their stress levels. They concluded that strategies which involved disengagement (such as turning to other activities, sleeping, reducing effort, giving up) or suppression of competing behaviour (concentrating, preventing distractions) were associated with higher levels of stress. Active planning

and seeking social support appeared to be more successful in moderating stress. Greenglass (2002) notes that problem-focussed strategies and preventive coping are generally perceived in the occupational stress literature as more successful, because they are associated with lower stress levels, whereas emotion-focussed coping is associated with higher levels of stress. However, the question of directionality arises again: it is possible, for example, that the level of stress experienced by an individual also influences their choice of coping strategy, rather than the reverse.

### Employee Stress and Performance

Creating a high performance organization is a popular theme in the training and development field. To survive in these competitive times, companies can't afford anything less. Creating a high performance organization requires understanding what factors influence performance. One of the most significant factors is stress. Historically, stress has been viewed as an inevitable consequence of work life; or at most, a health care issue. Neither view begins to capture just how costly this problem is to employers. Research shows that stress interferes with human intellectual, emotional, and interpersonal functioning. In fact, nearly every popular training and organizational development initiative is directly compromised by the intellectual, emotional, and interpersonal consequences of stress. Initiatives like The Learning Organization, Process Re-engineering, Diversity Training, Collaborative Team Work, and The High Performance Organization are all impacted by the way people are affected by stress.

Studies show that when people are under stress, their thought processes narrow. This narrowing of attention, by definition, prevents divergent thinking, which is the foundation of creativity. Divergent thinking is the ability to see connections between very distantly related ideas and context. It is an important component of "thinking outside the box." When people are stressed, they are able to perceive obvious connections and associations between ideas. When people are in a positive emotional state, their ability to make more distant, novel connections and associations increases. Thus, stress

compromises, at the most fundamental neurological level, one of the foundational skills of creativity and innovation.

### Aim of the Study

In order to cater to the caliber of 21<sup>st</sup> century College students, lecturers have to work more. They are also having long working hours. This contributes to stress related problems which would affect their work performance. The aim of the present study was to gain further understanding of the occupational stress and coping styles of lecturers. The focus of this study was to investigate how occupational stress and the different types of coping styles have contributed to college teachers' performance.

### Hypotheses

Three hypotheses were used for this present study. The first hypothesis predicted that occupational stress level would explain the variation in the performance of college teachers. The second hypothesis predicted that the coping styles would explain college teachers' performance. The third hypothesis predicted that gender would affect occupational stress level, coping styles and college teachers' performance.

### Method

#### Participants

A sum of 300 lecturers consisting of 207 males and 93 females were selected as representative samples from a reputed university in Tamilnadu, India. Participants were professors, readers, selection grade lecturers, senior lecturers and lecturers. Using a single sample survey design, all 300 participants completed a background information sheet, Occupational stress index, Coping Skills Inventory and Teachers' Performance Assessment Scale.

#### Materials

Materials included a questionnaire pack which included background information sheet, Occupational stress index, Coping Skills Inventory and Teachers' Performance Assessment Scale.

### Occupational Stress Index (OSI)

Developed by Srivastava, A.K. and Singh, A.P. this index consists of 46 items to be responded on a five point scale (1-strongly disagree, 2-disagree, 3-undecided, 4-agree, 5-strongly agree) with 12 subscales namely Role overload (6 items), role ambiguity (4 items), role conflict (5 items), unreasonable political and group pressure (4 items), responsibility for persons (3 items), under participation (4 items), powerlessness (3 items), poor peer relations (4 items), intrinsic impoverishment (4 items), low status (3 items), strenuous working conditions (4 items), Unpredictability (2 items). Higher the score more would be the occupational stress among the lecturers.

### Coping Skills Inventory (CSI)

Developed by Shrink, C. it consists of 45 items to be responded on a five point scale (1-almost never, 2-rarely, 3-sometimes, 4-quite often, 5-most of the time) with seven dimensions namely Reactivity to stress (7 items), resourcefulness (6 items), ability to relax (6 items), self reliance (7 items), proactive attitude (6 items), adaptability and flexibility (7 items), ability to access

situations (6 items). If the score is high, then the coping skills of the lecturers are high.

### Assessing Teachers' Performance Scale

Adapted by Nhundu, T.J. it consists of 30 items to be responded on a five point scale (1-poor, 2-fair, 3-good, 4-very good, 5-exceptional) with four dimensions namely curriculum and instruction (11 items), human relations (11 items), personal development (5 items) and college-community relations (3 items). The higher the score the more would be the work performance of the lecturers.

### Procedure

Structured questionnaires were distributed to 300 lecturers in person with a request to give their unbiased, genuine, and realistic responses. This survey data was used as the primary data for this research.

### Results and Discussion

To test the first hypothesis, a standard multiple regression analysis was conducted. The result of that analysis is shown in Table 1 below.

**Table 1: Multiple Regressions for Performance and Stress Dimensions**

	Sum of Squares	df	Mean Square	F	Sig.
Regression	236.721	12	19.727	20.350	.000*
Residual	277.239	286	.969		
Total	513.960	298			

Dimensions of Occupational Stress	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	8.578	1.099		7.803	.000
Role Overload	.150	.114	.070	1.312	.191
Role Ambiguity	.135	.105	.066	1.285	.200
Role Conflict	-.138	.122	-.052	-1.128	.260
Unreasonable group and political pressure	.197	.105	.109	1.869	.063



Responsibility for persons	.346	.103	.183	3.369	.001*
Under participation	-.368	.103	-.191	-3.586	.000*
Powerlessness	-.307	.102	-.165	-3.024	.003*
Poor peer relations	-.091	.109	-.041	-.833	.406
Intrinsic impoverishment	-.138	.130	-.047	-1.056	.292
Low status	-.215	.103	-.094	-2.083	.038**
Strenuous working conditions	.207	.136	.090	1.524	.129
Unprofitability	.114	.103	.070	1.100	.272

R Square = 0.461, \* - significant at 0.01 level, \*\* - significant at 0.05 level, Source: Primary data

The Table 1 reveals the results of multiple regressions between occupational stress and teachers’ performance. From the results it is clear that the R square value 0.461 implied that the independent variables have 46.10 percent influence on performance measures. Further, the calculated F-value 20.350 is also confirmed and statistically significant at 0.01 which indicates that there is a significant influence of occupational stress on teachers’ performance. Based on the t-value, the variables Responsibility for persons, under participation, Powerlessness and Low status are highly influencing variables to measure the performance of employees. The hypothesis occupational stress level would explain the variation in the performance of college teachers is accepted.

The above finding is in conformity with the results of Abualrub who stated that a curvilinear (U-shaped) relationship existed between job stress and job performance. Goklaney found that low stress groups differed significantly from moderate and higher stress groups in their creativity and performance. Karen Horney stated that high stress and anxiety reduces one’s decision making power and performance. Smith and Siwolop inferred that 15 percent of managers suffer from stress that will affect their job performance. Fried, Y. et al found that increase in role conflict and role ambiguity decreased the levels of job performance. Fang et al found that stress, organizational commitment were significant predictors of performance and turnover intention of employees.

**Table 2: Multiple Regressions for Performance and Coping Skills**

	Sum of Squares	df	Mean Square	F	Sig.
Regression	242.862	7	34.695	36.378	.000*
Residual	278.484	292	.954		
Total	521.347	299			

Dimensions of coping	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.629	.390		9.311	.000
Reactivity to stress	.561	.145	.211	3.864	.000*
Resourcefulness	-.007	.012	-.025	-.574	.567
Ability to relax	.307	.144	.117	2.141	.033**

Self-reliance	.469	.135	.171	3.480	.001*
Proactive attitude	.538	.135	.206	3.990	.000*
Adaptability and flexibility	.347	.146	.128	2.374	.018**
Ability to access situations	.301	.133	.117	2.267	.024**

R Square = 0.466, \* - significant at 0.01 level, \*\* - significant at 0.05 level, Source: Primary data

The Table 2 reveals the results of multiple regressions between coping skills and teachers' performance. From the results it is clear that the R square value 0.466 implied that the independent variables have 46.6 percent influences on performance. Further, the calculated F-value 36.378 is also confirmed and statistically significant at 0.01 which implies that there is a significant influence of coping skills on teachers' performance. Based on the t-value, the variables Reactivity to stress, Ability to relax, Self-reliance, Proactive attitude, Adaptability, flexibility and Ability to access situations are highly influencing variables to measure the performance of employees. The hypothesis that coping styles would explain college teachers' performance is accepted.

The results are in conformity with the research based literature by Barnsley about effective coping strategies and methods used by college teachers to reduce stress and improve their performance levels. Aidong Zhang et al found that teaching performance will be affected by teachers' attitudinal states and coping behaviour. Ron Larchick et al also identified the types of coping behaviours that teachers utilized to minimize the effect of stress on their job performance. Abualrub concluded that the dimension of coping strategy social support enhanced the level of job performance and decreased the level of job stress.

**Table 3: t- Test for Gender and occupational Stress**

Dimensions of Occupational Stress	Gender	N	Mean	Std. Deviation	t
Role Overload	Male	207	3.8744	.61823	0.460
	Female	93	3.8387	.63057	
Role Ambiguity	Male	207	3.4010	.62984	-0.361
	Female	93	3.4301	.68203	
Role Conflict	Male	207	3.1353	.48378	-1.115
	Female	93	3.2043	.52252	
Unreasonable group and political pressure	Male	207	3.9469	.72546	-0.348
	Female	93	3.9785	.73689	
Responsibility for persons	Male	207	3.8213	.70500	0.170
	Female	93	3.8065	.67980	
Under participation	Male	206	2.2427	.68383	-0.557
	Female	93	2.2903	.68494	
Powerlessness	Male	207	2.2029	.66639	-0.472*
	Female	93	2.2473	.78927	
Poor peer relations	Male	207	2.6715	.58152	-0.080
	Female	93	2.6774	.62834	
Intrinsic impoverishment	Male	207	3.1159	.43632	1.291
	Female	93	3.0430	.48709	

Low status	Male	207	2.7053	.56183	1.893
	Female	93	2.5699	.59706	
Strenuous working conditions	Male	207	3.5459	.58007	0.265
	Female	93	3.5269	.56321	
Unprofitability	Male	207	4.0531	.79567	-.006
	Female	93	4.0538	.82575	

\* - Significant at 0.01 level, Source: Primary data

From the Table 3 it was identified that between male and female teachers there was no significant difference found pertaining to the different dimensions of stress except powerlessness. So it is concluded that teachers' opinion for the dimensions Role Overload, Role Ambiguity, Role Conflict, Unreasonable group and Political pressure, Responsibility for persons, Under participation, Poor peer relations, Intrinsic impoverishment, Low status, Strenuous working conditions and profitability did not differ significantly between male and female lecturers.

From the Table 4, based on the t- value it is inferred that self-reliance is the only dimension which is found to differ significantly between male and female lecturers. For all the other dimensions namely Reactivity to stress, Resourcefulness, Ability to relax, Proactive attitude, Adaptability and Flexibility and Ability to access situations there is no significant difference in the opinion of male and female lecturers.

From the Table 5 it was identified that between male and female teachers there was no significant difference found pertaining to the different dimensions of job performance. However for the dimensions curriculum and instruction and college-community relations male teachers are found to have high mean score value and for the other two dimensions: human relations and personal development, female teachers are found to have high mean score value. The hypothesis that gender would affect occupational stress level, coping styles and college teachers' performance is partially accepted.

The findings coincided with the studies of Beena and Poduval who found that gender was also a major factor affecting the stress level. Wang, Z. et al also stated that coping resource in female teachers was significantly higher than in male teachers.

**Table 4: t - Test for Gender and Coping Skills**

Dimensions of Coping Skills	Gender	N	Mean Deviation	Std.	t
Reactivity to stress	Male	207	2.4203	.49480	-1.198
	Female	93	2.4946	.50268	
Resourcefulness	Male	207	2.7778	3.61213	-0.667
	Female	93	3.1613	6.29232	
Ability to relax	Male	207	2.4155	.50373	-1.260
	Female	93	2.4946	.50268	
Self-reliance	Male	207	2.3043	.47165	-2.057*
	Female	93	2.4301	.49777	
Proactive attitude	Male	207	2.4638	.50951	-0.487
	Female	93	2.4946	.50268	
Adaptability and flexibility	Male	207	2.3382	.48436	-0.982
	Female	93	2.3978	.49211	
Ability to access situations	Male	207	2.4396	.51669	-0.860
	Female	93	2.4946	.50268	

\* - Significant at 0.01 level, Source: primary data

**Table 5: t- Test for Gender and Performance**

Dimensions of Performance	Gender	N	Mean Deviation	Std.	t
Curriculum and Instruction	Male	207	2.3671	.48320	0.204
	Female	93	2.3548	.48106	
Human relations	Male	207	2.3623	.48184	-0.232
	Female	93	2.3763	.48709	
Personal Development	Male	207	2.4638	.49989	-0.322
	Female	93	2.4839	.50245	
College-Community Relations	Male	207	2.5217	.51977	0.412
	Female	93	2.4946	.54421	

\* - Significant at 0.01 level, Source: primary data

**Conclusion**

To conclude, the purpose of this study was to understand the variables that contributed to college teachers’ performance. The impact of occupational stress level and coping styles on their work performance was discussed. The study found that there is a significant relationship existing between the occupational stress and performance of University teachers.’ The coping dimensions reactivity to stress, ability to relax, self-reliance, proactive attitude, adaptability and flexibility and ability to access situations are highly influencing variable to measure the performance of teachers. Little differences were found in the levels of occupational stress, coping skills and work performance between male and female lecturers. This study, to some extent has created awareness about the problem of college teachers, especially about their occupational stress which has a negative impact over their work performance. It is obvious from the present investigation that teachers’ performance is significantly explained by occupational stress and coping skills variables. Therefore the responsibility of society and management lies in reducing occupational stress and improving coping skills.

**Key Words:** college teachers, occupational stress, coping style, work performance

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# Developmental Issues in Cement Industry

**Senthilkumar S., Mathivanan R.,  
Panchanatham N., and Mani A.**



The boom in the real estate and construction industry in India showed a sudden and sharp increase in the price of cement, to the extent of a price increment as high as 17 percent in a single month. This study demonstrates that the sudden surge in the price of the cement is neither due to the demand-supply mismatch of the cement nor a sudden increment in the cost of producing cement. Parameters studied include the firm concentration index, region-wise production and consumption, capacity utilization, and cost to sales ratio. Cement is the preferred building material and is used in household and industrial construction. Earlier, government sector used to consume over 50 percent of the total cement sold in India, but in the last decade, its share has come down to 35 percent. The real driver of cement demand is creation of infrastructure, so cement demand in emerging economies, is much higher than developed countries. In India too, the demand for cement will be affected by spending on infrastructure.

The boom in the real estate and construction industry in India saw a sudden and sharp increase in the price of cement, to the extent of a price increment as high as 17 percent in a single month. Our analysis clearly demonstrates that the sudden surge in the price of the cement is neither due to the demand-supply mismatch of the cement nor a sudden increment in the cost of producing cement. With the boost given by the government to various infrastructure projects, road network and housing facilities,

growth in the cement consumption is anticipated in the coming years. The favourable housing finance environment is expected to fulfill the vast housing requirements, both in rural and urban areas. The reduction in import duties is not likely to affect the industry as the cement produced is at par with the international standards and the prices are lower than those prevailing in international markets.

Parameters studied also include the firm concentration index, region



Prof. Senthilkumar S., Asst. Professor, Annai Mathammal Sheela Engineering College, Namakkal-637013, Tamilnadu, Email: senthilkumar\_management@yahoo.com



Dr. Mathivanan R., Principal, Bharathiar University Arts and Science College, Valparai, Coimbatore, Tamilnadu, Email: mathi\_principal@yahoo.co.in



Dr. Panchanatham N., Professor and Head - Business Admn., Annamalai University, Annamalai Nagar - 608002, Tamilnadu, Email: npanchanatham@yahoo.com



Mr. Mani A., Research Scholar in Commerce, KSR College of Arts and Science, Tiruchengode-TK, Namakkal, Tamilnadu, Email: pettaimani@rediff.com

wise production and consumption, capacity utilization, cost to sales ratio, etc. Cement is the preferred building material and is used extensively in household and industrial construction. Earlier, government sector used to consume over 50 percent of the total cement sold in India, but in the last decade, its share has come down to 35 percent. Rural areas consume less than 23 percent of the total cement. Availability of cheaper building materials for non-permanent structures affects the rural demand. The real driver of cement demand is creation of infrastructure; hence cement demand in emerging economies is much higher than developed countries where the demand has reached a plateau. In India too, the demand for cement will be affected by spending on infrastructure. The following are the key areas that are going cover in emerging developmental issues in Indian Cement Industry.

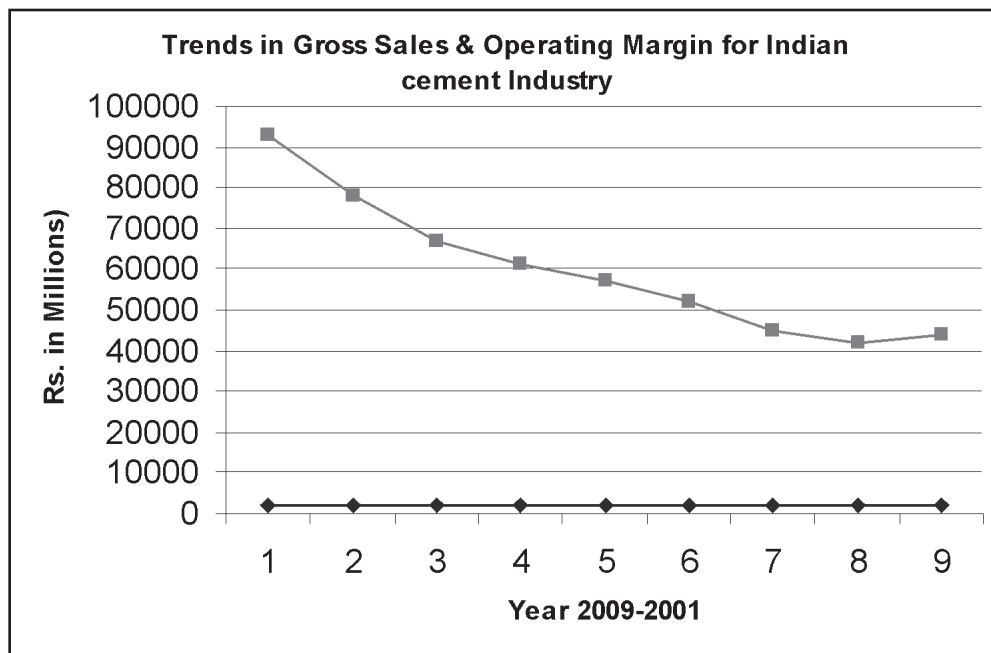
- § Indian Cement Industry – Current Scenario
- § Indian Cement Industry – Major players in 2008
- § Types of Cement in India
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- § Capacity Utilization

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### Indian Cement Industry – Current Scenario

Since the stock market boom in 2003-2007, there has been hectic activity in the cement industry in terms of capacity addition. After the boom, when cement prices began to scale new highs, investors rushed-in, to set up new capacities. In the period from 2003-04 to 2006-07, cement capacity increased by over 35 percent, with an annual addition of 16.3MT. The annual compounded growth in capacity at 20.54 percent outpaced the consumption growth of 14.8 percent. This resulted in capacity being created far in excess of requirement, especially in the northern region of India. The north was the worst affected as most of the cement capacity addition took place in the limestone rich Madhya Pradesh. Gujarat and Maharashtra also took the heat with large capacities being set up by *Gujarat Ambuja* and *Larsen and Turbo*.

### Emerging Developmental Issues in Indian Cement Industry



Note: Predicted for the year 2009\*

Both these states suffered not only because of excess capacities within the states, but more so due to the surpluses in neighbouring states. The flow of surplus cement from Madhya Pradesh and Rajasthan made matters worse in Maharashtra and Gujarat, respectively. Towards the end of the boom and bust cycle, cement prices fall taking down with it the cement companies' profitability. The profitability of cement companies suffered and the

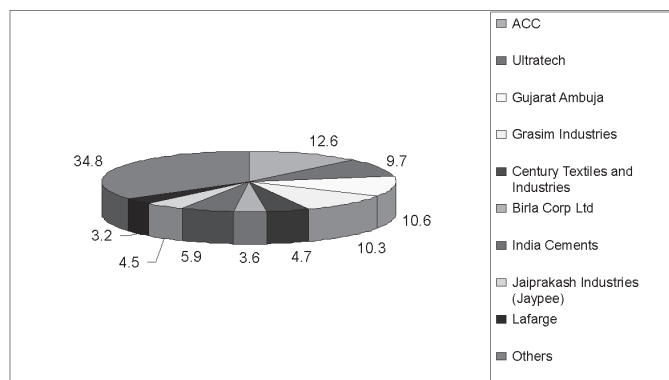
scrips took a beating on the stock markets. But the good part is that the glut in the industry and the resulting crunch in profitability deterred many entrepreneurs from entering the sector. As it requires at least two years for a cement plant to commence production from the time orders for plant and machinery are placed and another six months to stabilize production, major capacity creation is restricted.

