



COSMOS

BI ANNUAL

JULY 2012

ISSN No. : 2249 - 6408

A Compilation of Research Papers on Contemporary Issues in Commerce Management and Economics

ARTICLES

Page No.

1	A Theoretical Model on Functions of Micro Finance Institutions: An Analysis - Annesha Zeheen	1
2	An Analytical Study of Special Economic Zones in India Dr.A.K.Mansuri	15
3	Constraints and Challenges in Employing Six Sigma Techniques in HR - S.D.Bagade	24
4	Experiential Learning Theory: A Bio-scope on Organizational Behavior - Rambabu Pentyala	37
5	Title: Generic Skills Development to Enhance Performance of Employees in Hospitality. - Prof. Anita Frantz	49
6	A Study on the Problems and Challenges faced by Indian Women Entrepreneurs - Dr. Mohammad Khalil Ahmad* Anjum Ara M.K.Ahmad**	60
7	Behavioral Finance: Investors Preferences for Investment Dr. Khan M. A. Imran	74
8	Green Marketing : Challenges and Opportunities Dr. Sanjay D. Khairnar	83
9	Problems and Prospects of Shrimp Farming in Bangladesh Jannatul Mawa Nupur	90
10	Understanding and Management of Conflict in Organizations Shivani Nischal, Dr GS Bhalla	108

Published by
M.C.E. Society's
Abeda Inamdar Senior. College of Arts, Science & Commerce,
Azam Campus, Camp, Pune - 411001.

Chief Editor

Dr. E.M. Khan, Principal
Abeda Inamdar Senior College
Pune

Managing Editor

Dr. Shaila Bootwala
Vice Principal and HOD Marketing
Abeda Inamdar Senior College, Pune

Editorial Board

1. Prof. I.V. Trivedi, Vice Chancellor,
ML Sukhadia University, Udaipur, Rajasthan.
2. Dr. Ravindar Vinayak, Dean Faculty of Management
Rohtak University , Haryana
3. Dr Nikhil Zaveri
Director, SGM College of Commerce & Mgmt., Vallabh Vidyanagar
(Gujarat) – 388120
4. Prof. H. Venkateshwarlu
Principal, University College of Commerce and Business Management
Osmania University, Hyderabad
5. Dr. Sanjay Kaptan.
Head, Department of Commerce and Research Centre, University of Pune
6. Dr. P.N. Harikumar, Reader, Post Graduate Department of Commerce,
K.G. College, Pampady, Kottayam, Kerala
7. Prof. R. Ganesan
Director, Allana Institute of Management Sciences and Research, Pune
8. Dr. M.D. Lawrence
Principal, Marathwada Mitra Mandal College of Commerce, Pune
9. Dr. M.G. Mulla
HOD, Costing Abeda Inamdar College, Pune

Original Research papers for publication in COSMOS should be Emailed
to aiscgseminars@gmail.com

ISSN No. : 2249 - 6408

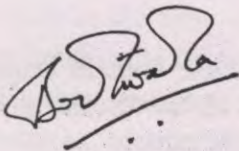
EDITORIAL

Dear Readers,

This is the sixth issue of "Cosmos", signifying a passage of three years from the time we first conceived the idea of "Cosmos". "Cosmos", a compilation of research papers on contemporary issues in Commerce and Management; takes me back to the first discussion I had with my colleagues on this statement. What exactly did we mean by "Contemporary issues"? This led us to the dictionary, and many meanings of the word 'contemporary'. We all agreed with the meaning of "contemporary" in our statement as meaning 'current' or 'now'. Next came the question, "Will we then cover articles related to latest and modern concepts in Commerce and Management? Would this not really limit and restrict the scope of "Cosmos"? This led us to further deliberation and we came to the conclusion that, not only latest and modern concepts were contemporary, but all concepts that have been in use for a long period of time but have been evolving to fit in with the changing current scenario, also, could be contemporary. Thus, agriculture even though an ageless concept; a paper on the same, could be included, if it dealt with organic farming. Hence we took a policy decision to include all such topics and expand the scope of cosmos.

However the current issue not only deals with contemporary issues but delves into all areas of Commerce and Management. We have included here research papers skimming the surface areas of commerce and management with topics like special economic zones, Entrepreneurship, and Green Marketing. We have other papers delving into the depths of Commerce and Management with topics like behavioral finance, Conflict Management and Skills required for performance enhancement.

The current issue of "Cosmos", is truly interesting as it deals with various aspects. You get a taste of such various issues, as if enjoying an elaborate academic ten course meal. The variety in this issue adds to its academic strength. Editing this issue was a pleasure indeed. I wish you an academically pleasurable reading!