### New Capacities

Companies	Year (Out put in Million Tonnes)		
	2005-06	2006-07	2007-08
Madras Cement	2.00	2.13	2.20
Grasim-Dharani	2.00	1.92	2.11
ACC	1.00	1.23	1.25
Sanghi Cement	0.50	0.54	0.67
Saurashtra Cement	0.50	0.56	0.52
GACL	0.20	0.24	0.27
Zuari	0.30	0.33	0.35
Raasi Cements	0.12	0.15	0.19
Sri Vishnu Cements	0.10	0.12	0.16
Visaka Cements	0.13	0.17	0.20
India Cements	0.17	0.21	0.28

Source: ICRA

### Indian Cement Industry - Major Players in 2008



### Types of Cement in India

The types of cement in India have increased over the years with the advancement in research, development, and technology. The Indian cement industry is witnessing a boom as a result of which the production

of different kinds of cement in India has also increased. By a fair estimate, there are around 11 different types of cement that are being produced in India. The production of all these cement varieties is according to the specifications of the BIS. Some of the various types of cement produced in India are:



§ Clinker Cement	§ Portland Blast Furnace Slag Cement
§ Ordinary Portland Cement	§ Portland Pozzolana Cement
§ Rapid Hardening Portland Cement	§ Oil Well Cement
§ White Cement	§ Sulphate Resisting Portland Cement

## Current news on Cement

### Venezuelan troops seize cement plant, March, 2008

Venezuelan troops seized a cement plant owned by Mexico's Cemex SAB after a deal to nationalize the firm failed. Troops occupied the Maracaibo Cemex plant in the western state of Zulia Monday night, but plan to take control of all four Cemex plants in Venezuela Tuesday.

### Chavez Orders Nationalization of Venezuelan Cement Makers, April, 2008

Caracas/Mexico City, April 4 - Venezuelan President Hugo Chavez ordered the nationalization of his country's cement industry, a sector led by the Mexican company Cemex. Cemex's stock fell Friday and the Mexican Foreign Ministry said it had contacted the Venezuelan government 'to find out the extent and the nature of the comments' of Chavez, which were made late Thursday.

### Pakistan starts exporting cement to India, Islamabad, Jan., 2008

Bilateral trade between India and Pakistan has taken a significant step forward with at least five Pakistani companies approved by the Bureau of Indian Standards - starting to export cement to India while five more manufacturers have applied for certification. A total of 11 cement companies have been cleared by the BIS and four more have applied to get approval for export.

### Aditya Birla Group eyes Jaffna Cement Plant, Colombo, Jan., 23, 2008

Undeterred by the deteriorating security situation in northern Sri Lanka, a leading Indian company is hoping to revive a disused but large cement plant in Jaffna district.

The *Aditya Birla Group* had sent us a proposal to revive and run the state-owned cement plant at Kankesanthurai.

### Karunanidhi threatens to Nationalise Cement Industry, Jan., 2008

Chennai, Jan 2 - Tamil Nadu Chief Minister M.Karunanidhi threatened Wednesday to nationalise all cement factories in the state unless manufacturers drastically reduced prices. Karunanidhi revealed his government was all set to import 100,000 tonnes of the product through the joint auspices of the government owned entity Tancem and Centre's Minerals and Metals Trading Corporation.

### Pakistan, India 'cementing' ties, Karachi, Aug., 30, 2008

Pakistan's largest cement producer, Lucky Cement, will dispatch its first export consignment to India next week to bridge the neighbour's current shortfall. The beginning is being made after clearing hurdles over the quality of the cement. The company has a certificate from The Bureau of Indian Standards which is authorized to determine the quality of cement both domestic and international.

### Indian firm rapped by Nepal corruption watchdog, Kathmandu, July, 2008

The highest anti-corruption body of Nepal has rapped Ace Refractory, a producer of refractory products in India, saying that it caused losses to a Nepali company by supplying inferior goods and now should pay compensation. The Commission for Investigation of Abuse of Authority conducting a probe into the dealings of *Udaypur Cement Industry Ltd.*, the biggest cement factory.

### Finance Bill gets Lok Sabha nod after minor amendments, New Delhi, May, 2008

The Lok Sabha Thursday passed the Finance Bill for the current fiscal after Finance Minister P. Chidambaram's reply

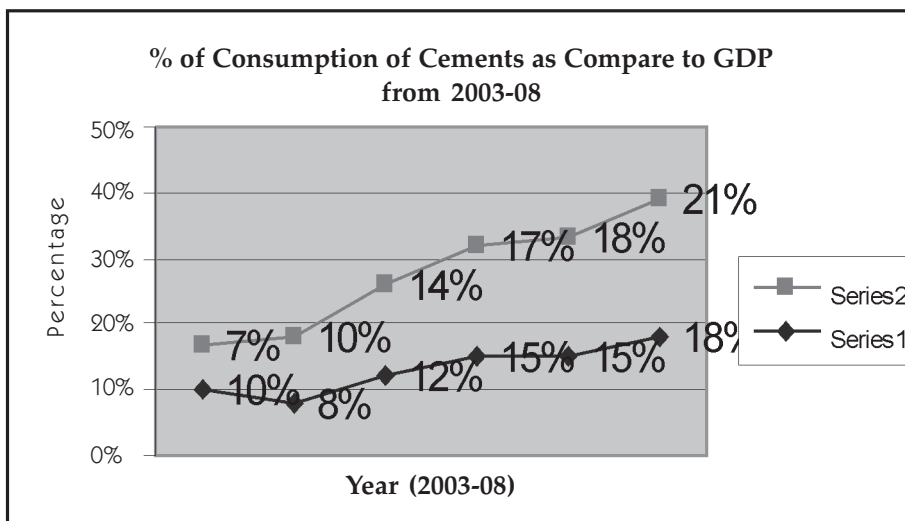
to the debate on the union budget during which he brought some amendments in the tax proposals, but said exemptions would be phased out eventually. Chidambaram also said that proposed recast of tax brackets may be linked to inflation and sought to increase the tax.

### Demand Supply Scenario turning Favourable

§ The dynamics of Indian cement industry is undergoing a gradual shift. From an oversupply

situation not so long ago, we are now witnessing a scenario where demand growth is outstripping increase in supply.

§ Country's total cement capacity is around 151 mtpa (million tonnes per annum). Capacity additions by players like ACC, Shree Cement, Grasim, Japee and Kesoram Industries and Greenfield expansions will see a compounded growth rate of 7.5 percent in capacity over the next three years.



Note: Series 1 refers - % of GDP, Series 2 refers - % Consumption Growth of Cement

§ Whereas domestic consumption, now at 125 million tonnes, should increase at around eight percent per annum in the same period. Higher consumption in coming years will be driven by strong demand growth owing to continued investments in the housing and infrastructure sectors. A boom in the housing sector, increased focus on infrastructure, and a buoyant industry—together, they spell good news for cement producers.

§ Overall cement demand which has grown at a compounded annual growth rate of eight percent over the last ten years and is expected to grow by 9-10 percent annually. The expectation is also based on high co-relation which industry bears with overall GDP growth. Thus, since Indian economy itself is expected to grow by more than eight percent, going forward the demand for cement would also rise at a rate which is higher than this rate.

### Regional-wise Capacity



## Capacity Utilization Installed Capacity

India is the world's second largest cement producing country after China. The industry is characterized by a high degree of fragmentation that has created intense competitive pressure on price realizations. Spread across the length and breadth of the country, there are 130 large plants belonging to 66 companies with an installed capacity of around 155mn tons as on March 2008.

The Indian cement industry has to be viewed in terms of five regions:-

- § **North** (Punjab, Delhi, Haryana, Himachal Pradesh, Rajasthan, Chandigarh, J&K and Uttranchal);
- § **West** (Maharashtra and Gujarat);
- § **South** (Tamil Nadu, Andhra Pradesh, Karnataka, Kerala, Pondicherry, Andaman & Nicobar and Goa);
- § **East** (Bihar, Orissa, West Bengal, Assam, Meghalaya, Jharkhand and Chhattisgarh); and
- § **Central** (Uttar Pradesh and Madhya Pradesh).

33.03 percent of cement production capacity of the country, with Andhra Pradesh accounting for 15.27 percent of the total production capacity of India. It has an installed capacity of around 20mn tons of cement and ranks first in the country, followed by Tamil Nadu with 9.94 percent of the total production capacity. North accounts for 18.02 percent of the total production capacity, with Rajasthan at 12.55 percent of the total production capacity of the country. West accounts for 16.85 percent of the total production capacity. Maharashtra and Gujarat have production capacity of 6.89 percent and 9.96 percent respectively. East and Central Regions account for 16.33 percent and 15.77percent of the total production capacity of the country respectively. Trade between these regions is on a very low scale mainly because of the transportation bottlenecks and uncompetitive cost of transportation. This apart, there are other factors that determine the location of a cement plant. Proximity to limestone deposits, availability of coal and power and the markets the plants cater to, are some of the critical factors that determine the viability of a cement plant.

### Capacity Utilization in India

Year	Installed Capacity	Production	Capacity Utilization (%)
1950-51	3.28	2.95	90
1960-61	9.30	7.97	86
1970-71	17.61	14.36	82
1980-81	27.92	18.66	67
1990-91	65.00	53.00	81
2000-01	119.30	98.00	86
2010-11*	150.65	136.80	90
2020-21*	186.00	165.77	96

Source: CMA, Cement Statistics , New Delhi, 2008, Note: Prediction by Statistical Analysis

The above table shows that commencing with a capacity of 3.28 million tones in 1950-51; cement industry progressed to a capacity of 119.30 million tones in 2000-01. Similarly, production increased from 2.95 million tones to 98 million tones during the same period up to 2000-01. Capacity utilization, which was 90 percent during 1950-51, gradually decreased to 67 percent in 1980-81. It, however, took a reverse turn in the eighties and started increasing slowly. The eighth Five-Year Plan

estimates projected the utilization of capacity with an increase to 86 percent in 2000-01. The statistics corroborates this as shown in the above table where with installation capacity of 119.30 million tones, 98 produced and hence utilization of capacity was 82 percent. And in connection to these predictions made by the researcher in that for the year 2010-11 the capacity utilization is 90 percent and in the same manner for the year 2020-21 is 96 percent.

## Export of Indian Cement

The export of Indian cement has increased over the years, giving a boost to the Indian cement industry. The demand for cement in the foreign countries is a derived demand, for it depends on industrial activity, real estate, and construction activity. Since growth is taking place all over

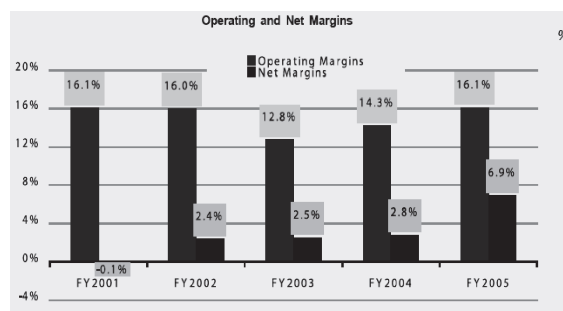


the world in these sectors, Indian export of cement is also increasing. The cement industry in India has around 300 mini cement plants and 130 large cement plants. The total production capacity of these plants is around 167.36 million tons. The India cement industry is technologically very advanced, as a result of which the quality of Indian cement is now considered the second best in the world. This has given a major boost to the Indian export of cement. The production of cement in India is not only able to meet the domestic demand, but large amounts are also exported. A fair amount of clinker and cement by-products are also exported by India. As the quality of Indian cement is very good, its demand in the international market is always high. In 2001-2002, 3.38 million tons of cement was exported from India. That figure stood at 3.47 million tons in 2002-03, and 3.36 million tons in 2003-04. In 2001-2002, 1.76 million tons of clinker was exported from India. In 2002-2003 clinker exports amounted to 3.45 million tons, and in 2003-2004 the figure stood at 5.64 million tons. This shows that the export of Indian cement has been increasing at a steady pace over the years. Export of India cement has been mostly to the West Asian countries. The major companies exporting Indian cement are:

- § Gujarat Ambuja
- § Ultra Tech Cement
- § L&T Limited
- § Aditya Cement

Export of Indian cement has registered growth a fair amount of growth, giving a boost to the Indian economy. That it continues to rise, more efforts must be made by the cement industry in India and the government of India.

### Margin over the Years



Source: ICRA

## Global Players

- § Rapid urbanization and the booming infrastructure have led to an increase in construction and development across India, attracting even the global players. The recent years have witnessed a surge of foreign direct investment in the cement sector. International players like France's Lafarge, Holcim from Switzerland, Italy's Italcementi and Germany's Heidelberg Cements together hold more than a quarter of the total capacity.
- § Holcim, one of the world's leading suppliers of cement, has 24 plants in the country and enjoys a market share of about 23-25 percent. It will further invest about US\$ 2.49 billion in the next five years to set up plants and raise capacity by 25 MT in the country. Holcim has a global sale worth about US\$ 20 billion, where India contributes US\$ 2 billion-2.5 billion.
- § Italcementi Group, which acquired full stake in the *KK Birla* promoted *Zuari Industries' cement*, for US\$ 126.62 million in 2006 plans to invest US\$ 174 million over the next two years in various Greenfield and acquisition projects.
- § The French cement major, Lafarge which acquired the cement plants of *Raymond* and *Tisco* with an installed capacity of 6 MTPA a few years back plans to double its capacity to 12 MT over the next five years by adopting the Greenfield expansion route.

§ German major Heidelberg Cement has merged Mysore Cement, in which it owns around 54 percent stake, Indorama, (where it acquired 100 percent stake in 2008) and its 100 percent Indian subsidiary, Heidelberg Cement India.

### Mergers and Acquisitions (M&As)

§ A growing and robust economy was noteworthy in terms of the total number of mergers and acquisitions (M&A) in India 2007, with the cement sector contributing to seven percent to the total deal value. Increased activity in infrastructure and a booming real estate market have seen foreign firms vying to acquire a share of the pie.

§ Holcim strengthened its position in India by increasing its holding in Ambuja Cement from 22 percent to 56 percent through various open market transactions with an open offer for a total investment of US\$ 1.8 billion. Moreover, it also increased its stake in ACC Cement with US\$ 486 million, being the single largest acquirer in the cement sector.

§ Leading foreign funds like Fidelity, ABN Amro, HSBC, Nomura Asset Management Fund and Emerging Market Fund have together bought around 7.5 percent in India's third-largest cement firm, India Cements (ICL), for US\$ 124.91 million.

§ Cimpor, the Portuguese cement maker, paid US\$ 68.10 million for Grasim Industries' 53.63 percent stake in Shree Digvijay Cement.

### Government Initiatives

§ Government initiatives in the infrastructure sector, coupled with the housing sector boom and urban development, continue being the main drivers of growth for the Indian cement industry.

§ Increased infrastructure spending has been a key focus area over the last five years indicating good times ahead for cement manufacturers.

§ The government has increased budgetary allocation

for roads under National Highways Development Project (NHDP). This coupled with government's initiatives on the infrastructure and housing sector fronts would continue to remain the key drivers.

§ Appointing a coal regulator is looked upon as a positive move as it will facilitate timely and proper allocation of coal (a key raw material) blocks to the core sectors, cement being one of them.

§ Other budget measures such as cut in import duty from 12.5 percent to nil, removal of 16 percent countervailing duty, four percent additional customs duty on Portland cement and differential excise duty are all intended to cut costs and boost availability.

### Key Findings

§ Domestic demand for cement has been increasing at a fast pace in India and it has surpassed the economic growth rate of the country.

§ Cement consumption in India is forecasted to grow by over 22 percent by 2009-10 from 2007-08.

§ Among the states, Maharashtra has the highest share in consumption at 12.18 percent, followed by Uttar Pradesh.

§ In production terms, Andhra Pradesh is leading with 14.72 percent of total production followed by Rajasthan.

§ Housing sector is expected to remain the largest cement consumer in coming years.

### Recommendations on Cement Industry

For the development of the cement industry 'Working Group on Cement Industry' was constituted by the Planning Commission for the formulation of X Five Year Plan. The Working Group has projected a growth rate of ten percent for the cement industry during the plan period and has projected creation of additional capacity of 40-62 million tonnes mainly through expansion of existing plants.

- § The Working Group has identified following thrust areas for improving demand for cement
- § Further push to housing development programmes
- § Promotion of concrete Highways and roads and
- § Use of ready-mix concrete in large infrastructure projects

Further, in order to improve global competitiveness of the Indian Cement Industry, the Department of Industrial Policy and Promotion commissioned a study on the global competitiveness of the Indian Industry through an organization of international repute, viz. KPMG Consultancy Pvt. Ltd. The report submitted by the organization has made several recommendations for making the Indian Cement Industry more competitive in the international market.

### Future Outlook

- § The future outlook for the cement industry looks more promising and optimistic than ever before. This is because the cement industry grew by 8.5 percent in FY05, while the economy grew by around seven percent. The future could be a lot better. We believe that cement demand in the country in FY06 will outpace the long-term average growth rate with buoyant economy.
- § Demand-supply situation is now more or less in equilibrium and prices could move up further as the demand growth will be much faster than the supply growth. There are good reasons for their optimism. Housing, which accounts for 55-60 percent of the demand, remains the consistent driving force behind sector growth.
- § Besides, demand from infrastructure projects and industrial/commercial ventures account for 20 percent each. An incremental demand of two million tonnes is expected per year from infrastructure projects in the country. So, even as the Golden Quadrilateral project nears completion, demand in the port and airport segments may pick up, keeping demand buoyant.
- § While demand side looks bright, there won't be any

large capacity additions in near future, even as India would need eight–nine million tonnes additional capacity every year till FY08 to meet the incremental demand.

- § Moreover, growing momentum in consolidation amongst the players is expected to bring rationality in capacity addition. This would keep the cement prices favourable for the companies.

### Conclusion

Naturally, cement industry is the part and parcel of constructional activities. Without this industry's share, the economic growth of the country cannot be too good, because it is the second largest industry after iron and steel. The Indian cement industry has an increased capacity of over five times in the last two decades, thereby supporting a three-fold growth in per capita consumption, with the satisfactory available capacity which is more than the demand. Buoyant state of the economy has created positive spin offs on the business scenario for the entire cement industry. Not only major players are reaping the benefits but even other players are also benefiting from the uptrend. Also industry is undergoing a consolidation phase. The wave of consolidation has turned in to cyclone which entailed to *Gujarat Ambuja* and *ACC's* acquisition by Holcim. Irrespective of consolidation momentum, the cement sector growth story would remain strong on back of increasing demand in housing, infrastructure and commercial construction sectors. Thus Indian cement industry is poised for concrete growth with robust demand scenario, lack of substantial capacity addition in next 2-3 years and firm cement prices in place.

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# Home Environment: Stress and Mess

Lilly J. and Geetha S.



In the scenario of ever rising number of urban married women entering formal workforce, there has been an increasing amount of work stress both at home and workplace on them. Therefore the present study was undertaken to analyze the impact of occupational stress on home environment as perceived by selected respondents. Results showed that the respondents could not look after the children and family members and, moreover, irrespective of the occupational status they hold, everyone faces a medium level of stress in their respective work.

The present social structure reflects the changes that have come through changing frame of time. A major breakthrough was the growing education and economic independence among women. The economic pressures of inflation, influence of the women's movement and the psychological need to develop one's 'self identity' are encouraging the women to take a more active role outside the home to pursue full time careers.

Unfortunately, work which is deemed to be a source of life-giving to individuals and in turn to families with which an

individual is attached is working just in opposite direction. Organizations put pressure, explicit and implicit, on employees to put more time, stay late at night, come in on weekends, take work home and so on to help the firm improve its competitive position. The norm of a 35-44 hour/week has given way to longer hours in the full-time working week. With the dawn of a new century, the information age is rapidly replacing the industrial age, bringing with it new norms of work and longer hours of work involving harder and more challenging tasks and the need to be multi-skilled. The globalization



Prof. Lilly J., Department of Commerce and Computer Applications, PSGR Krishnammal College for Women (Autonomous), Coimbatore – 641 004, E-Mail: lilly\_jebaraj@yahoo.co.in



Prof. Geetha S., P. G. Department of Finance and Computer Applications, S.N.R. Sons College (Autonomous), Coimbatore – 641 006, Mail: geethaa81@gmail.com



process which has resulted in increased and intense competition has brought in significant changes in the workplace. By and large, it is believed that humankind spends a major portion of his or her time and energy in this realm due to the changing nature of work in response to new demands and environmental pressures.

Occupational stress is a stress taken away to home from work place. Occupational stress may have an impact on home and family environment. The job stress increases with increase or decrease in family conflict. This also indicated that the pressure in job tension may aggravate conflict in the family which is a clear evidence of a kind of carry over effect from work to home and back. These findings point clearly to the complexities which often arise in home due to stress of work having been brought home.

### Hence the present investigation was carried out with following specific objectives:

1. To know socio-personal characteristics of selected categories of working women and their families.
2. To analyze the impact of occupational stress on home environment as perceived by selected respondents.

### Methodology

The present study was conducted in city of Coimbatore of Tamilnadu state. A representative sample of 50 women respondents from three professional groups namely bank employees, doctors, and lecturers was selected randomly. In all total 150 respondents were selected for the study. The interview schedule was used for collection of data. The interview schedule consisted of two parts. First part dealt with occupational stress for which "Occupational Stress Index" designed by Srivastav and Singh (1981) was administered to the selected sample. Second part dealt with impact of occupational stress level on home environment. Data for the study were collected through personal interview method and the time period of the study is from April 2008 to September 2008. The data collected were tabulated and suitable statistical tools such as frequency, percentages, average ranking analysis and chi square test were used for analysis of data.