Dr. Shaila Bootwala

Editor

GUIDELINES FOR AUTHORS

- Manuscript should not exceed 5000 words (12-15 A4 size pages, typed 1.5 spaces, Font size 12, and Font type –Times New Roman).
- Language Used** – English
- Title of the paper** should be followed by name, e-mail address and affiliation(s) of author(s).
- Tables and Figures**
To the extent possible, tables and figures should appear in the document near/ after where they are referenced in the text. In no case should tables or figure be in a separate document or file.
- The paper should start with an introduction and end with a conclusion summarizing the finding of the paper.
- Reference:**
It is the author's obligation to provide complete references with the necessary information. References should appear in the text as "Kanna and Palepu (2000) reported that ----"and the list of all the references must be placed at the end of the manuscript in the following style.

Khanna Tarun and Palepu Krishna (2000) "Is Group Affiliation Profitable in Emerging Markets? An Analysis of Diversified Indian Business", Journal of Finance, Vol. 55, No. 2, p. 867.

Banerjee Bhabatosh (2009), Finance Policy and Management Accounting, 7th Edition, Prentice Hall, India.

If the reference is from the web, then it will appear as follows: Clandia,S.(2007), FutureLearningInc:CompetencyApproach,<http://www.futurelearning.com/competency.html>, accessed on 10.06.2010.

The references should be numbered.
- Papers are accepted for publication on the understanding that these contain original unpublished work, not submitted for publication anywhere else. A certificate in this regard is to be submitted by authors while submitting the papers to the editor.

A Theoretical Model on Functions of Micro Finance Institutions: An Analysis

ANNESHA ZEHEEN

Research associate, Center for breakthrough thinking, Bangladesh.

Introduction:

'Microfinance is a kind of financial service that is provided by microfinance institutions (MFIs) for poor and low-income members.' These institutions use methods that were developed over the last 30 years to deliver very small loans, taking little or no collateral. Since its inception in 1973 through the present, 'The Grameen Bank' has dominated the history of micro credit. Today following the Grameen Bank there are many NGOs who perform microfinance activities around the globe.

The main function of a microfinance institution is to provide financial services primarily to the small borrowers and clients. The financial services include extension of micro credit, taking of micro deposits – whether locked-in or open, arrangement of micro-insurance, money transfer and providing business advices.

About 5 to 6 like-minded persons, mostly women, organize a group and several groups make a centre. According to the rules of most, MFI systems, the members have to attend the weekly meetings and deposit weekly savings. When the group fulfils certain pre-requisites, it becomes qualified for a loan. Initially only one or two members of a group are given loans and when they, on a regular basis, repay loans with interests others may apply for credit. The loans are mostly collateral-free; repayment rate is usually notable because of the group members' peer pressure. The main characteristics of financial services of MFIs include group-responsibilities, quick repayment period with frequent instalments, pre-loan savings requirements, increasing loan amounts, and guarantee of getting loans in future if current loan is fully repaid on time. (See Microfinance Gateway 2009 for details).

Microcredit is not personal loan. Though uncommon, some MFI's may provide credit to a member at the time of his/her family crises or natural disasters. Micro-loans are extended to members/clients for starting or expanding small businesses. They try to repay the loans from the profit they can earn after meeting their basic needs. It also helps improving their living conditions. Most of the micro-businesses are buying wholesale goods to sell in markets, making and selling crafts, sewing dresses, rice husking, machine repairing, buying rickshaws, raising poultry, refilling of mobile phone credit and farming. Repayment of loans and interest earned from borrowers allows the microfinance institution to make subsequent loans. (Micro Place, 2009).

In the backdrop of this general idea about microfinance, we have tried to represent functions of an MFI through a theoretical model without any attempt to empirically test the validity. The constructed model is placed below. The Model is a simplified version of the activities of microfinance institutions (MFIs).

Two Types of Micro credits

Microcredit has been segregated into two parts for analytical convenience. The part of microcredit that is explained within this framework can be called Endogenous Micro Credit (NMC) and the other part determined outside the model has been called Exogenous Micro Credit (XMC). Thereby micro credit (MC) is the total of NMC and XMC.