### Results and Discussions

The results of the study are classified under three main heads namely:

- I. Socio-personal Characteristics of Working Women and their Families
- II. Extent of Occupational Stress Level in Selected Working Women and
- III. Impact of Occupational Stress on Home Environment

#### Socio Personal Characteristics of Working Women and their Families

**Age:** It can be seen in Table 1 that age of all the respondents varied from 21 to 60 years. A large number (49 percent) of respondents were in the category of 31 to 40 years and about one-third (31.33 percent) from 41-50 years of age. There were only about 14 percent in the age groups of 21-30 and nine percent in the age group of 51-60 years. It was further observed that among bank employees 36 percent were in age group of 31 to 40. In category of doctors 54 percent were from age group of 31 to 40 years while only eight percent of doctors belonged to age group of 21 or 30 years. Whereas in case of lecturers, maximum number (48 percent) of respondents percent were in age group of 31 to 40 years.

**Marital Status:** It can be seen in table 2 that maximum number i.e. 78 percent of the respondents was married at the time of study whereas 13.33 percent were unmarried. Only a small number i.e. 4.67 percent and four percent were widow and divorced respectively in the total sample. It is further observed that in the category of bank employees 66 percent of the respondents were married. Among doctors, four percent were widow, eight percent were unmarried and rest 88 percent were married. In case of lecturers, eight percent were widow, six percent were divorced and 80 percent were married.

**Educational Qualification:** The education of respondents as depicted in the table 3 shows that a maximum number (64 percent) of the respondents were post graduates while 29.33 percent and 4.67 percent were having graduation and PhD degrees respectively. It is further observed from the

**Table 1: Age Group of the Respondents**

Age Group		Bank Employees	Doctors	Lecturers	Total
21 to 30 yrs	No	14	4	3	21
	%	28.00	8.00	6.00	14.00
31 to 40 yrs	No	18	27	24	69
	%	36.00	54.00	48.00	46.00
41 to 50 yrs	No	16	13	18	47
	%	32.00	26.00	36.00	31.33
51 to 60 yrs	No	2	6	5	13
	%	4.00	12.00	10.00	8.67
Total	No	50	50	50	150
	%	100.00	100.00	100.00	100.00

**Table 2: Marital Status of the Respondents**

Marital Status		Bank Employees	Doctors	Lecturers	Total
Married	No	33	44	40	117
	%	66.00	88.00	80.00	78.00
Unmarried	No	13	4	3	20
	%	26.00	8.00	6.00	13.33
Widow	No	1	2	4	7
	%	2.00	4.00	8.00	4.67
Divorced	No	3	0	3	6
	%	6.00	0.00	6.00	4.00
Total	No	50	50	50	150
	%	100.00	100.00	100.00	100.00

table that among bank employees maximum number of respondents i.e. 70 percent were graduates as against a maximum of 82 percent doctors who are post graduates. In the category of lecturers, 86 percent were post graduates while 14 percent are holding PhD degree.

**Monthly Income:** Regarding the monthly income it may be observed that nearly half i.e. 49.33 percent of the respondents were having income between Rs.10001-20000 per month, While 30.00 percent of the respondents were

earning income between Rs.20001-30000 per month. Another 10.67 percent of the respondents had income of more than Rs.30000 per month, whereas only 10 percent were earning an income of up to Rs.10000 per month. It is further observed that maximum number of bank employees, doctors and lecturers were in the moderate income group (Rs.10001 to Rs.20000 per month) category.

**Family Type:** It is also observed from the Table 5 that 80 percent of the families were nuclear and only 20 percent of

**Table 3: Educational Qualification of the Respondents**

Educational Qualification		Bank Employees	Doctors	Lecturers	Total
Upto school level	No	3	0	0	3
	%	6.00	0.00	0.00	2.00
Graduate	No	35	9	0	44
	%	70.00	18.00	0.00	29.33
Postgraduate	No	12	41	43	96
	%	24.00	82.00	86.00	64.00
Doctorate	No	0	0	7	7
	%	0.00	0.00	14.00	4.67
Total	No	50	50	50	150
	%	100.00	100.00	100.00	100.00

**Table 4: Monthly Income of the Respondents**

Monthly Income		Bank Employees	Doctors	Lecturers	Total
Upto Rs.10000	No	14	0	1	15
	%	28.00	0.00	2.00	10.00
Rs.10000 to Rs.20000	No	25	24	25	74
	%	50.00	48.00	50.00	49.33
Rs.20000 to Rs.30000	No	7	17	21	45
	%	14.00	34.00	42.00	30.00
More than Rs.30000	No	4	9	3	16
	%	8.00	18.00	6.00	10.67
Total	No	50	50	50	150
	%	100.00	100.00	100.00	100.00

**Table 5: Family Type of the Respondents**

Family Type		Bank Employees	Doctors	Lecturers	Total
Nuclear	No	45	40	35	120
	%	90.00	80.00	70.00	80.00
Joint	No	5	10	15	30
	%	10.00	20.00	30.00	20.00
Total	No	50	50	50	150
	%	100.00	100.00	100.00	100.00

**Table 6: Family Size of the Respondents**

Family Size		Bank Employees	Doctors	Lecturers	Total
Small (Upto 3)	No	42	35	35	112
	%	84.00	70.00	70.00	74.67
Medium (4-6)	No	5	9	10	24
	%	10.00	18.00	20.00	16.00
Large (>6)	No	3	6	5	14
	%	6.00	12.00	10.00	9.33
Total	No	50	50	50	150
	%	100.00	100.00	100.00	100.00

the families were of joint type. Majority of the respondents' family were nuclear irrespective of their occupation.

**Family Size:** Regarding family size shown in table 6, in the total sample three-fourth of the respondents (74.67 percent) was from small family and 9.33 percent from large and rest (16.00 percent) from medium families. More number of bank employees, doctors and lecturers were from small families.

### Extent of Occupational Stress Level in Selected Working Women

A well developed and widely used Occupational Stress Index (OSI) in the Indian context (Srivastava and Singh, 1981) was chosen to assess the occupational stress of the sample. The questionnaire is consisted of 12 statements, important aspects included in the scale were; role over load, role ambiguity, role conflict, unreasonable group or political pressure, responsibility for person, under participation, powerlessness, poor peer relations, intrinsic

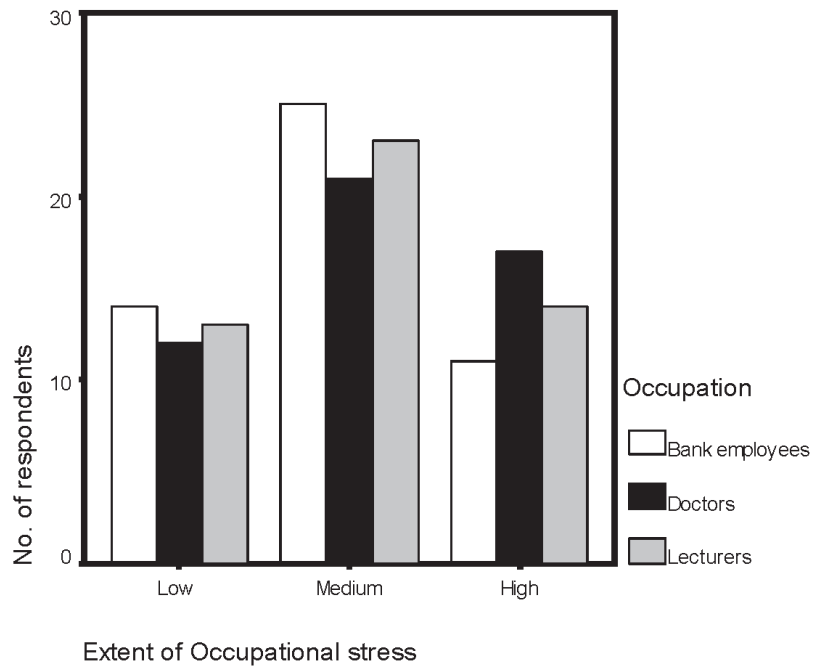
impoverishment, low status, strenuous working conditions and un-profitability with five alternative responses e.g., five for strongly agree, four for agree three for neither agree nor disagree, two for disagree and one for strongly disagree. Total score on this scale is considered for the assessment of occupational stress. More the score on this scale indicate more stress. The respondents total score on stress is divided into three categories i.e., low, medium and high based on its mean and standard deviation. (Mean + or - 0.5 (SD)

It is interesting to note from Table 7 that 26 percent of the respondent was found to be having low occupational stress. Nearly half i.e. 46 percent of the respondents were having medium occupational stress as against 28 percent who were having high stress. It may be further seen that a maximum of (50 percent) bank employees were having medium stress followed by lecturers (46 percent) and doctors (42 percent).

**Table 7: Distribution of Respondents according to Extent of Occupational Stress**

Stress Level		Bank Employees	Doctors	Lecturers	Total
Low	No	14	12	13	39
	%	28.00	24.00	26.00	26.00
Medium	No	25	21	23	69
	%	50.00	42.00	46.00	46.00
High	No	11	17	14	42
	%	22.00	34.00	28.00	28.00
Total	No	50	50	50	150
	%	100.00	100.00	100.00	100.00

**Exhibit 1: Distribution of Respondents according to Extent of Occupational Stress**



**Table 7 (a): Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.787	4	.775
Likelihood Ratio	1.798	4	.773
Linear-by-Linear Association	.295	1	.587
N of Valid Cases	150		

Chi-square test was used to check whether there is significant difference among the respondents (bank employees, doctors and lecturers) and the extent of occupational stress at five percent level of significance. The following hypothesis was framed and the result was displayed in table 7 (a).

**Ho:** “There is no significant difference among the respondents (bank employees, doctors and lecturers) and their extent of occupational stress.”

With the significant value of 0.775 at five percent level of significance, it is concluded that there is no significant difference among the respondents (bank employees,

doctors and lecturers) and their extent of occupational stress and hence the hypothesis is accepted.

**Impact of Occupational Stress on Home Environment**

A closer look at the scenario makes us realize that working women face new set of problems involving both family and profession. As professional women they are expected to be committed to their work “just like men” at the same time as they are normatively required to give priority to their family. Further, the position seems to complicate when the woman attains motherhood. It is known that as the roles increase,

**Table 8: Impact of Occupational Stress on Home Environment**

Occupation	Bank Employees		Doctors		Lecturers	
	AR	FR	AR	FR	AR	FR
Cooking	3.64	4	3.78	3	3.62	4
Care of utensils	2.7	8	2.54	10	2.8	8
Care of clothes	3.76	3	3.76	4	3.64	3
Floor sweeping & mopping	2.6	10	2.56	9	2.76	9
General home maintenance	3.24	7	3.46	6	3.14	7
Attending children	4.44	1	4.52	1	4.36	1
Attending other members of family	4.02	2	4.04	2	4.06	2
Purchasing household articles	3.32	6	3.12	7	3.4	5
Arranging food items	2.68	9	2.58	8	2.66	10
Involvement in social and cultural activities	3.52	5	3.6	5	3.32	6

so do the responsibilities. Table 8 illustrates the impact of occupational stress among the selected working women, their mean scores are stated (AR= Average Rank) and based on the mean scores final rank (FR = Final Rank) was given.

Table 8 explains the impact of stress on home environment. As seen clearly from the table that higher mean scores are given to "Attending children" irrespective of the occupation (bank employees with 4.44, doctors with 4.52 and lecturers with 4.36) and next "Attending other members of family" i.e. 4.02, 4.04 and 4.06. It clearly shows that in spite of stress, looking after the children and family still remains on the top priority of the respondents.

In case of bank employees, the third rank goes to "care of clothes" with 3.76 score, then to "cooking" with 3.64, "Involvement in social and cultural activities" with 3.52, "Purchasing household articles" with 3.32, "General home maintenance" with 3.24, "Care of utensils" with 2.7, "Arranging food items" with 2.68 and finally "Floor sweeping and mopping" with 2.6 score.

In case of Doctors, the third rank goes to "cooking" with 3.78 score, then to "care of clothes" with 3.76, "Involvement in social and cultural activities" with 3.6, "General home maintenance" with 3.46, "Purchasing household articles" with 3.12, "Arranging food items" with 2.58, "Floor sweeping and mopping" with 2.56, and finally "Care of utensils" with 2.54 score.

In case of lecturers, third rank goes to "care of clothes" with 3.64 score, then to "cooking" with 3.62, "Purchasing household articles" with 3.4, "Involvement in social and cultural activities" with 3.32, "General home maintenance" with 3.14, "Care of utensils" with 2.8, "Floor sweeping and mopping" with 2.76 and finally "Arranging food items" with 2.68 score.

### Conclusion

Women were subjected to a greater stress as the demands of home and career at times caused conflicts, striving for multi role duties had resulted in conflict stress, ambivalence and overload. Impact of stress on home environment showed that they could not look after the children and family members due to their occupational work stress. Though the conflicts existed, women had realized the advantages of being employed, which act as fruitful measure to run their family and to be proud in the society.

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# Test Training Tools: Performance Promotion

**Dhamodharan V.**



Performance Management is being used to understand the competencies of employees in terms of their knowledge or skills, with respect to a project/work. This leads to designing suitable training programs in order to rectify the deficiencies of employees. Since training program is one of the powerful activities of the organization, it has to be properly evaluated by employing appropriate evaluation tools and methodologies (Training Measurement Tools) to determine its actual effectiveness at the end of the programme / after the intervention. Today the training programme has phenomenal growth rate and it is being viewed as one of the support activities of HR department. Evaluation objectives may include measuring the programmes in terms of (a) the factors directly associated with the programme - course content, coverage of topics, trainers' skill sets, facilities etc., (b) the participants' level of learning, transfer of knowledge, attitudinal development etc., and (c) impact of the training.

**T**raining Programme is the most powerful activity for employee empowerment. A report stated that the total dollars spent for training programmes alone by US organizations was about \$59.8 billion. It shows that it has phenomenal growth rate during last 20 years. Training programmes are specifically used to support human resources for the purposes of improving overall effectiveness of the organization and creating professional relations among individuals and groups within the organization. There is a wide-ranging and largely unresolved debate regarding the precise contribution of formal and informal

training activities to the overall performance of the organization (Campbell, 1999; Johnson, et al, 2000).



Dr.Dhamodharan V., Asst. Professor, Institute for Technology and Management, (ITM Business School), 11/D14, SIPCOT IT Park, Fourth Main Road, Siruseri, Pudupakkam Post, Rajiv Gandhi Salai, Chennai – 603 103, Tamilnadu, Email: vee\_dhamu@yahoo.co.in

In recent years, companies have very clear thought that HRD has to be aligned with processes, strategies and overall organizational system. And, the entire system has been aimed towards organization development (OD), which can happen only through people development. As a performance technology, it serves many purposes in the organization. Some of the purposes are: promoting change, increasing job performance, building teams, developing skills and knowledge,



disseminating information etc. The ultimate aim of any training program is to fulfill its objectives after intervention. The success of the programme can be judged only through evaluation on the training by employing certain methodologies. The methodologies can be used to evaluate a training course or training department or a certain set of instructional materials or trainers' competencies or trainees' competencies, or training mechanisms or physical environment etc. Training evaluation makes the best judgment about value of the training program. This paper has been aimed at formulating a framework by referring some reviews and cases, with regard to training measurement.

### **A Brief Historical Perspective**

Kirkpatrick prepared the most influential framework in 1959. This framework includes four levels of evaluation such as reaction, learning, behaviour, and results. Building upon this foundation, J.Philip has added one more level with four levels of Kirkpatrick model and that being the ROI (Return on Investment) produced by the training program. ASTD's survey reports state that almost 67 percent of organizations (out of 300 HRD executives and managers surveyed) prefer Kirkpatrick model for evaluation. On the other hand, under the systems approach, the most influential models include: Context, Input, Process, and Product (CIPP) model (Worthen and Sanders, 1987); Training Validation System (TVS) approach (Fitz-Eng, 1994); and Input, Process, Output, Outcome (IPO) model (Burshnell, 1990). Goal based and systems-based approaches are predominantly used in the evaluation of training (Philips, 1991). The other approaches such as performance based evaluation and task based evaluation are quite common approaches for training evaluation. Performance based evaluation is being used to assess the performance of the project and task based evaluation is being used to assess the tasks undertaken for the project.

### **Literature Survey**

Today the hottest issues in the HRD are evaluation; results based training, and ROI analysis (J Philip, 2004). National HRD Executive Survey was conducted by the American Society for Training and Development (ASTD) in 1997.

The result from the survey indicated that determining the impact of training on financial performance is the top most challenge for HR professionals. Philip McGee E.D., in his paper, has stated that the training program has to pay more attention on two distinct measures in order to improve the productivity of the training systems. They are: Quality of instruction and Quality of resources needed to deliver the instruction. The author has collected some of necessary aspects from the reviews of Gorden (1991) and Rossi, et al (1979) with respect to evaluation on instructional materials. The aspects are: Coverage, Sequence, Common Knowledge, Reliability, Simplicity, Practicability, Timeliness, Guidance, Readability, and Pictorial representations. An efficient training mechanism is essential to produce a better result. It is applied to help the trainees to acquire their knowledge suitably. A certain set of training mechanism tools identified by Biswajeet Pattanayak (2001) is: Audio-Visuals, Brainstorming, Case Study, Computer Based Training Communication games, Creativity games, Delegation, Doubling games, Ice-Breakers, In basket exercises, Induction program, Leadership games, Lectures, etc. All these mechanisms are used for the purpose of problem-solving, awareness on using software, building bias-free listening and talking, evolving multitude of solutions to problems, learning the importance of decentralization, learning selling techniques, teaching different types of leadership styles, insight into a given interaction, developing bargaining skills, developing analytical abilities, testing ability to plan ahead and exercises requiring collaborative efforts.

Training facility is one of the important pre-requisites for the successful implementation of any training program. Many training facilities are identified from the views of Warr et al (1999) and Wagner and Roland (1992). In all, sixteen training facilities are identified for analysis on training facilities. They are: Classroom, Library, Television, Audio System, Chamber, Transport, Water, Ventilation, Computer Laboratory, OHP, Power Point, Black Board and Chalks, Dining Room etc. The training staff must possess required qualification and experience in subject matter to handle the subject in the training. Developmental and instructional qualification of instructors include theory, practical knowledge and work experience in analyzing, designing, developing, conducting, and evaluating

training, as appropriate to their job requirements (Ross and Morrison (1997). Subject matter experts should be involved periodically in the training. The instructional skills training program is conducted using approved instructional materials that are based on learning objectives derived from job performance requirements and which provide for effective and consistent presentations (Hamblin 1974). The competencies of the trainers are identified with the help of some reviews of Roy and Dolke (1971) and Cote (1969). There are seventeen competencies for trainers, which are identified from reviews. They are: Coverage of topics, Clarity in presentation, Involvement in the training, Commitment level, Flexibility, Assistance to learn, Interaction, Practical orientation Sequence of lecture, Clarifying doubts, Usage of training facilities, Summarization, Friendliness, Illustrating, and Entrepreneurial orientation.

### Some Cases

#### Case 1: Magnavox Electronics Systems Company in Torrance

Magnavox Electronics Systems Company in Torrance had conducted 18-week literacy programme covering verbal and math skills for their employees. The five-level approach was adopted to evaluate the programme and also to calculate ROI (level 5). The approaches followed in the study were: Level 1: Reaction was measured by post-course surveys, Level 2: Learning was measured through testing of Adult Basic Education, Level 3: Changes in behaviour were measured by daily efficiency ratings, Level 4: Business results were measured through improvements in productivity and reductions in scrap and rework, and Level 5: ROI was calculated by converting productivity and quality improvements to monetary values. The resulting ROI was 74 percent.

#### Case 2: An Integrated Model of Training Evaluation and Effectiveness

The model had been constructed to investigate the relationships between the evaluation and effectiveness with regard to post training attitudes. Evaluation measures related to post training attitudes were: cognitive learning, training performance and transfer performance. Training

effectiveness variables related to post training attitudes were: pre-training self-efficacy, experience, post training mastery orientation, learning principles, and post-training interventions. Results from the study stated that are two areas i.e. reaction measures and training motivation needing further development and research.

#### Case 3: City of Phoenix, AZ-Training Evaluation

The City of Phoenix had approximately 1.2 million residents and 12,000 employees. It had conducted three different types of training to its employees. They were: 1. Catalogue classes: Employees receive a class catalogue every six months and approximate numbers of classes were 150. The topics covered in the training were: pre-supervisory and supervisory development, career enhancement, computers, safety, financial management, office professional development, quality and productivity, and wellness. 2. City-wide classes: Classes were managed by the City Manager's Office and sessions were customized for all city employees 3. Department-specific classes: Classes were customized for a particular department and offered to work group. The city conducted evaluations of training sessions by using the rating Scale 1) Poor 2) Fair 3) Good, and 4) Excellent.

Evaluation was done on the basis of information provided in the classes, opportunity for class participation, content and format of handout materials and overall presentation. Some of the results from the evaluation were presented. (1), 97 percent of employees believed that the City of Phoenix was a good place to work, (2), 81 percent indicated they received the training that they need for their jobs, (3), 77 percent felt that they had been given a fair opportunity to attend training program and (4) 71 percent of employees agreed they received adequate computer training.

#### Case 4: Question Mark Case Study

In 2003, training evaluation on an information technology skills training programme of Regence Information Technology Services (RITS) was done using online assessments. This training was administered by the Oregon Department of Community Colleges and Workforce Department (CCWD). The CCWD requested training

participants and their supervisors to assess the training both immediately after training intervention and following several weeks. The evaluation tool was developed by ASTD. Immediately after each class, participants answered the questions of Part A through online. Part A questions consisted of a one to five scale to measure reactions to statements about administration and logistics; content; design; instruction; perceived impact; and overall satisfaction from the class. Several weeks after each class, participants took a "Part B" assessment answering questions about their use of skills, confidence level, barriers and enablers of transfer and impact. The results from the study are presented here. Employees and supervisors evaluated the training for RITS very positively during the assessments.

**Case 5: Evaluation of a Novel Case-Based Training Programme (D3web. Train) In Hematology**

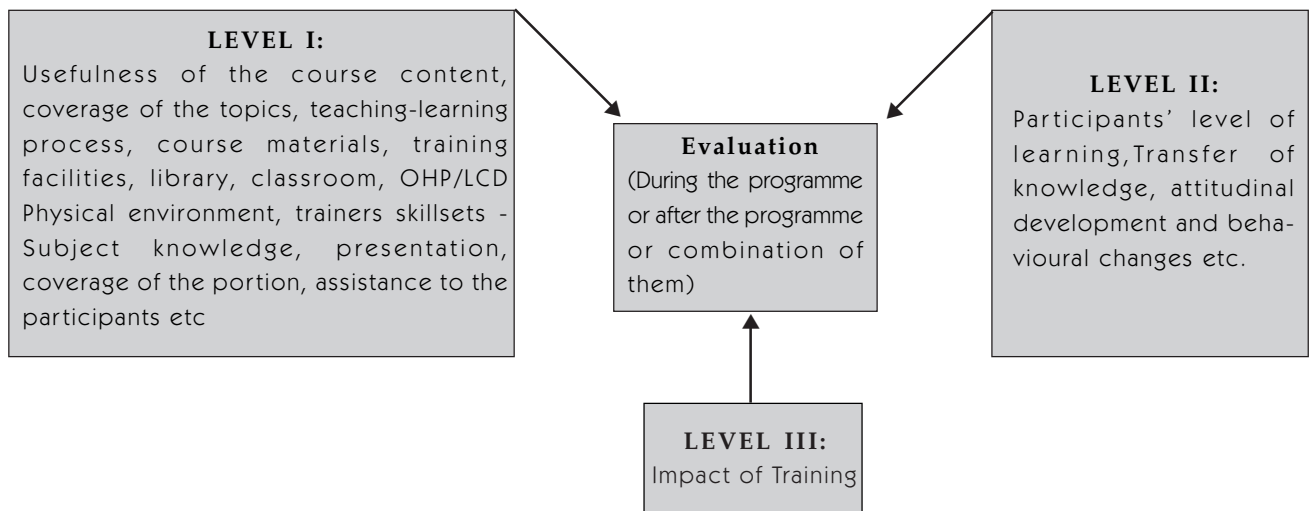
A case-based simulation-training programme of 17 hematology cases was offered for the students of medical

profession using the novel training system (d3web. Train). The measurement on the Internet course was done after the training intervention. The result after analyses was: out of 150 students, 47 students worked through at least one case and solved 435 cases in total. In average, the students had solved 9.5 cases. The main results were: the students found the cases very helpful ( $1.5 \pm 0.6$  on a scale from 1 = very helpful to 5 = not at all), the training system very good ( $1.4 \pm 0.5$  on a scale from 1 to 6) and want to work with it further ( $1.2 \pm 0.4$  on a scale from 1 to 5). During the final examination, students were able to solve more than 5 from the 17 cases, scored significantly better in the hematological part of the exam.

**Training Measurement Tool**

Evaluation traditionally represented as the final stage, is a systematic approach for the purpose of improving intervention or making a judgment about the worth and effectiveness – Goldstein (1993) and Bushnell (1990).

**Training Measurement Tool**



Evaluation involves in collecting data from trainees with regard to worthiness of the program. It is basically done with the aim of improving intervention or making a judgment about value of the training. Any training program should have proper justification for the reason why it has been constructed. It should run with programmed instruction and proper arrangements. The Evaluation could be started before or during or after and through

combination of them. Evaluation objectives can have multiple purposes at various levels in order to compare the results at the end of the programme. They are: Level I: Evaluating factors associated with the training programme such as course content, usage of the contents, instructional materials, trainers' skill sets, teaching aids, facilities at training program etc. Level II: Measuring the programme in terms of the participants' level of learning,

transfer of knowledge, attitudinal development etc., And, Level III: Analysing impact of training in terms of innovativeness, human relation, knowledge sharing, competitiveness, level of confidence, number of projects done, number of projects in progress, productivity. These variables help the researchers to find out the impact of the training. The impact of training can also be measured after few months of the training intervention. For which, the delayed questionnaire method could be adopted to collect the feedback from the participants. All these various aspects may be rated on the basis of five-point rating scale method to find out significant difference among aspects. Some of statistical techniques such as factor analysis, ANOVA, SERQUAL and discriminated method may be used to check the validity of the programme.

## Conclusion

Different approaches to training evaluation have been discussed and it shows that approaches are not well structured and it could be altered according to the needs of evaluators. Many organizations have experienced problems with respect to training evaluation approaches (Deniz Eseryel, 2002). But, the success of the training program is based on the appropriate use of key factors such as training manuals, physical environment, trainers' skill-sets, etc. These resources can be appropriately combined and used on the basis of training objectives. Monitoring the programme should be done at frequent intervals to maintain its core competencies. Immediate action may be taken wherever the change is needed. Experience in training evaluation always helps to frame approach and make consistent evaluation.

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# Audit Committee: Iranian Imperative

**Mahdi Salehi, Ali Mansoury, and  
Reza Pirayesh**



Audit committees proposed by the Securities Exchange Commission in 1940 following the McKesson and Robbins case initiative didn't culminate in reality till 1960. Development was encouraged by the incidence of litigation involving auditors and directors. Since the middle of 1978 US companies seeking a listing are required to have an audit committee. In recent years so many countries adopt the audit committee in their environments, however, Iranian environment still waiting for that condition. The results of this study show the existence of audit committee will improve quality of financial statements, correctness of financial information. It also will improve native auditing and accounting standards, as well as internal auditing.

The demand for an auditor arises from the potential conflict of interest that exists between shareholders and managers (Salehi and Gowda, 2006; Salehi, 2007). According to the researchers the external auditor should play a critical role in lending independent credibility to published financial statements used by investors, creditors and other stakeholders as a basis for making decisions (Salehi and Biglar, 2008; Swamy and Salehi, 2008; Salehi and Abedini, 2008; Salehi, 2008 a). Unfortunately the auditor could not recover such a bad condition in

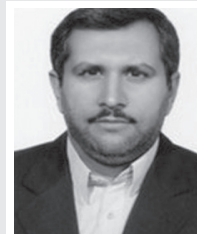
recent years; because of several reasons and strained relationship between auditors and managers (Barzegar and Salehi, 2008). It means that the independent auditors were dependent. The audit independence is the heart of audit practice. The fact that clients pay auditors for their audit and non-audit services generates an inherent economic dependence of the auditor on its clients (Wallman, 1996; Salehi and Azary, 2008). Such economic dependence increases with the size of client firms because larger clients generate bigger fees. Following



Prof. Mahdi Salehi, Accounting and Management Department, Zanzan University, Tabriz Road, Zanzan Province, Iran, Email: mahdi\_salehi54@yahoo.com



Prof. Ali Mansoury, Accounting and Management Department, Zanzan University, Tabriz Road, Zanzan Province, Iran



Prof. Reza Pirayesh, Accounting and Management Department, Zanzan University, Zanzan, Zanzan University, Tabriz Road, Zanzan Province, Iran.

high-profile corporate governance failures there have been proposals and actions in a number of countries concerning the responsibilities and powers of audit committees, their mandatory or voluntary status, membership and independence. In nutshell, to solve such a problem the existence of audit committee is very useful. The audit committee is one of the main corporate governance mechanisms upon which are predicated stakeholders' hopes in constraining the behaviour of corporate managers. Stakeholders generally view the effectiveness of the audit committee as an area that is to a significant extent manageable through regulatory or self-regulatory approaches, and where diverse groups of actors struggle in trying to impose their point of view. The existence of an audit committee could improve the monitoring of corporate financial reporting and internal control. Mautz and Neumann (1970) contend that audit committees are important because they: (1) increase attention to the audit function, (2) reinforce independence of the external auditor from management, (3) add protection for stockholders and directors, (4) assist financial management in effecting necessary improvements, and (5) promote audit more effective.

Based on agency theory, the formation of an audit committee is expected to protect the interest of the principal and ensure that the agent carries out its role in accordance with the contract. The role of the audit committee is essentially threefold: (1) to ensure that management does not override established prudent financial practices and procedures; (2) to assist the board of directors in discharging their responsibilities for financial reporting and internal controls; and (3) to provide an impartial channel for complaints concerning the management and direction of a company. However, some studies have shown that the existence of the audit committee is more for cosmetic purposes, to give a positive image rather than for monitoring. This again challenges the effectiveness of audit committees (Menon & William, 1994; Wallace, 1985; Verschoor, 1990, 1992; Wolnizer, 1993; McMullen, 1996).

### History of Audit Committee

The exact origin of audit committees is unknown. Klock

and Bellas (1976) date the use of audit committees to the nineteenth century. The term "audit committee" is not defined by the Corporations Act or the ASX Principles, generally the term refers to a committee (or equivalent body) established by the board of a company for the purpose of overseeing the accounting and financial reporting processes of the company and audits of the financial statements of the company usually in accordance with the terms of a charter approved by the board and adopted by the committee. The board is responsible for managing the company. It is also responsible for monitoring performance and ensuring compliance. In 1939, the New York Stock Exchange proposed that outside auditors be chosen by a select committee of those officers who were not corporate officers. The SEC first recommended the establishment of audit committee in 1940 in Accounting Series Release No.19 that recommended role was largely one of liaison with the corporation's outside auditors. In the late 1960's the idea of audit committee began to attract more intense interest. In July of 1967, the AICPA Executive Committee "Statement on Audit Committees of Board of Directors" recommended that publicly owned corporations appoint audit committees of outside directors to nominate the independent auditors of a corporation's financial statements and to discuss the audit work with them. The statement contained a suggestion that the auditors communicate with the audit committee whenever significant questions and bearing materially on the company's financial statements, had not been satisfactorily resolved at the management level.

The ability of listed companies to effectively verify and safeguard financial performance is increasingly being focused through the audit committee. The audit committee is seen as the monitor of the company's financial integrity and internal controls; the board's "structured and professional vertical probe." The view is increasingly that an independent audit committee is better situated to objectively assess the quality of a company's financial disclosure and the adequacy of internal controls than a committee that is affiliated with management or the board as a whole.

The independent supervisory function of the audit committee is at least an implicit recognition that

management faces substantial pressures to deliver short-term performance to satisfy market expectations. These pressures can be exacerbated by the use of compensation or other incentives focused on short-term incentives. An independent audit committee with adequate resources helps to overcome this problem and to align the company's interests with those of shareholders. The audit committee can also provide an effective mechanism for the auditor to communicate in and with the directors about these issues as well as potentially troublesome issues at a relatively early stage and to broach sensitive issues in an uninhibited fashion.

The audit committee not only plays an important monitoring role to assure the quality of financial reporting and corporate accountability (Carcello and Neal, 2000), but also serves as an important governance mechanism, because the potential litigation risk and reputation impairment faced by audit committee members ensure that these audit committee members discharge their responsibilities effectively.

The Blue Ribbon Committee (BRC) on improving the effectiveness of Corporate Audit Committee's (1999) recommendation that each audit committee should have at least one financial expert highlights the importance of the financial literacy and expertise of audit committee members.

BRC on Improving the Effectiveness of Audit Committees (1999) considered an audit committee a catalyst for effective financial reporting (p. 20).

Among other things, the BRC recommended that the audit committee of every listed company should:

- (1) Have members who are "independent";
- (2) Have members each of whom is "financially literate";
- (3) Have a formal charter approved by the Board of Directors; and
- (4) Disclose in the proxy statement whether the committee has adopted a formal charter and fulfilled its responsibilities under that charter.

As noted the efforts were founded in the hope that the committees would improve the balance of power in

auditor-management disputes. Given the wide interest in audit committees, it is surprising that no one in either the profession, or in government, actually mandated the establishment of the committees; that step was left to the stock exchanges and to the over-the-counter trading authority. In any event, audit committees have spread geographically and by constituency, i.e. beyond private sector corporations to non-profit organizations and government agencies. It is well known that the mere act of audit committee creation is likely to have little or no effect. Nevertheless, no organization has mandated specific committee duties, responsibilities, or activities. However, in 1987, the National Commission on Fraudulent Financial Reporting (The Treadway Commission) issued a paper on recommended audit committee activities which has become standard for many audit committees (Harrison and Lanier, 1995). The Treadway list represents a good starting point; it requires development through the addition of requirements that arose subsequent to the issuance of the Treadway report. Moreover, numerous committees, as well as individuals, have published normative prescriptions, amounting to virtual job descriptions for audit committees. The urge to authorship was not emulated by the committees themselves, which, by and large, failed to define their responsibilities. Indeed, many corporations did not take the trouble to draft a charter, i.e. a formal statement of the charge, or to acknowledge the existence of the audit committee in the corporate bylaws. In the 229 largest publicly held corporations other than banks, the specific functions assigned to the audit committee by the full board varied widely (Verschoor, 1993). In addition to the committees' responsibilities, the preferred quality of committee members' independence has remained uncertain. Even the prescribed number of independent directors has varied on the basis of a corporation's listing status.

It is said that there are many ways to govern a company and an audit committee is an essential part of this governance (Green, 1994). However, the concept of an audit committee is not new as there is evidence provided by Tricker (1978) that the Great Western Railway Company had an audit committee in the early nineteenth century. Today, the rapid emergence of audit committees is a response to the dissatisfaction of stakeholders in the way companies are managed. As a result, the Stock Exchange



listing requirements in several countries, such as the United States, Canada, the UK, Australia, Singapore, Netherlands, France, Germany, Hong Kong, Japan, New Zealand, South Africa, Thailand and India (Price Water house Coopers, 1999) have given audit committees predominance in managing the corporate governance. Since 1990, attention has been given to the composition of audit committees, the independence of audit committees (ISB, 1999), the knowledge and experience of audit committees' members (Blue Ribbon Committee, 1999), the financial disclosure (SEC, 1999), the interaction and the relationship with the external auditors by audit committees. Therefore, the functions and roles of audit committees are both challenging and taking new directions.

### **Audit Committee and Independence**

There are two strands of studies on audit committee independence. The first strand of literature studies the relation between audit committee composition and specific accounting issues. Carcello, Hermanson, Neal and Riley (2002) examine board characteristics and audit fees. Their results suggest that board independence and audit fees are positively correlated. They argue that independent boards, in general, demand higher audit quality beyond normal standards and, hence, auditors need to charge higher fees. In similar studies, Carcello and Neal (2003) and Felo, Krishnamurthy and Solieri (2003) document a positive relation between audit committee independence and financial reporting quality. In general, for boards with less independent directors, it is likely that their auditors only issue unmodified reports on going-concern issues. Xie, Davidson and DaDalt (2003) examine the role of the audit committee and the prevention of earnings management. Xie et al. (2003) find that boards and audit committee members with corporate or financial backgrounds are more likely to associate with firms that have smaller discretionary current accruals. Their results suggest that financial expertise is an important factor to limit executives in engaging earnings management.

The second strand of literature examines the relation between "financial expertise" in audit committee and firm value. Using event study methodology, Defond, Hann and

Hu (2005) examine the announcement effect of 850 newly appointed outside directors to audit committees during 1993–2002. They find significant positive abnormal returns around the appointment of "accounting" financial experts to the audit committee, but not around the appointment of non-accounting financial experts and directors without any financial expertise. The "accounting" financial expertise in Defond et al. (2005) is defined as directors with work experience as public accountants, auditor, principal accounting officer, and controller. The "non-accounting" financial expertise includes all CEOs or presidents of for-profit corporations.

### **Research Problem**

In the wake of the increased incidence of fraudulent and misleading financial reporting, business failures and alleged audit failure, public concern and regulatory initiatives have been prominent recently regarding the quality of financial reporting and the auditor's role in the financial reporting process. Audit committees have been considered to be a significant element of corporate accountability and governance and engender a high degree of integrity in the financial reporting process, which is an essential element of efficient securities market (Braiotta, 1994). Audit committees are well-established institutions in the corporate financial reporting process and assume the responsibility of ensuring the accuracy and the adequacy of the financial reporting system. By establishing a formal communication channel between the board of directors and the internal and external auditors; audit committees perform an oversight role with respect to the internal controls, auditing and financial reporting process (Braiotta, 1994). However, according to Salehi (2008b) the Iranian legislators did not mandate audit committee to Iranian companies. It caused the very big problem to Iranian auditors as well as legislators. So, in this research the authors try to illustrate the benefits of such a committee to Iranian environment.

### **Literature Review**

Audit committees serve as a bridge in the communication network between internal and external auditors and the board of directors, and their activities include review of nominated auditors, overall scope of the audit, results of

the audit, internal financial controls and financial information for publication. Indeed, the existence of an audit committee in a company would provide a critical oversight of the company's financial reporting and auditing processes (Walker, 2004).

Audit committee could also enhance auditor independence. Knapp (1987) discovered that an audit committee is more likely to support the auditor rather than management in audit disputes and the level of support is consistent across members of the committee, regardless of whether the member is in a full-time or part-time position, such as corporate managers, academicians and retired partners of CPA firms.

In addition, audit committees could play a role in selecting auditors, determining their remuneration and in the dismissal/retention of auditors. Goldman and Barlev (1974) pointed out that audit committees could observe the financial reporting process and provide recommendations in the selection of auditors, negotiation of fees and termination of external auditors, which would ultimately diminish management's power over the auditor. An audit committee is anticipated to ensure that a business organization has sufficient internal controls, proper accounting policies, and independent external auditors that will prevent the incidence of fraud and promote high quality and timely financial statements.

Furthermore, the existence of an audit committee was found to have an association with the tendency to switch from less credible to more credible auditors (Eicheneher and Shields, 1985). Kunitake (1981) believed that independent directors of audit committees might have exposure to larger and better-known CPA firms rather than to local or regional firms, through their involvement as officers or directors of other public corporations. In addition, Kunitake (1983) found that there was less frequent auditor switching in companies that had audit committees than companies that did not have audit committees. These results indicate that the audit committee acts as a catalyst to enhance good financial reporting and support the role of auditors.

Further, the formation of an audit committee would improve the credibility and reliability of financial statements through providing an assurance of the objectivity of financial statements to shareholders (Auerbach, 1973).

An active audit committee would enhance their role to pursue the terms of reference and objectives (Treadway Commission, 1987). The frequency of audit committee meetings would indicate whether the committee was active or not. Although the presence of non-executive directors was linked with audit committee effectiveness, it is not guaranteed. Menon and Williams (1994) pointed out that audit committee independence did not guarantee effectiveness unless the committee was active. In addition, Kalbers and Forgarty (1993) supported this argument and indicated that audit committee effectiveness would only materialize if the members were committed to pursue their roles and duties. The Treadway Commission (1987) suggested that audit committees should meet at least four times a year.

To effectively pursue their objective, audit committees need unambiguous, practical and flexible terms of reference, sometimes referred to as the charter (Mohamad and Sori, 2001). This charter should be deliberated on and accepted by the board of directors that govern the firm's operations. The charter should be re-evaluated periodically, sufficiently flexible to incorporate a changing business environment and clearly spell out the responsibilities of the audit committee.

Several last studies have documented the various roles of audit committees. Vanasco (1994) contended, there seems to be a consensus among researchers in the field and the various national and international organizations that audit committees provide significant benefits to the corporation, public, investors and regulatory agencies" (p.38). He further provided the most cited functions of audit committees, as follows: strengthening the internal and external audit functions, coordinating the work of the external and internal auditors, strengthening the position of non-executive directors, and assisting the board of directors to fulfill their legal responsibilities (p.38). Furthermore, audit committees are also expected to regularly assess a company's risk and management's responses to significant financial and non-financial risks facing the organization. Duncan (1991) argued that audit committees must take into account the following audit risk assessment: (i) the major risks facing the organization; (ii) the auditor examines the company's efforts to control these risks through contingency plans, security measures

and other means; (iii) the auditor compares the risks and company responses to determine adequacies; (iv) the auditor recommends improvements in company activities in the identification, control and financing of critical risks. Cowan (2004) argued that risk management is crucial to corporate governance and it has become the main component of effective modern management. He further pointed out that the complexity of today's business environment necessitates the committee and the entire organization to understand the importance of risk management. Mohamad and Sori (2001) summarized an audit committee's responsibilities to include ensuring quality accounting policies, internal controls, and the independent and effective role of outside auditors to deter fraud, anticipate financial risks and promote accurate, high quality and timely disclosure of financial and other material information to the board, to the public markets, and to shareholders.

In a review of the previous studies, DeZoort et al. (2002) concluded that: (i) audit committee responsibilities are diverse and seem to be intensifying; (ii) the main areas of audit committee oversight include oversight of financial reporting, auditing and controls; (iii) audit committee authority is associated with written authority and management support. However, they pointed out several limitations of prior studies: (i) none of the prior studies focus on the ultimate source of the audit committee's authority (i.e. board of directors) or aspects linked with variations in such authority; (ii) there is a lack or absence of empirical research that addresses the relationship between audit committee effectiveness and audit committee authority.

## Research Methodology

According to the above literature the objectives of this study is determination of significance of auditing committee on auditing system and auditors' performance in Iran. Some of the important factors that auditing committee can affect on them including: financial statement quality, financial information correctness, auditors' independence, regarding auditing and accounting standards, accounting systems of company and effectiveness of internal auditing. Thus in this research we concentrate of auditing committee on these variables.