Two Kinds of Activities of a Microfinance Institution

All microfinance institutions have two kinds of activities. The first type of activity may be called Stationary activity and the second, Expansionary activity. An activity of providing slightly incremental microcredit (NMC) to its clients out of the fund received from repayment of outstanding microcredit and interest payments may be called Stationary activity. This process can continue forever so long there is no overdue / non performing loan. While Expansionary activities include accepting deposits, borrowing funds on commercial and concessionary terms from central banks, commercial banks, other financial institutions, the money market, and accepting donations from bilateral and multilateral aid organizations for furthering its activities. This type of activity forces clients to save into a locked-in deposit account. Locked in accounts is a kind of deposit account called 'Group Fund' (generated through compulsory savings) from which depositors cannot withdraw (Wright 2000 and 2001). These borrowed funds and locked in savings along with open access savings from clients are used by the MFIs as a part of their expansionary activity to meet growing microcredit (XMC) demand by the clients with the latter's improvement in economic position. Both types of activities have been discussed in the following paragraphs.

a. Stationary Activity

In our microfinance model, as a part of its stationary activity, an MFI extends Endogenous Micro Credit (NMC) for micro commercial activities, which is a function of interest rate (i), except the credit taken to meet emergency requirement (e_r) and other interest non-sensitive borrowings.

Formally, $NMC = c(i) + e_r$ and $c' < 0$ [1]

This has been represented by a downward sloping curve in the northwest quadrant of Figure-1.

Though it is said that interest rates in the microfinance market are higher than the bank interest rates as their administrative cost is higher for extending tiny loans, risk premium is higher for providing collateral free loans and supervision cost is also higher for overseeing loan repayments

(Microfinance Gateway 2009), in fact, simple interest rates are almost the same as bank credit rates. What matters is that the effective interest rate is as high as 45 percent in Bangladesh. But Microcredit Regulatory Authority (MRA) of Bangladesh has put a cap that simple interest would not exceed 13% per annum (MRA, 2009). Even when that cap is withdrawn with increases in efficiency in micro credit operations through learning process and competition among MFIs, interest rate has a tendency to become equal to financial market rates. Moreover, as MFIs would further integrate with formal financial market, an arbitrage would try to keep the rates aligned between the MFI rate and the financial market rate. In our model, we consider MFIs to be efficient and therefore interest rates are equal to financial market rates.

The next issue in microfinance is **repayment** of credit. Repayment depends mostly on peer pressure as generally no collateral is taken against microcredit. Pioneer Grameen Bank is now-a-days followed by most MFIs who encourage formation of groups to ensure collective responsibility. Grameen Bank (2009) organizes borrowers into small homogeneous groups. It helps achieving group solidarity as well as participatory interaction. The Grameen Bank system organizes the primary groups of five members and these groups are federated into centres. When the first two borrowers begin to repay the principal, plus interest, over a period of six weeks, only then the other members of the group become eligible for a loan. This creates a substantial group pressure to repay loans which can be considered as the collateral on the loan. Peers could also be other members in a borrowers group, community leaders, NGOs themselves and their field officers, banks etc.

Peer pressure is very difficult to measure; instead we have used 'number of groups' which can be easily measured. More the number of groups, more are the outreaches of an MFI. Thereby the words: 'peer pressure', 'number of groups' and 'outreach' have been used to mean the same. However, it should be noted that group-based system is not the only way of delivering financial service, there are many movements throughout the world that do not use groups or group guarantee mechanism at all (Wright 2004). However, Grameen Bank (2009) claims that because of the peer pressure generated by the groups, repayment of microcredit is most often around 95 percent of the outstanding loan. It should also be accepted that there are other reasons for high repayment rates that include self-interest and the motivation of borrowers.

In this Chapter, repayment has been shown as a function of a number of groups assuming that all groups exert similar peer pressure. With the increase in the number of groups, loan disbursement and their repayment would also increase because of the reasons discussed in the foregoing paragraph. Accepting Grameen Bank experience, the impact of groups is represented at southeast quadrant of Figure 1.

Formally, $RP = g(GR)$, and $g' > 0$ [2]

Where RP is repayment of loans and GR is the number of groups.

We have assumed 0 percent default rate which would not be impractical looking at the performance figures of some MFIs including Grameen Bank. The assumption implies that all credits are repaid timely. Thereby, we can write,

$$NMC = RP \quad \dots \quad \dots \quad [3]$$

This has been shown as 45° line located in southwest quadrant.