Therefore, the main research question is: do the audit committee effects on audit practice overall in Iran? So far accurate answer to this question, the authors design and developed a questionnaire which it is stable for gathering useful data. Our selected method of investigation is a questionnaire, for three reasons. First, since it is acknowledged that current theory is not well specified in Iran, the general objective of this study is to incorporate qualitative behavioural factors concerning audit committee into the research design, to assess the relative influence of each factor type. This necessitated the use of a direct method. Second, other specific objectives necessitate the use of direct methods to elicit non-public information. Finally, closed-form questions can be identified from the extant auditor choice literature. The research instrument was designed with close reference to the literature on questionnaire design. The questionnaire contains two parts namely (A) bio-data and (B) this section includes several questions regarding to the rejection/acceptance level of audit committee affects on auditing system and auditors performance in Iran. The questionnaire designed to the bases of likert spectrum and all participants were requested to determine degree of agreement or disagreement to each question for assessing degree of disagreement and agreement by likert spectrum used the range of integer number from -2 to 2 which -2 represents highly disagreement and two represents highly agreement to the hypotheses while zero represent none of them ( They graded corneal staining using a -2 to 2 scale where -2=highly agreeing, -1=agreeing, 0=none, 1=disagreeing and 2=highly disagreeing). The questionnaires were distributed among the respondents from the first July till 20<sup>th</sup> Oct 2008. Totally 150 questionnaires were distributed among the 30 accountants, 30 auditors, 30 financial managers, 30 financial analysers and 30 stockholders from the Tehran Stock Exchange (TSE). The draft questionnaire was pre-tested with the assistance of several senior business executives and audit partners, and the content, ordering and terminology was revised accordingly. The questionnaires (serially numbered to permit non-respondents to be followed up) were accompanied by an explanatory letter which assured the confidentiality of responses and return envelopes were provided. A reminder letter was sent out after 10 days, with a second request (accompanied by a duplicate copy of the

questionnaire and the original covering letter) being sent after a further 10 days.

The Cronbach's Alpha coefficient was used to assess reliability of questionnaire there was 0.928 for final questionnaire.

To the bases of important factor we conducted five hypotheses including:

- H1: Auditing committee has affected on the quality of financial statement.
- H2: Auditing committee affects correctness of financial information.
- H3: Auditing committee affects on auditor independence.
- H4: Auditing committee affects on auditing and accounting standards.
- H5: Auditing committee affects on accounting mechanism.

H6: Auditing committee affects on effectiveness of internal auditing.

**Results of the Study**

Results in total, out of 150 questionnaires which distributed among the participants 95 respondents were completed the questionnaires. Among these 95 participants, 72 participants had accounting knowledge (75.80 percent); the rest 23 participants (24.20 percent) had not accounting knowledge. To conclude, that the majority of participants had accounting and auditing knowledge.

Out of 95 participants 25 participants were accountants (28.40 percent), 23 were auditors (24.20 percent), 16 were financial managers (16.8 percent), 12 were financial analysers (12.60 percent) and 16 were stockholders. Demographic characteristics of participant are summarized in below table (Table 1).

**Table (1) Frequency Table of Participant**

Case	Label	Frequency	Percent
Academic Degrees	Accounting and Auditing	72	75.00
	Other	23	25.00
	Total	95	100.00
Job Position	Accountant	27	28.40
	Auditor	23	24.20
	Financial Manager	16	16.80
	Financial analyst	12	12.60
	Stockholder	16	16.80
	Total	95	100.00

The binomial test was first conducted to assess how many percent of participants accept the effects of independent factors on dependent ones. At the first step the respondents who had not any idea (not agree or not disagree) about the effect of independent factor on dependent one eliminated and then we divided reminded participants into two groups including agreeing and disagreeing with hypotheses. The results revealed that 82 participants (88.00 percent) agreed that auditing committee affected on financial statement quality of auditing, therefore the first hypothesis significantly

confirmed ( $p < 0.05$ ). Mean degree of agreement for this hypothesis was 0.518 (SD= 0.721, 95 percent of confidence interval from 0.36 to 0.62).

The results also show that 61 participants (73.00 percent) agree that auditing committee affects on correctness of financial information. As it shows by the results: this hypothesis is accepted ( $H_2$ ) and mean degree of agreement for this hypothesis is 0.574 (SD= 0.861, 95 percent of confidence interval from 0.382 to 0.763).

However, regarding the third hypothesis only 53 participants (60.00 percent) agree that auditing committee affects on independent auditor independency. Thus the results of this hypothesis reveal that the hypothes has been rejected ( $P > 0.05$ ) and mean degree of score for this hypothesis is 0.021 (SD= 1.161, 95 percent of confidence interval from -0.182 to 0.238).

Regarding the fourth hypothesis, the results revealed that only 56 participants agreed to this hypothesis. Then this hypothesis confirmed ( $p < 0.05$ ) and mean degree of agreement was 0.1701 (SD= 0.61, 95 percent of confidence interval from 0.012 to 0.255).

Regarding the fifth hypothesis, the results revealed that majority of participant agree to the effects of auditing

Committee on accounting system of company. There are 80 participants agreed to this hypothesis. Then this hypothesis confirmed ( $p < 0.05$ ) that mean degree of agreement was 0.635 (SD= 0.625, 95 percent of confidence interval from 0.512 to 0.765).

About the sixth hypothesis, the results revealed that there is a significant relationship between auditing committee actions on the effectiveness of internal auditing. There are 75 participants agreed to this hypothesis ( $p < 0.05$ ) and mean degree of agreement was 0.842 (SD= 0.76, 95 percent of confidence interval from 0.62 to 1.055).

The results of testing hypotheses by binomial test are showed in Table 2.

**Table 2: Dependent variable effect on Detecting Distortions and Test Result by Binomial Test**

Hypotheses	Category	Frequency	Observed prop.	Test prop.	Asymp. sig.	Result
H <sub>1</sub> (Quality of financial statements)	Disagreeing	11	0.12	0.5	0.000	Confirmed
	Agreeing	82	0.88			
	Total	93	1			
H <sub>2</sub> (Correctness of financial information)	Disagreeing	22	0.27	0.5	0.000	Confirmed
	Agreeing	61	0.73			
	Total	83	1			
H <sub>3</sub> (Independencies of independent auditors)	Disagreeing	35	0.40	0.5	0.061	Rejected
	Agreeing	53	0.60			
	Total	88 <sup>a</sup>	1			
H <sub>4</sub> (Improving auditing and accounting standard)	Disagreeing	32	0.38	0.5	0.029	Confirmed
	Agreeing	53	0.62			
	Total	81	1			
H <sub>5</sub> (Accounting system)	Disagreeing	11	0.12	0.5	0.000	Confirmed
	Agreeing	80	0.88			
	Total	91	1			
H <sub>6</sub> (Internal auditing effectiveness)	Disagreeing	12	0.14	0.5	0.000	Confirmed
	Agreeing	75	0.86			
	Total	87	1			

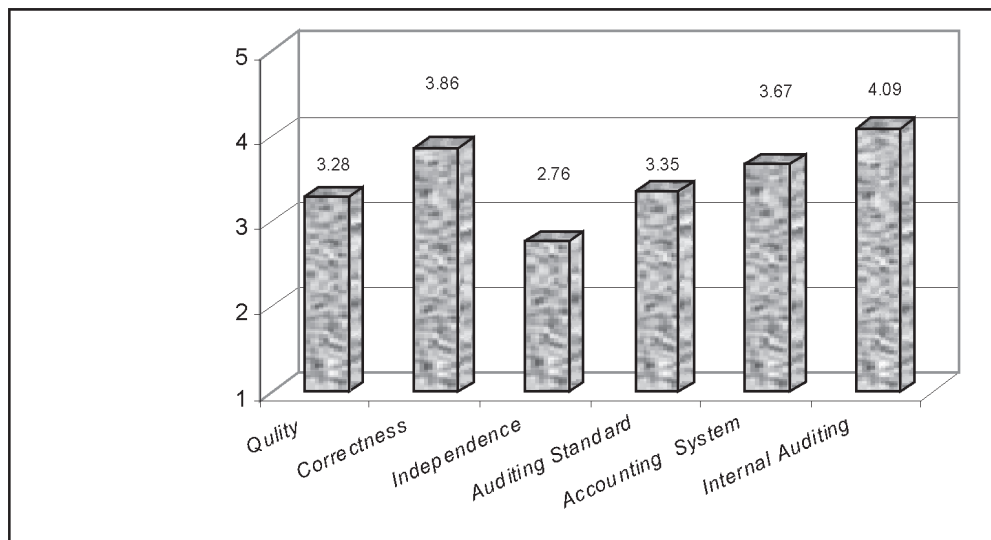
Note: Because of binomial test characteristic we divided respondents into two groups including agreeing and disagreeing and eliminate those of respondents that haven't idea.

**Table 3: Mean Degree Participants Agreement or Disagreement to the effects of Auditing Committee on Independents Factors and Other Statistics**

Independent Variable	Mean Degree	Standard Deviation	95 Percent of Confidence Interval
Quality of financial statements	0.518	0.721	0.361-0.620
Correctness of financial information	0.574	0.861	0.382-0.763
Independencies of independent auditors	0.021	1.161	-0.182-0.238
Regarding auditing standard	0.1701	0.61	0.012-0.255
Accounting system	0.635	0.625	0.512-0.765
Internal auditing effectiveness	0.842	0.76	0.62-1.055

Note: Positive number represents mean degree of agreement while negative number represent mean Degree of agreement

**Figure 1: Fridman Mean Rank of Independent Variable Affections on Auditor Independence**



Regarding those participants who requested to determine degree of agreement or disagreement to the question by likert spectrum, Table No. 3 represents mean degree of agreement or disagreement according to their idea and other statistics.

As shown in the table, the auditing committee have the most effects on internal auditing effectiveness while they have the least effect on auditor independence in Iran.

Because of non parametric characteristics of gathered data the independent variable affects (auditing committee) on dependent ones was compared by non- parametric two-way ANOVA (Friedman) Test too. The results showed that three factors have no significant differences. The result demonstrated in following figure (Figure 1).

As seen in the figure too, while the auditing committee have the most effect on internal auditing, they have the least effect on auditor independence in Iran.

## Conclusion

Overall, the emerging literature on audit committee studies suggests that the committees play a role in various accounting related issues. The overall objective of the audit function is to increase the credibility of the financial statements. An effective audit committee should contribute significantly its objectives. Over the past several decades, advisory panels and regulatory bodies have emphasized the need for effective performance of the duties by audit committees of publicly traded companies. The SEC has followed the recommendations of these advisory panels and made rules that later were followed by the stock exchanges in requiring audit committees to exercise due diligence when carrying out their fiduciary responsibilities in relation to the reporting companies. With the passage of the Sarbanes-Oxley Act of (2002), the responsibilities of audit committees have increased significantly. Since the compliance with the SOX became mandatory after April 2003 (US SEC, 2003a, b) in many countries, unfortunately it is not mandate in Iranian environment. According to the results of this survey from the participants' viewpoints the existence of audit committee in Iran will affect on quality of financial statements which it is very important to stakeholders and correctness of financial information. Further, the participants' belief that the audit committee will improve native auditing and accounting standards as well as corporations accounting system. The results also reveal that the existence of audit committee will improve corporations' internal auditing system. The authors come to conclusion that the existence of audit committee in Iran is very emergency. Any delay in mandating audit committee caused very bad condition to Iranian corporate sector. So Iranian legislators should establish audit committee in Iran soon.

**Key words:** Audit committee, Audit independence, Audit quality, Iran.

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# Insurance Marketing: Waxing and Waning of Values

Sorab Sadri



This is a paper based on empirical investigation conducted in Western India at a time when the Indian economy is in a stage of transition from state capitalism to free market capitalism during the period 2004-2007. It takes the 7 Ps of services marketing and cross verifies responses against seven dimensions of ethical conduct. The target respondents were life insurance employees of bancassurance involved in marketing life insurance policies to customers in the urban sector. The commissions were more important than telling the truth while selling policies. Ethical considerations were lost. To protect the interest of the unsuspecting clients, governance machinery making the insurance marketing personnel accountable for marketing is required. In such circumstances ethical norms on the part of the insurer are essential. In Indian life insurance industry, in order to sustain its social image in a highly competitive market where even foreign players are steadily entering the domestic scene, people management expertise is inevitable.

In a developing country like India which is making a gradual and often spasmodic transition from being a state capitalist economy to a free market economy albeit both of retarded variety, the absence of a social security network is glaring. Rising unemployment rates and the disintegration of the joint family system have made working people even more vulnerable to the ravages of economic exploitation. The poor quality of living conditions and health support systems prevailing in the lower order of civil society makes insurance a highly desirable option for the well-being of the dependent members of the urban family.

It is clear that whoever is dealing in insurance sector must realize that people of India have strong fascination for savings. The Savings Function has traditionally been stronger than the Investment Function demonstrating the feudal-mercantilist mindset of people in rural India. Without a state security cover, people would like savings to be linked with risk coverage and therefore insurance has a very important and a powerful attraction for the people. This is the point which we would like to emphasize that public sector insurance companies and, specially the LIC, have proved that doing business in rural India is profitable business,



Dr. Sorab Sadri, Director, Abhijit Kadam Institute of Management and Social Science, Bijapur Road, Solapur 413 004, Maharashtra, Email: sadri@sorabsadri.com

and therefore, do not confine their activities to the urban India only.

Under such conditions it is almost vituperative to find that a life insurance policy is being sold on the basis of half truths and the insurer is often at sea about what vicissitudes of nature he can be protected against and what he cannot. The absence a proper countervailing tendency that can act as a governance mechanism to prevent the life insurance marketing agents from taking the unsuspecting client up the garden path only to be dumped when the need arises is also visible.

However, in this paper we have concentrated only on bankassurance channels for life insurance since the executives in this channel are paid staff and not commissioned based operatives. So the need for them to be at least more ethical than the commission based part time agents is accentuated. From an initial survey prior to this study, we found that it becomes more important for the sales team to get their bonus than it is for them to play fair. The brand name of the company can go to blazes for all they care as long as their coffers are well lined. This was the general impression of the two authors who independently worked on this problem from 2004 onwards only to get together in 2007, compare their notes and produce this paper. A literature survey was undertaken and the principal works are cited at the end of the paper.

## Methodology and Sample

Data after pilot study was collected in three stages. Firstly we examined responses from middle management. Then we validated this through interviews with senior management personnel in the life insurance industry. Finally we administered another questionnaire and sought senior management response regarding attitudes towards ethical dimensions. We took the 7 Ps of services marketing and took 7 dimensions of ethical conduct against which data was collected.

The ensuing discussion has focussed on the plight of the not adequately informed client and thereby to highlight some of the more significant ethical issues in the financial services marketing mix. In particular, it is generally argued that the combination of certain structural features in the

market for savings and investments products and gaps in the regulatory regime suggest that there is potential for ethical abuses in the marketing of savings and investment products. Public interest is sacrificed at the altar of personal gain. While there is a considerable amount of anecdotal evidence on the nature of this problem from a consumer perspective, little is known about industry views on the extent to which ethical problems arise in marketing of life insurance policies. The life insurance industry, which constitutes one of the major suppliers of savings and investments products, was selected as an appropriate environment for an examination of managerial perceptions of the extent to which ethically questionable practices are employed in marketing. Data for the study was collected by means of a postal questionnaire distributed on strict conditions of anonymity to *middle management* in Indian insurance companies in September 2006. The names and addresses of respondents were drawn from the database generated with the help of management students who undertook their summer projects in these companies during the academic year 2004-05. The questionnaire sought to collect factual information on the importance attached to ethics within the respondent's immediate company along with attitudinal data concerning perceptions of the ethical behaviour of insurance companies. In particular, respondents were asked how frequently they thought their company engaged in a series of marketing activities which have a significant ethical dimension.

A first draft of the questionnaire was pilot tested on 30 insurance industry specialists and the final form of the questionnaire was distributed to 500 named individuals, who are middle management employees of the leading life insurance companies in western India. Managerial functional categories were those given in the table below. A total of 118 useable responses were received representing a response rate of 23.6 percent. A breakdown of the personal characteristics of respondents has been provided in Table 1.

As any research scholar knows every questionnaire needs to be tested for reliability before being administered. This was done and continuously monitored as depicted in the table given below. Accordingly, Table 2 details the descriptive statistics of the responses gathered from 118

**Table 1: Occupation and Characteristic of Respondents**

Occupation	Number	Characteristic	No. of Respondents
1. Marketing/sales	40	Male (n)	101
2. Accounting/finance	16	Female (n)	17
3. Planning/strategy	8	Insurance Qualification	92
4. Actuarial	13	Average Age	29.7 years
5. Operational Staff	26	Average years in Insurance	4.3 years
6. General management	15	Average time with company	0.8333 years

**Table 2: Descriptive Statistics and Extraction of Principal Component**

Scale/Item	Measurement	Principal Component	Mean	Std. Dev.	Alpha
<b>PRODUCT RELATED ISSUES</b>	<b>Mean of items</b>		<b>2.930</b>	<b>3.476</b>	<b>0.891</b>
Delay in making payment of valid claims	1 = Always Do ...	0.840	3.008	1.146	n.a.
Not complying with codes of practice	5 = Never Do ...	0.794	2.771	0.960	n.a.
Use small print clauses to camouflage the truth	1 ... 5	0.666	3.127	1.005	n.a.
Not inform customers about insurance ombudsman	1 ... 5	0.732	2.813	0.873	n.a.
<b>PRICING RELATED ISSUES</b>	<b>Mean of items</b>		<b>2.890</b>	<b>1.927</b>	<b>0.796</b>
Quote higher premiums than necessary to meet targets	1 ... 5	0.836	3.008	1.146	n.a.
Do not interpret commission structures to agents to avoid product bias	1 ... 5	0.836	2.771	0.960	n.a.
<b>PROMOTION RELATED ISSUES</b>	<b>Mean of items</b>		<b>3.486</b>	<b>1.382</b>	<b>0.702</b>
Promote inappropriate and supplementary products	1 ... 5	0.644	3.678	0.662	n.a.
Not inform public fully about privacy or security problems	1 ... 5	0.795	3.551	0.497	n.a.
Use misleading information about competitors or make negative publicity about them.	1 ... 5	0.493	3.229	0.574	n.a.
<b>PLACE RELATED ISSUES</b>	<b>Mean of items</b>		<b>2.085</b>	<b>0.816</b>	<b>0.742</b>
Use deceptive marketing by camouflaging the truth and using ambiguous language.	1 ... 5	0.805	1.975	0.512	n.a.
Offer unauthorized gifts to prospective customers and other people who you feel can influence decisions.	1 ... 5	0.805	2.195	0.396	n.a.
<b>PEOPLE RELATED ISSUES</b>	<b>Mean of items</b>		<b>2.008</b>	<b>1.782</b>	<b>0.708</b>
The Insurance Company does not take adequate pains to train the field sales executives about the product and the process.	1 ... 5	0.872	1.992	0.529	n.a.
The field sales executives are not knowledgeable about the product to be marketed and process involved.	1 ... 5	0.738	2.220	0.414	n.a.
Not provide adequate training for sales staff	1 ... 5	0.880	1.805	0.556	n.a.
Not being transparent in rewards and recognitions	1 ... 5	0.872	1.992	0.529	n.a.
Company policies not clearly communicated to those on the field.	1 ... 5	0.463	2.034	0.581	n.a.

<b>PHYSICAL PRESENCE ISSUES</b>	<b>Mean of items</b>		<b>2.106</b>	<b>0.852</b>	<b>0.757</b>
Branches are opened not for customer service convenience but for penetrating the market.	1 ... 5	0.814	1.992	0.529	n.a.
Overlook the serviceable locations criteria for want of high premiums	1 ... 5	0.814	2.220	0.414	n.a.
<b>PROCESS RELATED ISSUES</b>	<b>Mean of items</b>		<b>1.959</b>	<b>2.128</b>	<b>0.670</b>
You always blame the bureaucracy and/or systems for late deliverables.	1 ... 5	0.820	1.814	0.552	n.a.
The process flow is either not communicated to those operating down the line or there is a lot of ambiguity in it.	1 ... 5	0.507	2.017	0.520	n.a.
Long term policies are sold as short to medium term policies by misinforming potential customers	1 ... 5	0.766	1.924	0.507	n.a.
Customers are kept in the dark about charges related to disclosures when physically selling these policies.	1 ... 5	0.839	2.008	0.529	n.a.
The correct combination of insurance and investment in life insurance policy is never disclosed to customers.	1 ... 5	0.377	2.076	0.435	n.a.
The correct combination of fund allocation with respect to investor's age is not discussed in order to lure customers.	1 ... 5	<u>0.966</u>	1.932	0.578	n.a.
ULIP regular premium plans are sold as savings account, home loans, single premium plans and mutual funds.	1 ... 5	<u>0.966</u>	1.941	0.541	n.a.

respondents. It is generally understood that the value of Cronbach Alpha above 0.65 makes the questionnaire reliable for the survey of such type. Since, the authors were interested in studying the correlation between principal components of items/scale with the occupation of the respondents, the extraction of such principal components has been presented in the Table 2.

Next we took up principal component analysis against the findings of the 7 Ps of services marketing enumerated in the table above. The descriptive statistics merely reveals that ethical violations are the norm. We then extracted the principal components to study the correlation with respect to occupations of the respondents which are being

detailed below. Accordingly, for the study of correlation following components were considered:

Having taken into consideration the most prevalent ethical violations we correlated them with respect to occupation. We found that the correlation between item D and item E of Table 3 was highly and positively correlated. That means correct combination of fund allocation with respect to investor's age is not discussed in order to lure customers much the same way in which as ULIP regular premium plans are sold as savings account, home loans, single premium plans and mutual funds, simply to fulfil the targets of the company. This essentially highlights the fact that unethical practices are plentifully involved in marketing of life insurance in India.

**Table 3: Principal Components Item-wise**

<b>A</b>	Delay in making payment of valid claims
<b>B</b>	Not inform public fully about privacy or security problems
<b>C</b>	Not provide adequate training for sales staff
<b>D</b>	The correct combination of fund allocation with respect to investor's age is not discussed in order to lure customers.
<b>E</b>	ULIP regular premium plans are sold as savings account, home loans, single premium plans and mutual funds.

**Table 4: Correlations**

		A	B	C	D	E	Occupation
A	Pearson Correlation	1	.051	.003	.103	.083	-.016
	Sig. (2-tailed)	.	.581	.978	.266	.373	.864
	N	118	118	118	118	118	118
B	Pearson Correlation	.051	1	-.010	.041	.058	-.059
	Sig. (2-tailed)	.581	.	.913	.656	.530	.525
	N	118	118	118	118	118	118
C	Pearson Correlation	.003	-.010	1	-.173	-.123	-.053
	Sig. (2-tailed)	.978	.913	.	.061	.185	.567
	N	118	118	118	118	118	118
D	Pearson Correlation	.103	.041	-.173	1	.935(**)	-.094
	Sig. (2-tailed)	.266	.656	.061	.	.000	.313
	N	118	118	118	118	118	118
E	Pearson Correlation	.083	.058	-.123	.935(**)	1	-.084
	Sig. (2-tailed)	.373	.530	.185	.000	.	.363
	N	118	118	118	118	118	118
Occupation	Pearson Correlation	-.016	-.059	-.053	-.094	-.084	1
	Sig. (2-tailed)	.864	.525	.567	.313	.363	.
	N	118	118	118	118	118	118

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

Also, 89 percent of respondents indicated that their company had a formal statement of its ethical stance and over half (52 percent) indicated that the company’s mission statement included reference to ethical practices and behaviour. However, we were surprised that not a single respondent could tell us what the ethical stance was! This goes to indicate that at the point of sale, in the life insurance industry, ethics does not feature high in the individual’s preferential calculus. We followed an analysis of the questionnaire with a one-to-one interaction with 20 respondents from senior management cadres, who were *not* the strategic decision makers. This statistic works out to 16.67 percent of the total questionnaire responses. Care was taken to choose these 20 respondents (albeit randomly) but from those not included in filing the questionnaire. This was to enable us to reinforce our findings which we did.

In the process, we continued to unravel the reason for such unethical marketing practices prevalent in life insurance segment in western India. When we asked how was it that they could not tell us the ethical stance or policy, we did not get a satisfactorily reply. The following table indicates the means or methods of communicating ethical practices employed by life insurance companies towards their employees who go and sell their products. This data was deduced directly from the administered questionnaire.

Insights gleaned from examining middle management and senior management responses confirmed two things: (a) The respondents were involved in gross ethical violations in their day to day working and (b) they were either unaware of or did not bother to remember what the company’s stance on ethics was.

**Table 5: Percolation of Policies**

Method of Communication	Number Citing
Short training courses	39
Company newsletters	11
Staff briefings	9
Via line managers	13
Not at all	46
Total in Sample	118

**Table 6: Descriptive Statistics of Strategic Decision Makers**

	Mean	Std. Deviation	N
1. Honesty	1.9746	.51411	118
2. Carefulness	3.0085	1.15096	118
3. Openness	3.5508	.49953	118
4. Freedom	1.9915	.53102	118
5. Education	1.9322	.58073	118
6. Opportunity	3.2288	.57603	118
7. Respect for Subjects	2.2203	.41624	118

Coming to the question of nailing down the precise ethical norms set by these companies we interviewed the HR Managers of these companies and in the process the following generalised definitions emerged. These give us some insight on how the strategic decision maker thinks and what (subjective) values he attaches to these norms.

- (1) Honesty – Employees must not fabricate, falsify, or misrepresent data, or results of past or expected future performance benchmarks. They should be objective, unbiased, and truthful in passing the information to the stakeholders and customers.
- (2) Carefulness – It means avoiding errors, especially while presenting result or projections.
- (3) Openness – It means sharing data, results, methods, ideas, techniques, and tools to allow the review of analysis and be ready for criticism and new ideas.
- (4) Freedom – Free to conduct the research on any

problem or hypothesis so that new ideas may freely flow to criticise the older ones.

- (5) Education – Employees orientation must be customer minded so that they may educate the customer and train their subordinates about the science of insurance.
- (6) Opportunity – Employees must not unfairly deny to themselves the opportunity to use resources or advances in the profession of insurance.
- (7) Respect for Subjects – When in the business of insurance, the employees must respect the concept of insurance in *so far as* the customer should fairly benefit.

The scale of the investigation was again kept Likert [1 = Always Do ... 5 = Never Do]. High values of standard deviation for Carefulness was undesirable, however, the remarks on account of Honesty, Freedom, and Education were not seen in line with the responses from the middle managers as found to be claimed by the HR Manager

representing strategic decision makers. Also, the mean on account of Openness was not found to be satisfactory.

### Conclusion

Based on this investigative study it is found that the Indian customer is being short changed by the life insurance executives (paid employees). This is because for them incentives and bonuses have a higher value premium than ethical conduct of business. What is worse is that senior management in the industry seems oblivious of this fact. This paints a bleak picture of the industry and exposes the underbelly of peripheral capitalism of a retarded variety.

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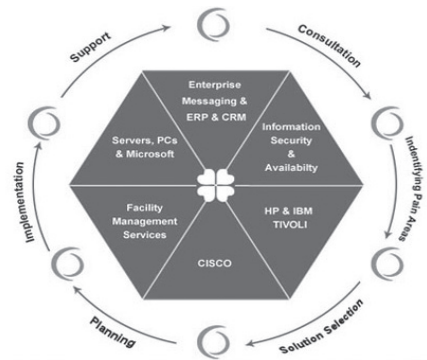
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# Elaborate Servicescapes: Spatial Dimensions

**Ajith Paninchukunnath**



Bitner (1992) proposed a typology of service organizations and servicescape dimensions. The dimensions of the physical surroundings include all objective physical factors that can be controlled by the firm to enhance (or constrain) employee and customer actions and were identified as ambient conditions, spatial layout and functionality, and signs, symbols, and artifacts. The present paper is an attempt to review the literature specific to the environmental dimensions of servicescape. An empirical study done among service consumers who are satisfied with the service encounter shows that interior of the service setting is more important and essential evidence is more important than peripheral evidence. The research identified three servicescape dimensions for elaborate servicescapes.

**B**ooms and Bitner (1981) suggested that service organizations need to augment the four Ps of marketing with three additional elements. The services marketing mix adds three new Ps – participants, physical evidence and processes of service assembly. Pioneered by Bitner, ‘servicescape’ has gained much importance in service’s research literature. Characteristics of servicescape can lead to behavioural responses like approach or avoidance. The present paper is an attempt to review the literature specific to the environmental dimensions of servicescape such as ambient conditions, space/function characteristics, signs, symbols, and artifacts. The paper also

reports the empirical findings of a study done among service consumers.

For service organizations, the service environment can be likened to the packaging of tangible products. The physical

facilities form the customer’s first impression regarding the quality and type of service produced in addition to building up expectations. The physical evidence helps to define the service for the customer and can serve to guide customers through the service process. Physical evidence is important in making services seem tangible and thus easier for customers to evaluate the service delivery. Since the



Mr. Ajith Paninchukunnath, Research Scholar, Marketing Area, MDI, Gurgaon, FPM Office, Management Development Institute, Sukhrali, Gurgaon-122001, E-Mail: ajithmba@rediffmail.com

physical evidence contributes to how customers think about the organization, it must be designed and managed to achieve marketing objectives.

**Literature Review**

**Physical Evidence**

The physical evidence refers to everything tangible. It affects the consumer’s service experience throughout the duration of the service encounter. When a customer enters a service system, the interactions with the service personnel and service environment can be thought of as filters through which the service experience is understood. This means that the service environment, which includes the design and atmosphere of the organization, must be managed as it is here that the customer’s perceptions of the organization begin and in some cases end.

Physical evidence has been defined (Zeithaml and Bitner 2003, p.25) as: The environment in which the service is delivered and where the firm and customer interact, and any tangible components that facilitate performance or communication of the service. The physical evidence of a service then includes any tangible representations of the organisation, including the physical facility or building where the service is

offered, signs and equipment, brochures, letterhead, business cards and even billing statements. Physical evidence provides the opportunity for the organisation to send the message they want regarding the organisation’s purpose and nature of the service.

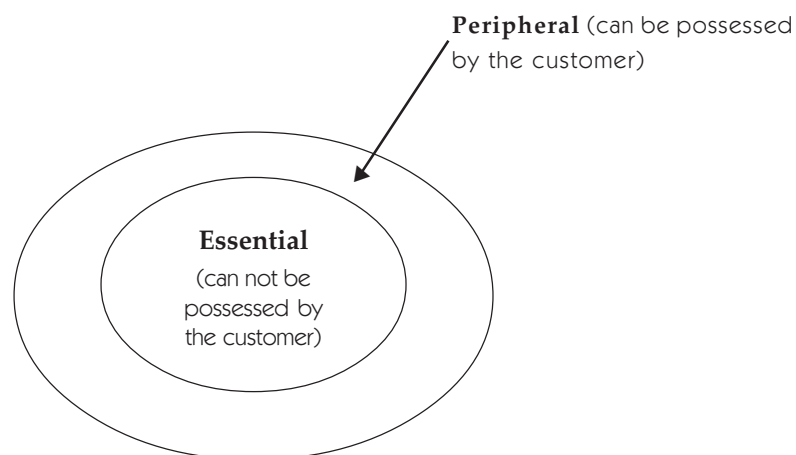
The importance of physical evidence to how a customer thinks about a service has been recognized for some time. As early as 1977 Shostack (1977, p.77) commented that: ...service images and service realities appear to be shaped to a large extent by the things that the customer can comprehend with their five senses - tangible things ... [and] when a customer attempts to judge a service, particularly before buying it, that service is known by the tangible clues, the tangible evidence which surrounds it.

As we can see, physical evidence is extremely far reaching as it is made up of anything tangible that the customer comes into contact with during the service experience. It is also very important to organizations as the tangible evidence offsets the intangibility characteristic of services. Therefore the service provider is seeking to make the service more tangible by creating physical evidence.

**Types of Physical Evidence**

There are two types of physical evidence - Peripheral evidence and Essential evidence (See Fig.1).

**Figure 1: Peripheral and Essential Evidence**



1. Peripheral evidence –This type of evidence can actually change hands during the service transaction as in the purchase of an airline ticket and confirm the service. They

can also include items which are complementary to the service itself. Examples include free pepsi with a meal, toiletries and chocolate in hotel rooms, newspapers and

magazines for airline passengers. Peripheral evidence is not the true service product; instead it confirms the existence or completion of a service.

2. Essential evidence –This type of evidence is integral to the service. They will not normally be owned by or passed on to the customer. Examples include facilities offered by the service provider, equipments used to deliver the service etc.

Peripheral evidence and essential evidence have been identified by Shostack (1981) as being:

... that which cannot be possessed by the customer as part of the service but it contributes to the overall ambience of the service environment. Examples of essential evidence include the buildings, furnishings, signage, layout, background music, even employees and their uniforms are considered part of the essential evidence.

... items which are actually possessed by the client as part of the service. The variety of peripheral evidence is enormous but includes such things as a credit card, a cheque book, an admission ticket, a souvenir post-card and invoices and statements.

In general, marketers have more difficulty with essential evidence because it often requires the skills of architects and interior designers. The problem is that professional designers, although understanding the aesthetics of design, may have no experience in understanding the package of customer needs in an organization. The quality and the standards of the essential evidence will be a major influence in the customer's purchase decision.

### Atmospherics

Atmospherics is the conscious design of space to create certain effects on buyers and is based on an organization's atmosphere being understood through the five senses- touch, sight, taste, smell, hearing. For example, in terms of the sense of sight, lighting is very important for setting the mood in a service environment.

However, atmospherics has a limitation in that it is a simple stimulus-response model, which assumes that certain target groups will react the same way to a particular stimulus, and

that the response is involuntary. This limitation results in the inability of atmospherics being able to explain how consumers can selectively screen out specific stimuli and form impressions of a service based on relatively few characteristics.

Environmental stimuli as having an informational component, is processed by customers, as well as a physical component. This new field is called environmental psychology which is an extension of atmospherics because it provides the link between social variables and environmental variables.

### Servicescapes (Physical Environments)

Servicescape is a concept that was developed by Booms and Bitner to emphasize the impact of the physical environment in which a service process takes place. Booms and Bitner defined a servicescape as "the environment in which the service is assembled and in which the seller and customer interact, combined with tangible commodities that facilitate performance or communication of the service" (Booms and Bitner, 1981). Servicescape is also called service setting.

Physical evidence consists of servicescape combined with the tangible elements, so servicescape is a part of physical evidence. Servicescape along with other tangibles like business cards, stationary, billing statements, reports, employee dress, uniforms, brochures, web pages and virtual servicescape forms the 'Physical Evidence' in marketing of services. Servicescape may be likened to 'landscape.' It includes facilities exterior (landscape, exterior design, signage, parking, surrounding environment) and facilities interior (interior design and decor, equipment, signage, layout, air quality, temperature and ambience). Servicescapes play an important role, both positive and negative, in customers' impression formation (Bitner, 1992).

The servicescape framework illustrates that the environment is made up of a combination of environmental dimensions including ambient conditions (temperature, music), space/function (layout, furnishings), and signs, symbols and artefacts (signage, style of decor). In this framework the behaviour of employees and customers is mediated by three responses - cognitive, emotional and physiological. This means, in contrast to previous models, participants

are seen as having voluntary responses as well as being active information processors.

### Roles of Physical Evidence

Service firms should manage physical evidence with respect to roles (Bitner 1992). The various roles are:

- ◆ Packaging - Apart from functional reasons, it can contribute to image (positive or negative). Positive image can reduce perceived risk levels associated with purchase.
- ◆ Facilitator - Helps in facilitating the flow of service delivery process. It can also act as a facilitator by either adding or hindering the abilities of employees and customers in performing their activities during co-production of service. Provide information to the

consumer about the offerings, prices, policies and rules through signage, menus, brochures etc...

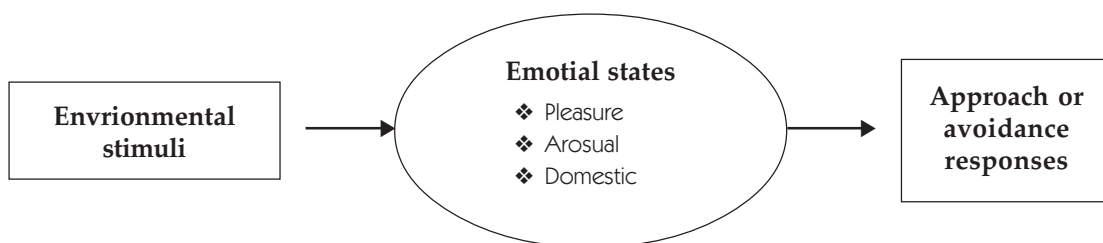
- ◆ Socialization - Help individuals to adapt to the values, norms and the required behaviour pattern of the organization. Provide space and opportunity to interact with consumers.
- ◆ Differentiation - Help in differentiating the firm from other service providers. Can help in attracting new market segments.

### Framework for Understanding Physical Evidence

#### The SOR Model

Environmental psychology can help in the use of physical evidence to create service environments. The SOR model shown in Fig.1 helps in explaining the effects of service environment on consumer behaviour.

**Figure 2: Three Components of SOR Model (Donovan et. al. 1982)**



The SOR model has three components:

- ◆ Stimuli-Variou elements of physical evidence
- ◆ Organism-Recipients of stimuli (Both employees and customers)
- ◆ Response or outcome-Behaviour of approach or avoidance (of service setting)

The response to the set of stimuli is influenced by the emotional states of pleasure-displeasure, arousal-non-arousal, and dominance-submissiveness. Pleasure-displeasure reflects the extent to which the consumers feel satisfied with the service experience. The arousal-non-arousal refers whether they feel excited and stimulated about the service. The dominance-submissiveness reflects the degree to which consumers and employees feel in control and are able to act freely within the service environment.

The approach/avoidance behaviour is the consumer response to the set of environmental stimuli and is characterized by the following behaviour patterns:

- ◆ A desire to stay (approach or avoid) the service establishment
- ◆ A desire to further explore and interact with the service environment (approach) or a tendency to ignore it (avoidance)
- ◆ A desire to communicate with others (approach) or to ignore the attempts of service providers to communicate with customers (avoid)
- ◆ Feelings of satisfaction (approach) or disappointment (avoidance) with the service experience.

## Servicescape Framework

The Servicescape provides a visual metaphor for an organization's total offering. Servicescapes play an important role in many service organizations in that they provide a first impression, before customers have a chance to interact with service employees. Therefore, these servicescapes are an important element that customers will use to guide their beliefs, attitude, and expectations of a service provider. Customers interact with the physical facility continuously, an experience that outweighs their interactions with service employees.

Bitner (1992) has offered an integrative network that incorporates atmospherics and environmental psychology. The holistic service environment is called a servicescape. As against atmospherics and environmental psychology, the servicescape framework recognises the importance of physical surroundings on employees as well as customers.

## Exploratory Research -The Context

### Bitner's Classification- Typology of Services and Servicescapes

Bitner (1992) proposed a typology of service firms by categorizing service organizations on two dimensions that capture important differences in the management of the servicescape. Firms that share a cell within the matrix face similar issues related to the design of their physical spaces.

The vertical dimension relates to who is performing actions within the servicescape—the customer, or the employee, or both. One extreme is represented by the “self-service” organization in which few if any employees are present and the level of customer activity is high. At the other extreme is the “remote service” where there is little or no customer involvement in the servicescape and sometimes even little employee involvement, such as in fully automated voice messaging services. “Interpersonal services” are positioned between the two extremes. In those organizations, both customers and employees are present and performing actions within the servicescape.

In interpersonal servicescapes, special consideration must be given to the effects of the physical environment on the

nature and quality of the social interaction between and among customers and employees. The horizontal dimension captures the complexity of the servicescape. Some service environments are very simple, with few elements, few spaces, and few forms. They are termed “lean” environments.

For lean servicescapes, design decisions are relatively straightforward, especially in self-service or remote service situations in which there is no interaction between customers and employees. Other servicescapes are very complicated, with many elements and many forms. They are termed “elaborate” environments. An example is a hospital with its many floors, rooms, sophisticated equipment, and complex variability in functions performed within the physical facility. In such an elaborate environment, the full range of marketing and organizational objectives theoretically can be approached through careful management of the servicescape. For example, a patient's hospital room can be designed to enhance patient comfort and satisfaction while simultaneously facilitating employee productivity.

Though Bitner's model shares similarities with other models like Mehrabian and Russell (1974), it is unique in its breadth of synthesis. Mehrabian and Russell focus on emotional responses only.

### Interpersonal Services with Elaborate Servicescapes (Bitner 1992)

1. Health clinic
2. Hospital
3. School/College
4. Bank
5. Airline
6. Hotels
7. Restaurants

Author has added the 8<sup>th</sup> one to this list. It is the organized retail outlets since they also share the same characteristics.

### Objective

In interpersonal services with elaborate servicescape and in situations of satisfying service encounters:

- ◆ Explore the dominant physical evidences
- ◆ Explore the dominant dimensions among physical evidences
- ◆ Check the reliability of dimensions and the total scale

**Operational Definitions**

- ◆ **Satisfying service experience** - A post consumption state of the customer resulting from a pleasant service encounter.
- ◆ **Service setting elements** - The elements in the environment in which the service is provided to the customer, both interior and exterior.

**Service Setting**

**Categories and Operational Definitions**

**Interior** - Elements of servicescape like Design, Décor, Equipment, Signage, Layout, Air Quality, Temperature, Noise, Music, Odor, and Cleanliness present inside the service setting.

**Exterior** - Elements of servicescape like Design, Signage, Parking, Landscape visible to the customer before entering the service setting.

**Other tangibles** - Elements within the service setting like Business card, Stationery, Billing statements, Reports, Employee dress/Uniform, Brochures, Web Pages used during service delivery.

**Item Development**

To explore the dominant physical evidences in interpersonal services with elaborate servicescape literature review and interviews with service customers were conducted. Based on this, 23 items were generated and the same was used to make the questionnaire (see Table 1). Seven point likert scale was used with anchor points highly dissatisfying=1 to highly satisfying = 7.