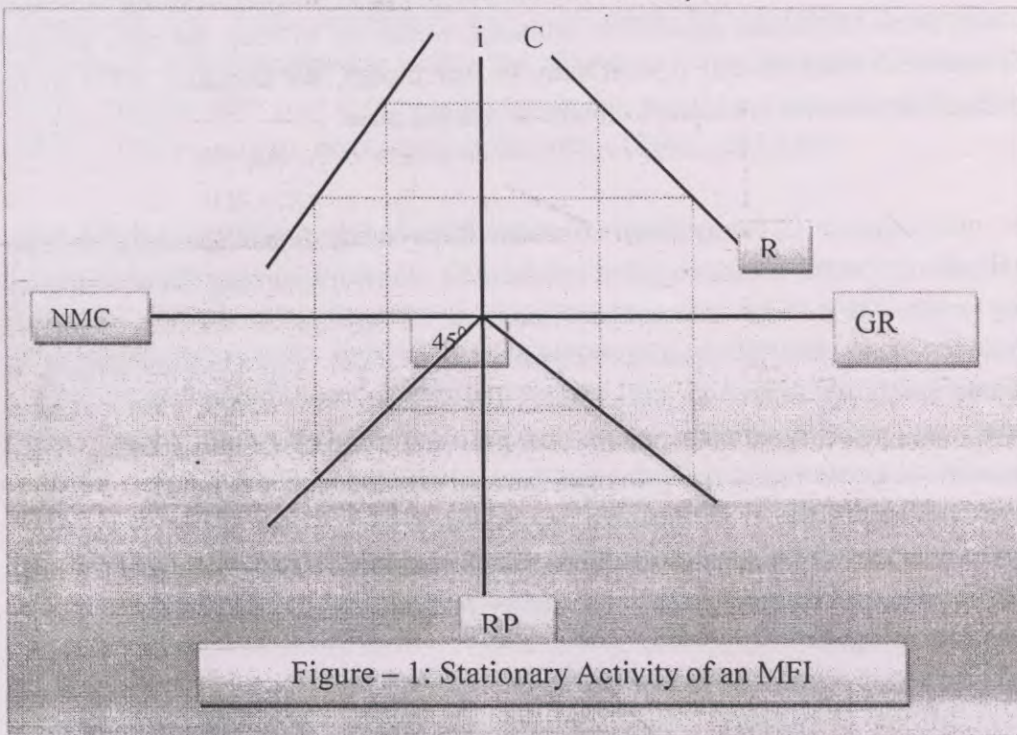


Figure – 1: Stationary Activity of an MFI

These relationships discussed in the foregoing paragraphs that contribute to the location of equilibrium pairs of i and GR are summarized in the four quadrant diagram in Figure-1. We can now derive from these three relationships, a CR curve located in the northeast quadrant that represents equilibrium pairs of i and GR .

Using lines of these three quadrants, we can find a downward sloping CR curve, showing $CR = f_1(i, GR) \quad \dots \quad \dots \quad [4]$