**Table 1**

Sl.No	Items to measure Service Setting
1	The design of the interior
2	The décor of the interior
3	The equipments in the interior
4	The signage(name board ,notice board etc..) of the interior
5	The layout of the interior
6	The air quality of the interior
7	The temperature of the interior
8	The noise in the interior
9	The music in the interior
10	The odour of the interior
11	The cleanliness of the interior
12	The lighting of the interior
13	The design of the exterior
14	The signage(name board, notice board etc..) of the exterior
15	The parking of the exterior
16	The landscape of the exterior
17	The business card they gave
18	The stationery they used
19	The billing statement they gave
20	The reports they gave
21	The dress/uniform of employees
22	The brochures they showed
23	Their website

**Table 2**

Parameter	Categories	Frequency	%
Gender	Male	133	44.3
	Female	167	55.7
Age (years)	20 – 30	174	58
	31 – 40	40	13.3
	41 – 50	47	15.7
	51 — 60	35	11.7
	Above 60	4	1.3
	Education	Plus 2	33
	Degree	119	39.7
	PG	145	48.3
	Doctorate	3	1
Occupation	Student	145	48.3
	Employee	90	30
	Business	27	9
	Housewife	38	12.7
Annual Family Income in Rs.	Less than 100,000	55	18.3
	100,001 – 200,000	111	37
	200,001 – 300,000	75	25
	300,001 – 400,000	28	9.3
	400,001 – 500,000	12	4
	500,001 and above	19	6.3
Industries	Health clinic	2	0.7
	Hospital	40	13.3
	Retail outlet	68	22.7
	Bank	62	20.7
	College/Institute	56	18.7
	Airline	23	7.7
	Hotel	23	7.7
	Restaurant	26	8.7

**Table 3**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.864
Bartlett’s Test of Sphericity	Approx. Chi-Square	1259.56
	df	55
	Sig.	0
Extraction Sums of Squared Loadings	Variance-Cumulative %	65.727
Reliability Statistics	Cronbach’s Alpha(11 items)	0.853



**Table 4: Pattern Matrix<sup>a</sup>**

Items	Factor 1	Factor 2	Factor 3
The décor of the interior was	0.766		
The equipments in the interior was	0.872		
The signage(name board, notice board etc..) of the interior was	0.771		
The layout of the interior was	0.785		
The noise in the interior was		0.625	
The music in the interior was		0.899	
The odour of the interior was		0.698	
The business card they gave was			0.63
The stationery they used was			0.751
The billing statement they gave was			0.855
The reports they gave were			0.745

Extraction Method: Principal Component Analysis.

Rotation Method: Promax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

**Table 5**

Sl.No.	Dimensions	Items to measure Service Setting	Cronbach's Alpha
1	Interior	The décor of the interior was	0.852
2		The equipments in the interior was	
3		The signage(name board ,notice board etc..) of the interior was	
4		The layout of the interior was	
5	Ambient condition	The noise in the interior was	0.706
6		The music in the interior was	
7		The odour of the interior was	
8	Other Tangibles	The business card they gave was	0.77
9		The stationery they used was	
10		The billing statement they gave was	
11		The reports they gave were	

## Data Collection

Data was collected from 300 urban service consumers in the Kochi city area of the Ernakulam district of Kerala. Cluster sampling method was adopted to collect the data. Questionnaire was administered by visiting the houses. Respondents were any adult who are above the age of 20 and has consumed any one of the eight interpersonal services in the past few months.

## Data Analysis

Demo profile of the respondents is as given in the table (see Table 2).

## Exploratory Factor Analysis

EFA done on 23 items initially gave five factors. With a KMO of 0.864, EFA was justified on the sample. The oblique rotation method used was Promax since there is no proof to assume that the items and dimensions are orthogonal. After deleting items with high correlation, cross loading etc., eleven items were retained which converged to 3 factors? The three factors together explained 65.7 percent of the variance. The factors were named as interior, ambient condition and other tangibles. Reliability Statistics was good with Cronbach's Alpha (11 items) 0.853 (see tables 3 to 5).

## Findings

The interior aspects like décor, equipments, signage and layout emerged significant. Consumers rated ambient condition like noise, music and odour more important than air quality, temperature, cleanliness and lighting. Exterior aspects like design, parking signage and landscape did not emerge as an important dimension. Among items in the other tangibles dimension, business card, stationery, billing statement and reports emerged as the most important. Dress/uniform of employees, brochures and website was not considered important by consumers. Of the eight tangible elements found dominant, three are peripheral evidence. They are business card, billing statement and reports. The remaining five are essential evidence namely – stationery, layout, signage, equipment and décor.


## Conclusion

This research has identified three dimensions which are important from the consumers' perspective in the context of face to face services in elaborate servicescapes. Managers of interpersonal service organizations should focus more on interior of service settings than exterior. Ambient conditions like noise, music and odour are more noticed by the consumers and should receive more attention. Tangible items like business card, stationery, billing statement and reports are also very important. Future research can focus on impact of service setting dimensions on overall service satisfaction. Similar study can be carried out among dissatisfied customers in similar context.

**Key words** – Physical evidence, Elaborate servicescape, Interpersonal services, Exploratory Factor Analysis

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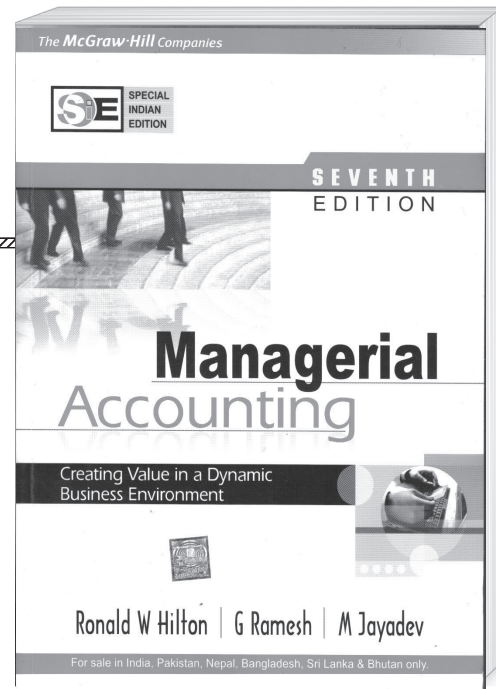
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# Skimming and Scanning

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<b>Book Title</b>	: <i>Managerial Accounting Creating Value in a Dynamic Business Environment</i>
<b>Author</b>	: Ronald W.Hilton, G.Ramesh and M.Jayadev
<b>Edition</b>	: Seventh - 2008
<b>ISBN-13</b>	: 978-0-07-066770-9
<b>Pages</b>	: 844
<b>Publisher</b>	: <b>Tata McGraw-Hills Publg.Co.Ltd., New Delhi.</b>



In the present scenario the role of an accountant has been changed to a business consultant and financial adviser rather than one should have expected him to do in the past. This book provides prevailing managerial accounting concepts and management process to the management accountants to perform their role as a key player in their work place.

Managerial accounting is concerned with the provisions and use of accounting information to managers within organizations, to provide them with the basis to make informed business decisions that will allow them to be better equipped in their management and control functions. Advancing the role of the Management accountant as a strategic partner and provider of decision-based financial and operational information; management accountants are responsible for managing the business team and at the same time having to report relationships and responsibilities to the corporation's finance organization.

The concept of presenting the focus companies creates value additions in the present business conditions by

bringing the real world examples to the students. The concepts such as environmental cost management and the Sarbanes-Oxley Act have been added as a management tool. The book focused to narrate managerial accounting topics in manufacturing and service-industry in order to understand the nature of all type of Organizations.

The contents and examples written in the book express how the field of management accountants is changing; emphasize how the concepts are actually used in the present business environment. The managerial accounting practices of well-known, real world organizations are highlighted in most of the chapters.

This is not the book that offers the typical way of presenting numerical examples in managerial accounting rather this is the book which explains the subject by presenting the real world examples of focus companies and compare it with contrast companies which in most cases will feature an industry different from that of a focus company and also supported by illustrations from Indian companies to bring in contextual familiarity.

The relevance of this book to the managers is that the topics open up the possibility of developing the art of internal control over the financial reporting. In the present dynamic business environment the role of managers is to provide vital information's to the top management and exercise an effective internal control system.

The module provides familiarity in spreadsheet applications to the managers in reaching the decisions from lot of data that too in a short time. The emerging and contemporary topics in Activity-based costing, target costing and value chain analysis are explained with the support of practical examples from the industry. The new edition discusses the importance of using accounting information in decision-making in Part IV, Chapter 14-16 on the role of a managerial accountant. Also the author has taken efforts to explain the traditional topics in actual case scenario. Introduction of balanced scorecard techniques helps managers to link today's actions with the achievement of today's priorities.

Introduction to financial planning models and their use to managers in the real world of uncertainties create much mileage to this book. The author has taken sincere efforts in illustrating the importance of allocating support activity costs and explored its role in an Organization's overall managerial accounting system.

Overall the book is useful for reference except the few improvements noted are:-

1. Certain topics that are vital in the dynamic business environment, such as life cycle cost analysis and lean accounting, have been ignored
2. Lack of solved numerical examples, which

helps the students to practise the theoretical applications with a self-attempt.

In general the authors offer a clear writing style that has to be praised and highly recommended to the professionals. To great extent the topics covered helps the management accountants to perform their role as "value-creators" amongst the accountants.

**Ronald W.Hilton**, a professor of Accounting at Cornell University, he handled the areas of managerial accounting and cost management systems. He is a member of the Institute of Management Accountants and has been active in the American Accounting Association. **G.Ramesh** is Associate professor of Center for Public Policy of Indian Institute of Management; Bangalore. He specializes in Cost Management, Management Control Systems and Performance Management. **Jayadev Madugula** is working as Associate Professor of Finance and Control area of Indian Institute of Management, Bangalore. He has published papers in professional and research journals in the areas of accounting, banking and risk management and presented papers in national and international seminars.

This Review Article  
was prepared  
by



**Mini K.Kuzhuvelil**

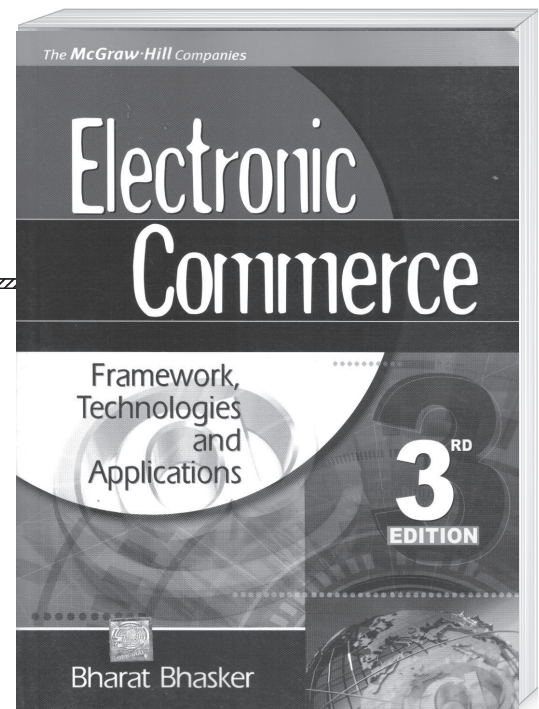
Assistant Professor-Finance, SCMS-COCHIN,  
Prathap Nagar, Muttom, Aluva-683 106,  
Cochin, Email: miniramnath@yahoo.co.in,  
mini@scmgrouop.org



# Skimming and Scanning

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<b>Book Title</b>	:	<i>Electronic Commerce Framework, Technologies and Applications</i>
<b>Author</b>	:	<b>Bharat Bhasker</b>
<b>Edition</b>	:	<b>Third-2009</b>
<b>ISBN-13</b>	:	<b>978-0-07-026432-8</b>
<b>Pages</b>	:	<b>468</b>
<b>Publisher</b>	:	<b>Tata McGraw-Hill Publishing Company Ltd., New Delhi.</b>



The Book explains the managerial issues that change from traditional business to electronic commerce and focus on addressing the technological issues related to electronic commerce. The strength of the book is that for each of the preceding subject, it discusses not only theory, but the actual situation in the industry.

The book is divided into 15 chapters, each of which is devoted to a particular aspect of getting a business online. Each chapter provides with a wealth of basic and introductory information. The Chapter 1 covers the evolution of electronic commerce, its components, history, differences between traditional and electronic business. The Chapter 2 covers the driver forces for the electronic commerce. This chapter starts with business considerations, technology consideration, growth of the Internet, and follows them by the growth of electronic commerce. The chapter exposes the readers to a taxonomic survey of the various business models.

The Chapter 3 covers Architecture for electronic

commerce. In this chapter the reader will read about the type of business transactions, form of payment, electronic data Interchange (EDI), electronic fund transfer (EFT), and important security considerations. The Chapter 4 introduces architectural elements and the framework of electronic commerce through business service, and public policy infrastructure. The Chapter 5 explains various building blocks of a network infrastructure – LAN, WAN, Internet, TCP/IP protocols that form the foundation of the electronic commerce framework. The Chapter 6 explains to the reader how message is transmitted and received through protocols such as FTP, HTTP and SMTP. The chapter 7 briefly talks about how the Internet works, basic Internet components, enabling tools (HTML, Dynamic HTML, DHTML, CGI scripts and VRML). The Chapter 8 wraps up and securing the business on Internet with the infrastructure security consideration (security threats, security mechanisms, Firewalls and data security).

The Chapter 9 explains the encryption techniques such as public key infrastructure, digital certificates and digital

signature for creating trusted electronic market place. The Chapter 10 addresses various available online payment mechanisms and compares several payment systems. The Chapter 11 explains different types of Internet marketing, selling, billing for products and services, purchasing and paying for product and services, and some examples of well knowing websites that implemented electronic commerce applications. The Chapter 12 covers the search engine and directory services and augmented to include the search engine marketing and search engine optimization techniques. The Chapter 13 provides the overview of Internet advertising, and differentiated the advantage and disadvantage of Internet advertising. The Chapter 14 describes the unprecedented growth of mobile technology and explains the growth and success of mobile commerce in the marketplace. The Chapter 15 describes agent technology and standards and languages used for defining and operating agents to evaluate the product offerings and suggestion in the Internet.

The Author also discusses the other emerging areas in Information Technology and relates it to Electronic Commerce Implementations with case studies from India. The illustrated book comes with lot of diagrammatic representation and practical applications in the real world. This book is useful for the students, academicians and professional who practise in the field of Next generation Electronic Commerce applications.

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by

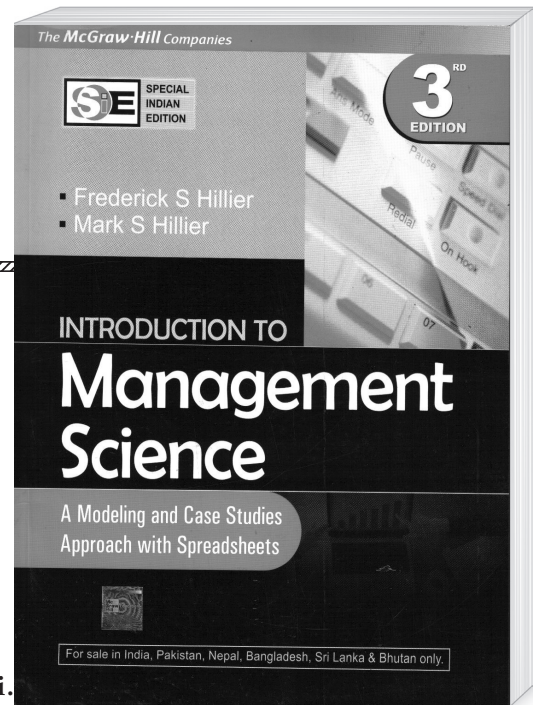


**S. Kumar Chandar**

Faculty – Systems & Operations, SCMS–  
COCHIN, Prathap Nagar, Aluva, Cochin –  
683 106, Email: skumar@scmsgroup.org,  
s\_kumarchandar@yahoo.com



# Skimming and Scanning



**Book Title :** *Introduction to Management Science  
A Modeling and Case Studies Approach  
with Spreadsheets*

**Author :** Frederick S.Hillier and Mark S.Hillier

**Edition :** Third-2009

**ISBN-13 :** 978-0-07-066822-5

**Pages :** 604

**Publisher :** Tata McGraw-Hills Publ. Co. Ltd., New Delhi.

Management Science is a field that demands aids for managerial decisions by applying scientific approaches to solve managerial problems involving quantitative factors. The focus of this book, *Management Science – a Modeling and Case Studies approach with Spreadsheets*, is not on training technical analysts but on teaching what actually an enlightened future manager needs to learn from a management science course. The entire book revolves around the use of two tools in management science: modeling and case studies as aids to managerial decision making. There has been a growing concern that the traditional management books have not taken the best approach in introducing business students to these exciting fields. This is successfully carried out by the authors, Frederick S.Hillier, Professor emeritus of Operations Research at Stanford University and Mark S.Hillier, son of Frederick S.Hillier, Associate Professor of Quantitative methods at School of Business at the University of Washington, who believed that modern introductory management science textbooks should have two key elements, Modeling and Case studies both with spreadsheets.

The book consists of two parts. Part 1 examines the basic concepts such as formulation and applications of Linear

Programming, the Art of Modeling with spreadsheets, Network Optimization Problems, Non-linear Programming, Decision Analysis, Forecasting, Queuing Models, Computer Simulation with its basic concepts and the Crystal ball. The supplements to all these chapters are on the CD-ROM.

Part 2 consists of the solution concepts of the chapters on the CD-ROM like Linear Programming, Transportation and Assignment Problems, PERT/CPM Models for Project Management, Goal Programming, Inventory Management with known demand, and Inventory Management with uncertain demand.

This book stands apart from other books on Management Science on its placing heavy emphasis on the use of Case Studies to better convey the ideas in an interesting way in the context of applications. Every chapter includes at least one case study that introduces and illustrates the application of that chapter's techniques in a realistic setting. The case writers include Karl Shmedders, an associate Professor with tenure in the Department of Managerial Economics and Decision Sciences at the Kellogg School of Management at Northwestern University



and Molly Stephens an Associate in the Los Angeles office of Quinn, Emanuel, Urquhart, Oliver & Hedges, LLP.

This book also has very well conveyed the impressive impact that management science has on improving the efficiency of numerous organizations around the world. Many examples of actual applications are seen throughout the book in the form of application vignettes. Twenty application vignettes are added throughout the book describing actual applications of management science that had a dramatic impact on companies by using techniques similar to those covered in this book.

Finally the accompanying software which describes and illustrates how to use today's premier spreadsheet package is an added advantage for this book. It is an

extensive collection of software referred to as MS Courseware containing spreadsheet files with many add-ins for Excel, and also a package of Interactive Management Science Modules.



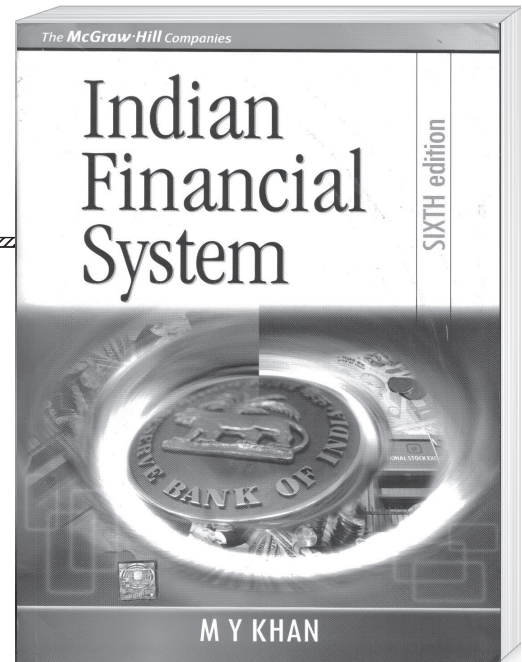
This Review Article  
was prepared  
by

**Bindu K. Nambiar**

Faculty-Marketing , SCMS-COCHIN, Prathap  
Nagar, Muttom, Aluva-683 106, Cochin,  
E-mail:bindhunambiar@scmsgroup.org



# Skimming and Scanning



**Book Title :** *Indian Financial System*  
**Author :** M.Y.Khan  
**Edition :** Sixth - 2009  
**ISBN :** 978-0-07-008049-2  
**Chapters :** 18  
**Publisher :** Tata McGraw-Hills Publg. Co. Ltd., New Delhi.

For the speedy economic development, we need a strong Financial System. A financial system stimulates the capital formation and accelerates the economic growth. And the system comprises a complex of financial institutions/intermediaries, financial market and financial assets. M.Y. Khan, in his book, *Indian Financial System* has endeavoured to stretch out the major changes occurred in Indian Financial System. The author has portrayed the major amendments and developments that have evolved in the process in Indian economy.

The book starts with the history: the evolution of Indian Financial System. The evolution of Indian Financial System falls into three phases. Up to 1951, there had existed a model traditional economy. In this model, the financial system was not responsive to opportunities for industrial investment. The second phase was between 1951 and 1990, evolved a response to the imperative of planned economic development. During this phase, there was the progressive transfer of important constituents from private ownership to public ownership, such as nationalization of LIC, formations of SBI and establishment of SEBI. A number of powerful special purpose financial institutions such as development banks/ institutions, investment trust

organization (UTI) were formed during this era. In order to safeguard the interest of the investor, the government has formulated the Companies Act, Capital Issue Act, FOREX Act, MRTP Act and similar enactments of law. The third phase has been the de-regulated economy since 1991.

The book is divided into five parts, further classified into 18 chapters. Each part is designed to each module of the Financial System. Part I gives an overview of Financial System and the evolution of the Indian Financial System. Parts II deals with the financial market and consist of seven chapters. The first three chapters in Part II explain the relationship between money market and capital market and their functions. Chapter seven comprehensively discussed the legal and procedural requirements of SEBI guidelines pertaining to capital issue activities. Statutory/Regulatory framework of Indian Securities market in terms of company law regulations, SEBI and listing requirements are the subject matter of Chapter eight.

Part III examines the major financial intermediaries in the Indian Financial System and consists seven chapters. In this part the author explains various prudential norms

relating to the (1) credit/advances portfolio of banks (2) investment portfolio of banks. Apart from the prudential norms, the author has explained the regulations and operations of the new entrants such as Non-Banking Financial Companies, Mutual Funds, and Insurance Organizations. Part IV of the book describes the various capital market instruments that have emerged in the financial system.

Part V of the book is devoted to Foreign Capital Investment, focused in policy framework for Foreign Direct Investment, External Commercial Borrowing, and Euro Issue.

The focus of this book is binary: it serves the purpose of a text book and it takes the risk of a reference book. As it

fulfills these two functions together, I wish and hope every student of Management studies or every good academic library would own it!!!



This Review Article  
was prepared  
by

**Anu Antony**

Faculty-Finance, SCMS-COCHIN, Prathap  
Nagar, Muttom, Aluva-683 106, Cochin,  
Email: [anuantony@scmsgroup.org](mailto:anuantony@scmsgroup.org)



# Skimming and Scanning

**Book Title :** *Supply Chain Management for Competitive Advantage*

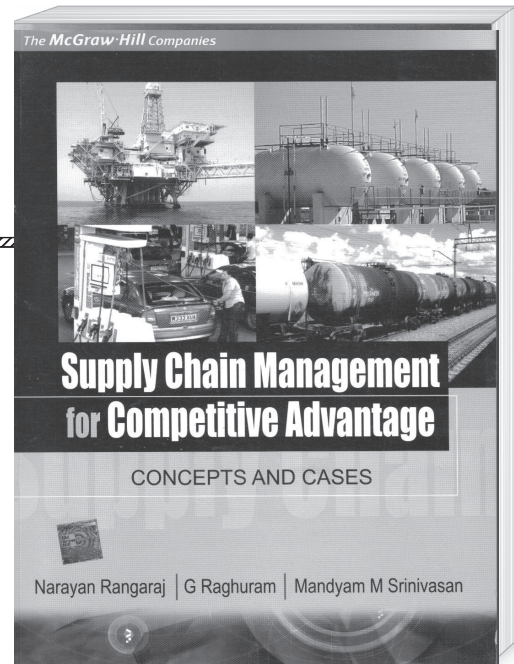
**Author :** Narayan Rangaraj, G.Raghuram and Mandyam M.Srinivasan

**Edition :** 2009

**ISBN :** 978-0-07-022163-5

**Pages :** 535

**Publisher :** Tata McGraw-Hills Publg. Co. Ltd., New Delhi.



In today's highly competitive global marketplace, the pressure on organizations to find new ways to create and deliver value to customers grows ever stronger. There is a growing recognition that it is through logistic efficiency and effective management of the supply chain that the twin goals of cost reduction and service enhancement can be achieved. This text takes a strategic, managerial, and cross-functional view of Supply Chain Management, enabling managers to participate in the vision and implementation of world-class supply chain networks.

To achieve this, the book introduces a Supply Chain Roadmap process model as a guiding framework for designing and implementing integrated supply chains. Students gain the knowledge and analytical tools to perform analysis and act as change agents within their organizations. It is specifically designed to help learners solve the actual problems that they will encounter in today's market place. It provides the basic decision making tools and concepts used for finding cost reduction and strategic opportunities.

The book covers the planning, organizing, and controlling

of activities such as transportation, inventory maintenance, order processing, purchasing, warehousing, materials handling, packaging, customer service standards, and product scheduling. This book is positioned to serve two audiences: the MBA and senior students in a business programme, and the professional working in industry who wishes to gain a deeper understanding of supply chain management and logistics especially in an Indian context. The book thus provides an overview of concepts as well as intensive material for analysis and training in the area that has come to be known as Supply Chain Management. The topics covered are far reaching in practical scope.

A special feature of the book is the collection of detailed cases. All cases are situated in the Indian business environment, as it makes a transition from traditional business practices to new ones in an arena of global competition. This attempts to fill a stated gap in the academic and business literature in the area. The cases are all drawn from real organizations and many are presented with actual data and descriptions that provide a realistic picture of issues in supply chain management.

The conceptual material in the book presents a set of integrative viewpoints on the area. Chapter 1 discusses the drivers of supply chain management, such as technology, and increased consumer power in a global market. The chapter discusses how supply chain management practices have evolved over time to cope with these drivers and highlights organizations that have benefited from better supply chain management. Chapter 2 analyses the dynamics in a supply chain, and shows how lead time reduction and better information management are vital to supply chain performance. The importance of big picture thinking is underscored in this chapter. Chapter 3 talks about supply chain design and present a roadmap for designing and managing the lean supply chain. It discusses how the design can be adapted based on the products managed by the supply chain. The role of performance measurements is highlighted in Chapter 4. This chapter uses a case to demonstrate how organizations within the supply chain can benefit by shared metrics. Chapter 5 discusses supply chain efficiencies and the benefits gained by applying lean principles. Manufacturing is presented as the primary driver of benefits in value addition in material processing and transformation. The implications of this emphasis on supply chain efficiencies on other parts of the supply chain are explored. From a single supply chain player's point of view, upstream and downstream interface management are taken up in a symmetric manner in Chapters 6 and 7. A special focus of the book is to look at transportation and transfer of material between supply chain entities in the language of SCM, in Chapter 8. Chapter 9 presents the pervasive role of modern information technology in supply chain management and finally, Chapter 10 presents a range of quantitative tools and techniques that are used in different facets of decision making in this area.

The cases are presented and intended to be read as stand alone pieces of analysis and as a tool for integrated learning. The very essence of supply chain management is a holistic, multi-actor, multi-departmental view of decision making and the cases reflect that concern. In some cases, a particular sub-area of decision making can be isolated, but in general, the scope of analysis and decision making has to be inferred and proposed in an open way. This delimiting of the scope of analysis in a coherent manner is part and parcel of the learning objectives of the course. The case material, while dealing with Indian companies, does have global conceptual validity in the general concerns of supply chain management. However, in appropriate places, the specific conditions of the Indian sub-continent in terms of business practices and overall ethos and of infrastructural realities are emphasized upon.

Finally, the book provides some links to contemporary developments in the area and can even serve as the starting point for some applied research. Apart from its use as a textbook and as a guide to practitioners, it is of some value to researchers as well.

This Review Article  
was prepared  
by



**Jose Paul**

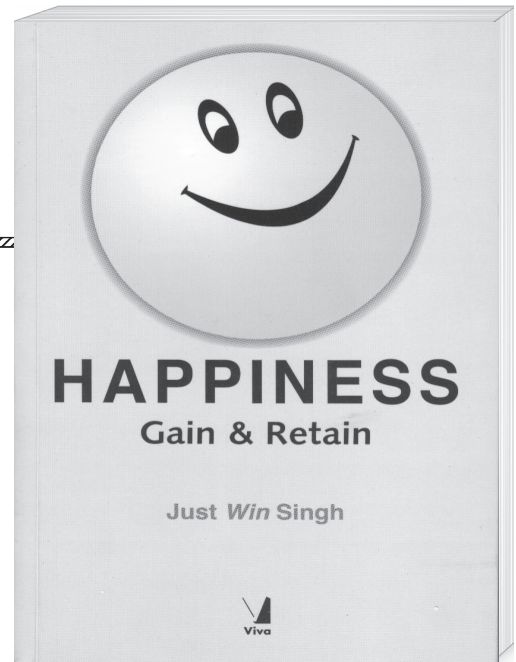
Professor of Marketing and Supply Chain  
Management, SCMS-COCHIN, Prathap  
Nagar, Muttom, Aluva-683 106, Cochin,  
Email: josepaul@scmsgroup.org



# Skimming and Scanning

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<b>Book Title</b>	:	<b><i>Happiness Gain &amp; Retain</i></b>
<b>Author</b>	:	<b>Just Win Singh</b>
<b>Edition</b>	:	<b>First-2009</b>
<b>ISBN</b>	:	<b>978-81-309-1074-1</b>
<b>Pages</b>	:	<b>141</b>
<b>Publisher</b>	:	<b>Viva Books Private Ltd., New Delhi.</b>



*“ Happiness is the only good. The time to be happy is now. The place to be happy is here. The way to be happy is...”*

Are you feeling low? Have you in the mad rush of life lost the power to smile and be happy? Do you ask yourself the question - Am I really living? If your answer to these is yes, then chances are that your happiness quotient is at low ebb. Recharge your batteries and bounce back to health and happiness with Just Win Singh's, 'Happiness – Gain & Retain. That big yellow smiley on the cover says it all. This is a 'feel good' book which promises to make you healthy, happy & wise.

You may flip through a few pages of the book and wonder whether this book is any different from the 'fitness books' that are available a dime a dozen in the market. So then what's special? 'Happiness – Gain & Retain' is a complete 'happiness programme' that follows a systematic step by step approach. Singh takes us through the usual pathways with familiar signposts in his pursuit of happiness. Chapter headings like 'Live Now,' 'Positive Self Image,' 'Stay Cheerful,' 'The Joy of Giving' etc may give you a sense of the *déjà vu*, that 'I have heard it all, seen it all before'

feeling. But the variety is in the telling and in the commonsensical quips and examples that are aplenty in the book.

'Happiness Gain & Retain' seeks answers to some simple everyday questions. Why are so many people unhappy? What needs to be done? How to stay happy, no matter what! In providing answers to these questions, Singh takes us through a series of 11 chapters, each addressing a specific aspect of his happiness formula.

Happiness is in the mind, but we poison our mind with "junk thinking" and this subverts all our efforts to live life joyfully. The way out according to Singh is in nourishing the mind with a healthy and wholesome diet. And that's exactly what 'Happiness Gain & Retain' has to offer its readers.

Another factor that complicates our aspiration for happiness is the mad pace of our life. Speed takes the romance out of life. The chapter titled "Unpace Yourself" talks the reader into slowing down so as to relish the taste of life and experience its infinite beauty. In the

subsequent chapters Singh moves from the outer to the inner life of the individual and emphasizes the need to heal the world within. Our self-image, he says, is our performance blueprint. It is important to have a positive self image because it gives you the freedom to be you and be in control of your life.

What is happiness except the simple harmony between a man and the life he leads?

In the last two chapters Singh's gaze once again moves outward as he discovers real joy in 'giving' and 'forgiving.' "Compassion acts as an inner air-conditioning to the mind." It brings with it a greater degree of inner tranquility which is ultimately the greatest resource for happiness.

The good news from this 'happiness guru' is that "happiness is a habit, not some heaven-sent gift" and that it can be cultivated with "minimum effort and time." He pitches for the really busy modern professional who wants "speedy education." Each chapter ends with an action plan which will test whether you have imbibed the message fully. Of course you can open the book at any page and fully understand what it says. But developing the habit of being happy requires a systematic and patient approach.

Singh makes no tall claims to originality. The book is an extensively researched compilation of the wisdom of the ages. Singh has duly acknowledged all those seers, prophets, philosophers, poets et al from whom he has liberally adopted ideas for his 'recipes of happiness.'

The book is in line with the 'Be Happy' course that Just Win Singh offers at his 'Institute of Happiness' in Vadodara. Coming as it does from a man who has trained and equipped people to lead happier lives; this book is worth a try.



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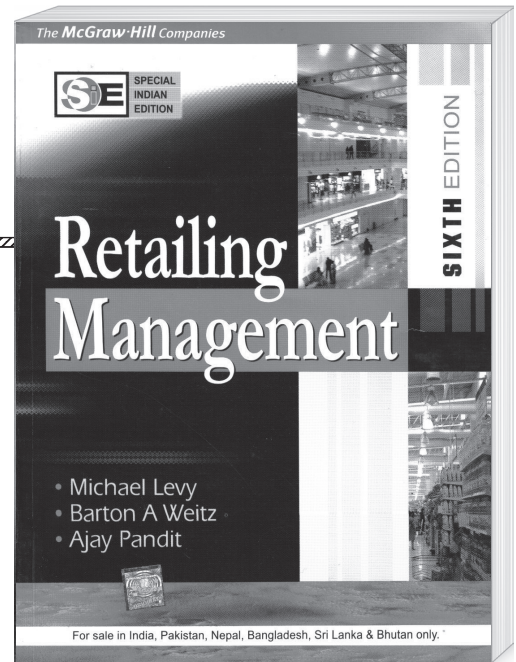
**Rajeswari Menon**

Faculty–Business Communication, SCMS–  
COCHIN, Prathap Nagar, Aluva-683106  
Cochin, Email: rajeswari@scmsgroup.com



# Skimming and Scanning

**Book Title:** *Retailing Management*  
**Author :** Michael Levy, Barton A.Weitz, and Ajay Pandit  
**Edition :** Sixth  
**ISBN-13 :** 978-0-07-026437-3  
**Pages :** 775  
**Publisher :** Tata McGraw-Hills Publg. Co. Ltd., New Delhi.



The sixth edition of “Retail Management” co-authored by Dr. Michael Levy, Dr. Barton A. Weitz and Dr. Ajay Pandit has all the makings of a hit-edition which will inspire more sequels. This version of the popular text book has come out with very useful modifications which will make the same very popular with teachers and students of retail management in general and those who wish to gather more knowledge about the Indian retail scene in particular.

The Indian retail scene looks phenomenal even against the backdrop of a recession. The Indian retail turnover is USD 300 Billion and employs 21 million people working in 18 million odd retail outlets throughout the length and breadth of the country. Though a retail giant, India is characterized by a dominant non-organized retail sector which accounts for a whopping 95 percent of the total retail turnover. Guiding the retail sector in India in a systematic manner from the unorganized to the organized factor without wiping out the “Kirana” culture totally would be the ideal retail revolution suitable for our economy.

This book has all the qualities to illuminate the aspirants who seek knowledge to undertake the above mission. The main text of the book is divided into five sections as follows:

- 1) Section I titled “The world of retailing” deals with the retail concepts in depth and the retail environment is explained in detail.
- 2) Section II titled “Retail strategy” forms a very important part of the book that deals with the strategic retail management process.
- 3) Section III titled “Merchandise Management” deals with the major subject of Merchandise planning, purchasing, pricing and promotions.
- 4) Section IV titled “Store Management” offers the insight into the elements involved in managing a retail outlet with special emphasis on the human relations aspects and also the vital elements of store planning and layout and visual merchandising.



5) Section V the dedicated to case presentations, is richly provided with an array of interesting ones.

As a teacher of retail management it is found very easy to review this book as it is very transparent and useful for teachers and students alike.

### Updates

A fresh edition is useful only if it incorporates the new ideas that are relevant for the growth and development of the subject and in this aspect the book should be considered to be a resounding success. The three subjects of retailing which seem to have attracted the authors necessitating a fresh look seem to be:

- 1) the increased use of technology and analytical methods,
- 2) the effect of Globalisation on the retail industry, and
- 3) the growing importance of ethical and legal considerations.

The above factors are relevant for the global retail industry but the same are going to be the ultimate forces that will set the shape and form of the Indian retail industry in particular. An analytical study of the above factors in depth would be required for all students of Indian retail in future.

This is the era of customer oriented marketing and the subject "Customer relationship management" has been given the right treatment that it deserves. All relevant chapters have been rewritten with the view of incorporating the spirit of "CRM" and the book looks more secure to handle the needs of the students of the 21st century than ever before. An example would be chapter 9 on "Human resource management"

which now has a strong flavour of consumer satisfaction and life time value.

In addition to the above vital subjects such as Brand development, Retail site locations and Retail market strategy have been handled in a different way which suggests that the market moving forces of globalization and information technology have been consulted.

### Role of Case study in this book

This book has devoted an entire section, Section V, for case study and it presents 37 cases which have been based on articles on retailing that have been appearing in the business and trade press. The cases are all relevant for the present retail scenario and touch major retailer operators such as Wall-mart, Sak's, Ahold and the rest. The cases are based on very interesting subjects and are all from real life situations.

It is very important to mention here the importance that the role of Dr. Ajay Pandit in the Indianisation of the book. The book looks as appealing as a "Chicken -Tikka burger" and is bound to go well with the Indian readers. The idea of having a section "The Indian retailscape" after each chapter adds tremendous value for the book as far as Indian reader is concerned. The only place where India has been left out is with regard to the Section V as no case related to the Indian retail scene has been included.

The authors have left out the rest of the world from Section V as all the 37 cases presented are based on American settings. However, what was included in the Indian context by Dr. Pandit has been done with care and deliberation.

### Inference

This publication is one of high standard and is sure to offer high value and utility for all those

who purchase the same. This book will be especially useful for Indian teachers, students and researchers who wish to gather more information on the Indian retail scenario. The book is very user friendly and is there is no attempt to overwhelm the reader with heavy theory and concepts. The sub-sections of each chapter that have been labeled “summary,” “Key terms,” “Get out and do it,” “Discussion questions and problems” and “Suggested readings” are very interesting.



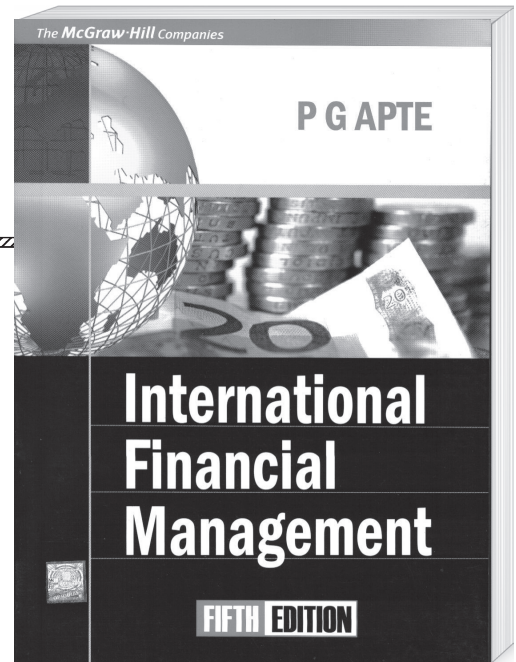
This Review Article  
was prepared  
by



**Prof. Sreekumar Pillai,**

Head of Retailing and Merchandising,  
SCMS-COCHIN, Prathap Nagar,  
Muttom, Aluva-683 106, Cochin  
Email:sreekumarpillai@scmsgroup.org

# Skimming and Scanning



**Book Title :** *International Financial Management*  
**Author :** P.G.Apte  
**Edition :** Fifth  
**ISBN-13 :** 978-0-07-022116-1  
**Pages :** 696  
**Publisher :** Tata McGraw-Hills Publg. Co. Ltd., New Delhi.

The purpose of this review is to throw light on the relevance of the book to Indian students of International Finance, seeking the most relevant, recent developments and issues in India.

Prof.P.G.Apte has the expertise on International Financial Management, teaching, delivering invited lectures and carrying out consulting assignments on problems pertaining to international finance. His association with the field over a decade has enabled him to fine tune the current edition with the latest information available in the field. He has made it highly useful by providing expert inputs on International Banking and Case for learning international finance.

The book has been of great use to learners of International Finance since the mid nineties. It is one of the earliest books in a challenging and fresh area of knowledge as far as Indians were concerned. The book covers a wide range of topics pertaining to International Finance Management, which are essential inputs for a global manager. The basics of International Financial Management, the background and historical evolution of financial management across the

globe and India, the international financial management products (traditional and modern, simple and complex), and issues in financial management of MNCs have been dealt in the book. Over the decade with each edition the book has evolved, improved and changed significantly for the good. The present edition (5<sup>th</sup>) is very appealing and its readability is high. The subject has been systematically and exhaustively discussed for a novice to grasp. The flow of content in cascading and learners can smoothly navigate through the book. The book provides meaningful insights for the learners through the cases, worked out examples and problems provided for practice. The cases, reiterating the learning and the problems for practice, provide enhanced learning experience.

The book is an excellent learning resource for post-graduate students of international finance in India. Further, it is a guide for any first time learner of international finance who seeks to understand the impact of exchange rate changes on the economy and their corporate. The book gives end notes and supportive material for curious learners for what may not be apparently understood or may require background information. The Appendix A on

Interest rate Mathematics and ISO Currency codes are added merits of the book. The examples and cases from Indian economy make it easier to digest for Indian learners.

Prof.Apte has been successful in his mission to make the book current and useful to post-graduate students and young professionals seeking to learn and excel the knowledge on international finance. The book no doubt would be a learning resource for all who aim to excel in the tricks of the trade of currencies and all other matters concerning international finance.



This Review Article  
was prepared  
by



**Dr. Mercia Selva Malar S.**

Professor and HOD-Banking and Insurance,  
SCMS-COCHIN, Prathap Nagar, Aluva-683106  
Cochin, Email: mercia@scmsgroup.org

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Editor, SCMS Journal of Indian Management, SCMS New Campus, Prathap Nagar, Muttom, Aluva - 683 106, Kochi, Kerala, India.

Phone: 91-484-262 3803 / 262 3804 / 262 3885 / 262 3887 Fax: 91-484-262 3855

Website: [www.scmsgroup.org](http://www.scmsgroup.org) E-mail: [editor@scmsgroup.org](mailto:editor@scmsgroup.org) / [scmseditorcochin@yahoo.com](mailto:scmseditorcochin@yahoo.com)







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# SCMS Journal of Indian Management

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Ph: 91-484-262 3803 / 262 3804 / 262 3885 / 262 3887 Fax: 91-484-262 3855  
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# SCMS JOURNAL OF INDIAN MANAGEMENT

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## Aims and Scope

The *SCMS Journal of Indian Management* is a **blind peer-reviewed Journal**. The Journal deems it its mission to submit to the readers fresh fruit of management thoughts and rich cream of current innovative research. The format of the Journal is designed reader-friendly. The academia and the corporates have an easy access to the Journal.

The Journal looks for articles conceptually sound, at once methodologically rigorous. The Journal loves to deal knowledge in management theory and practice individually and in unison. We wish our effort would bear fruit. We hope the Journal will have a long life in the shelves catering to the needs of b-students and b-faculty.

- § Proposals for articles that demonstrate clear and bold thinking, fresh and useful ideas, accessible and jargon-free expression, and unambiguous authority are invited. The following may be noted while articles are prepared.
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- § The declaration to the effect that the work is original and it has not been published earlier shall be sent.
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