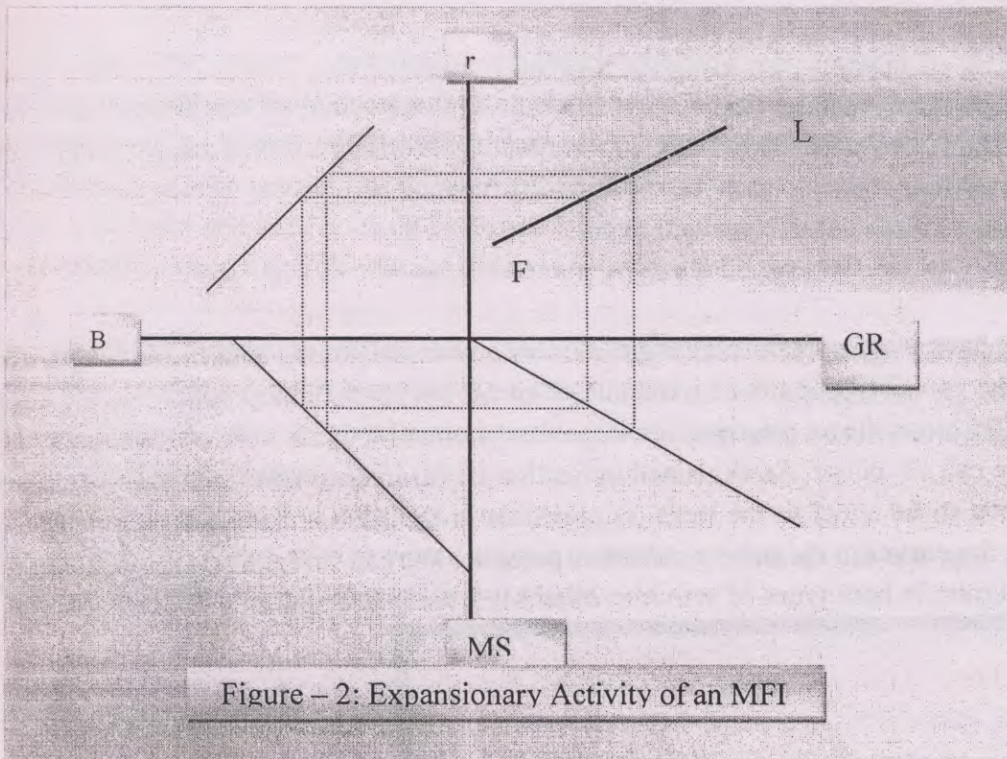
b. Expansionary Activity

Sources of loanable fund of a typical MFI performing expansionary activity are compulsory savings of group-members, voluntary saving deposits, borrowing from banks, loan from Palli Karma Sahayak Foundation (PKSF) of Bangladesh, surplus and donations. Of these, micro-savings by group members and borrowing from banks are two most important sources. We have

dealt with them separately. First, compulsory micro saving of group members can be seen as a function of the number of groups. More the groups, more will be the savings.

Formally, $MS = s(GR)$ and $s' > 0$ [5]

Diagrammatically this has been shown in southeast quadrant of Figure-2.



Loanable funds collected through borrowings from the financial sector, from government agencies and from other NGOs may be called 'borrowed fund' (BF) which varies with the variation of formal market interest rate (r).

Formally, $BF = b(r) + OF$ and $b' < 0$ [6]

Where, OF is all sources of fund, except compulsory micro savings (MS) and BF. This relationship has been shown in northwest quadrant of Figure-2.

The southwest quadrant represents an equilibrium condition. The line touching BF and MS axes represents supply of total loanable funds available from micro savings and borrowings from the market. The line is drawn at a distance from the origin on each axis, equal to the total exogenously determined demand for microcredit (XMC) by the clients. The demand is exogenous because it does not depend on interest rate nor on group formation, rather it depends

on opportunities for micro-business. When market opportunities, possibly resulting from macroeconomic developments, in a country are higher, a micro-entrepreneur is ready to borrow from an MFI and even from rural lenders whose interest rates can be very high.

Using lines of these three quadrants of Figure-2, we can find an upward sloping FL curve located at the northeast quadrant, showing

$$FL = f_2(r, GR) \dots [6]$$

All of the relationships discussed so far, that contribute to the location of equilibrium pairs of r and GR in an MFI with expansionary activity are summarized in the four quadrant diagram in Figure-2.

Interaction of FL and CR Curves

At this stage, we have two figures explaining stationary and expansionary activities of MFIs. The first one gives the equilibrium pairs of i and GR of an MFI with stationary activities, we call it the CR curve. The other shows the equilibrium pairs of r and GR of an MFI with expansionary activities that we call FL curve. As explained in Section III (a) interest rate (i) in the microcredit market is assumed to be equal to the rates (r) prevalent in the formal financial market. In that case, combining the curves in the same quadrant is possible. We can find the single i and GR pair that gives equilibrium in both types of activities of an MFI, the interaction of CRFL curves.

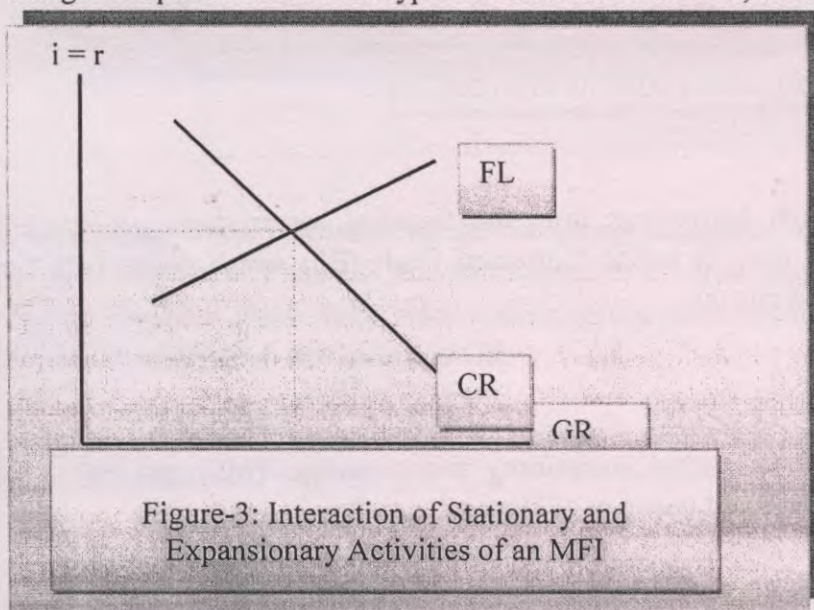


Figure-3 provides us with a platform for analyzing the need and effects of any policy initiatives.

Conclusion

The model explained above can be used to understand the activities of MFI. Accepting this model is particularly important for any MFI regulating office. Since there is limited scope to regulate stationary activities, a regulatory body may only try to influence interest rates in the microcredit market. Fixation of interest rates, even for a temporary period by an authority would be unwise in the era of liberalization. The part of the microcredit which is not interest sensitive may be encouraged or discouraged by a regulatory body according to its preferences.

As for the expansionary activities, a regulatory authority may attempt to influence slope and position of an FL curve. If the regulator imposes any kind of liquidity requirement availability of resources will go down, which will in turn shrink the supply of micro credit. Regulators can liberalize or impose restrictions on availability of government or public sector funds so that total amount of borrowed fund goes up or down. Though unwanted, a regulatory authority may fix an interest rate to encourage/discourage the amount of microcredit.

A microcredit regulatory office may issue micro-bills which could be bought and sold to influence supply of total loanable fund like open market operations of any central bank. Securitization of receivables has already started; MFIs may also be allowed to float micro-stocks in a micro-stock exchange.

Future research on this subject would require collection of data on 'Group' and 'interest rates' so to empirically test strength of this kind of model.

Bibliography

Abe, Kiyoshi, 2004, *Microfinance And Poorest Countries*, National Institute of Informatics [Internet], Available from: <<http://ci.nii.ac.jp/naid/110002558783>> [Accessed 20 August 2010]

Ahmad, Q.K. 2007, *Socio-economic and Indebtedness-related Impact of Microcredit in Bangladesh*, The University Press Ltd., Dhaka, Bangladesh

Aportelo, F. 1999, *Effects of Financial Access on Savings by Low-Income People*, Bank of Mexico

Ashraf, N., Karlan, D., and Yin, W. 2005, "Tying Odysseus to the Mast: Evidence from a commitment savings product in the Philippines." Yale University Economic Growth Center Discussion Paper No. 917, 2005. Available at Financial Access Initiative: http://library.financialaccess.org/pdf/I12_TyingOdysseys.pdf

Ashraf, N., Karlan, D., and Yin, W. 2005, "Deposit Collectors." Yale University Economic Growth Center Discussion Paper No. 930. Available at Financial Access Initiative: http://library.financialaccess.org/pdf/I11_FAI_DepositCollectors.pdf

Asian Development Bank, 2000, Finance for the Poor: Microfinance Development Strategy, Manila: ADB

Banerjee, Abhijit, Esther Duflo, Rachel Glennerster, and Cynthia Kinnan. 2009, "The miracle of microfinance? Evidence from a randomized evaluation." Cambridge, Mass.: MIT Poverty Action Lab, May.

Bangladesh Bank, 2009, Annual Report 2008-9, Dhaka, Bangladesh Bank

Banik, Arindam, 1993, "Structure of the Credit Market and its Link with other Markets-An Analysis of Village Survey Data in Bangladesh." *Indian Economic Review*, Vol. XXVIII, No.1.

Bell, Clive. 1990, "Interactions Between Institutional and Informal Credit Agencies in Rural India", *The World Bank Economic Review*, Vol. 4, No.3, pp. 297-327.

Anker, London :St Martin's Press.

Bose, Pinaki. 1998, "Formal-informal Sector Interaction in Rural Credit Markets", *Journal of Development Economics*, Vol.56, pp-265-280.

Brau, J. and Woller, G.M. 2004. Microfinance: A Comprehensive Review of the Existing Literature, *Journal of Entrepreneurial Finance and Business Ventures* 9, 1 – 26.

Brownbridge, Martin and Mick Moore, 2000, "Financial Regulation in Developing Countries", *The Journal of Development Studies*, Vol.37, No.1. pp.1-24.

Carmen, 2002, Microcredit Interest Rates, Occasional Paper, No.1, November, CGAP, Washington DC [Internet] Available at: http://www.cgap.org/gm/document-1.9.2696/OccasionalPaper_01.pdf Accessed on 22 February, 2011]

CGAP 1999, Improving Donor Financing Instruments and Arrangements for Micro-finance, Consultative Group to Assist the Poorest (CGAP).

CGAP 2002, *Making Sense of Microcredit Interest Rates*, Donor Brief No. 6, September 2002 (reissued 2003), Consultative Group to Assist the Poor, [Internet] Available from: http://www.cgap.org/gm/document-1.9.2434/DonorBrief_06.pdf [Accessed 11 January 2011]

CGAP 2009, *Why Do MFIs Charge High Interest Rates*, Consultative Group to Assist the Poor, World Bank, Washington DC. [Internet] Available from:

<http://www.cgap.org/p/site/c/template.rc/1.26.1309/> [Accessed 1 February, 2011]

Chambers, R. 1997 *Whose Reality Counts? Putting the First Last*, London: IT Publications

Choudhuri, AHM N.I. et al. 1996, "Interlinkage Between Banks, NGOs and Informal Credit Sectors for Rural Development in Bangladesh", *Bank Parikrama*, Vol. XXI. Nos. 1&2, March & June, Dhaka, Bangladesh

Christen, R.P. 1997, *Banking Services for the Poor: Managing for Financial Success*: Chronic Poverty Research Center, Chronic Poverty in Bangladesh, <http://www.chronicpoverty.org>.

Crack, Neil D. 2000, "Micro-finance Regulation in Bangladesh-A Long Path to Progress", *Small Enterprise Development*, Vol.11, No.4.D.C.: Consultative Group to Assist the Poor.

Dale, W. and Ladman, 1979, "Lending to Rural poor through Informal Groups: A Promising Informal Market Innovation", *Savings and Development*, Vol.11, No.2.

Daley-Harris, S. 2007, *State of The Microcredit Summit Campaign Report 2007*, Microcredit Summit Organisation [Internet], Available from:

<http://www.microcreditsummit.org/pubs/reports/socr> [Accessed on 23 January, 2011]

Dichter, T.W. 1999, *NGOs in Microfinance: Past, Present and the Future*. In Breth, S.A. (Ed.) *Microfinance in Africa*. Sasakawa-Global 2000, Sasakawa Africa Association, Mexico City.

Dunn, Elizabeth and J. Gordon Arbuckle Jr. 2001, *The Impacts of Microcredit: A Case Study*

Eversole, Robyn 2000, "Beyond Micro-credit-The Trickle up Program", *Small Enterprise Development*, Vol.11, No.1, pp 45-58.

Fuentes, G.A. 1996, "The Use of Village Agents in Rural Credit Delivery", *Journal of Development Studies*, 33(1), 188-209.

Fuglesang, Andreas, and Chandler D. 1988, "Participation as Process: What We Can Learn from Grameen Bank, Bangladesh.": Oslo: Norwegian Agency for Development Cooperation.

Global Envision 2006, The History of Microfinance, Global Envision, [Internet] Available from: <<http://www.globalvision.org/library/4/1051>> [Accessed 1 January 2011]

GOB & UNDP 2009, Financing Growth and Poverty Reduction, Policy Challenges and Options in Bangladesh, Dhaka, Bangladesh.

GOB 1998, Government of Bangladesh, Fifth Five Year Plan, 1997-2002, Planning Commission, Ministry of Planning, Dhaka, Bangladesh

Goldberg, N. 2005, Measuring the Impact of Microfinance: Taking Stock of What We Know. Grameen Foundation USA Publication Series. 2005.
<<http://www.gfusa.org/pubdownload/dl.php?pubID=29>> (January 11, 2011)

Gonzalez-Vega, C., Meyer R.L. , Navajas, S., Schreiner, M., Rodriguez-Meza J. and Monge F. G. 1996, "Micro-finance Market Niches and Client Profiles in Boliva, Economics and Sociology", Occasional Paper No. 2346, Columbus: The Ohio State University.

Grameen Bank 2005, [Internet] Available from:
http://www.grameen.com/index.php?option=com_frontpage&Itemid=68 [Accessed 1 January 2011]

Hoff, K. and Stiglitz, J.E. (1990), "Imperfect Information and Rural Credit Markets-Puzzles and Policy Perspective", *The World Bank Economic Review*, September.

Holl, K. and Stiglitz, J.E. (1993), "Moneylenders and Bankers: Price-Increasing Subsidies in a Monopolistically Competitive Market", *Journal of Development Economics*, Vol. 52 (April), pp. 42-62.

Holt, S. (1994). *The Village Bank Methodology: Performance and Prospects IN Otero, M.*

Hossain, Mahabub and Piaz C.C. (1997), *Reaching the Poor with Effective Micro-credit Evaluation of a Grameen Bank Replication in the Philippines*, Manila: International Rice Research Institute.

Hossain, Mahabub and Sen, Binayak (1992), "Rural Poverty in Bangladesh: Trends and Determinants", *Asian Development Review*, Vol. 10, No.1, pp. 1-34.

Hulme, D, (2000), "Is Micro-debt Good for Poor People? A Note on the Dark Side of Micro Finance", *Small Enterprise Development*, Vol. II, No.1.

Hulme, David (2000), "Can the Grameen Bank Be Replicated? Recent Experiments in Malaysia, Malawi, and Sri Lanka", *Development Policy Review*, Vol. 8, pp. 287-300.

Hussain, M. 1998. Credit for Alleviation of Rural Poverty: The Gramin Bank

Institute of Microfinance (2009), Institute of Microfinance [Internet], Available from: <(http://www.inm.org)> [Accessed on 12 January 2011]
Institute, Washington D.C.

Johnson, S. and Rogaly, B. (1997), *Microfinance and Poverty Reduction*, (London: Oxfam and ACTIONAID).

Khalily, M.A. Baqui et al. (2000), "Efficiency and Sustainability of Formal and Quasi-formal Micro-finance Programs- An analysis of Grameen Bank and ASA?", *The Bangladesh Development Studies*, Vol. XXVI, No.2&3.

Khandakar, et al. (1995), "Grameen Bank Performance and Sustainability", World Bank Discussion Paper No. 306, Washington, D.C. : The World Bank.

Littlefield E., Rosenberg R. "Microfinance and the Poor: Breaking Down the Walls between Microfinance and the Formal Financial System" *Finance & Development* 41, no. 2 (June 2004), 38 – 40

Littlefield, E. and Kneiding, C., (2009), The Global Financial Crisis and Its Impact on Microfinance [Internet], Available from: <<http://www.cgap.org/p/site/c/template.rc/1.1.1305/>> [Accessed on 22 January 2011]

Littlefield, Elizabeth, Jonathan Morduch, and Syed Hashemi (2003): "CGAP Focus Note 24: Is Microfinance an Effective Strategy to Reach the Millennium Development Goals?" Washington, Ilem, Irfan (1990), "Imperfect Information. Screening and the Costs of Informal Lending: A

Mallorie, Edward (2003), "Review of IFAD Experience with Rural Credit in Bangladesh", paper presented in the International Seminar on "Attacking Poverty with Micro-credit," Dhaka, Bangladesh.

Mayoux, L. (2001 Impact Assessment of Microfinance: Towards a Sustainable Learning Process Enterprise Development Impact Assessment Service (EDIAS) web site www.enterprise-impact.org.uk

Micro Place (2009), Micro Place [Internet] Available from: <https://www.microplace.com/learn_more> [Accessed on 24 January, 2011]

Microfinance Gateway (2009), Microfinance Gateway [Internet] Available from: <<http://www.microfinancegateway.org>> [Accessed on 16 February 2011]

Ministry of Finance (2009), Bangladesh Economic Review, Government of Bangladesh, Dhaka.

MRA (2009), Microcredit Regulatory Authority [Internet], Available from <<http://www.mra.gov.bd>> [Accessed on 20 January, 12 February 2011]

MRA (2009a), Microcredit Regulatory Authority, [Internet], Available from: <<http://www.mra.gov.bd>> [Accessed 3 February, 2011]

MRA (2009b), Annual Report FY 2009, Microcredit Regulatory Authority, Dhaka, Bangladesh

MRA (2009c), NGO-MFIs in Bangladesh, Vol.IV, Microcredit Regulatory Authority, Dhaka, Bangladesh.

MRA, 2010, Microfinance Regulations in Bangladesh: Development & Experiences, Paper presented on International Conference of Microcredit, Microfinance Regulation: Who Benefits, March

Murshid. K.A.S. and Rahman, Atiq (1990), "Rural Informal Financial Markets in Bangladesh: An Overview", BIDS Research Report No. 126, December, Dhaka: Bangladesh Institute of Development Studies.

Mustafa, S., Ara, I., Banu, D., Kabir, A., Moshin, M., Yousuf, A., and Jahan, S. (1996), "Beacon of Hope: An Impact Assessment Study of BRAC's RDP", Research and Evaluation Division, Dhaka: BRAC.

Narayan, Ambar & Zaman, Hassan 2009 Breaking Down Poverty in Bangladesh, The University Press Limited, Dhaka, Bangladesh.

Nuruzzaman, M., (2007), Banking with Poor: a Study of the Impact of Linked Micro-credit Programs for Poverty Alleviation in Bangladesh, (Unpublished Ph.D. thesis), Department of Economics, University of Dhaka

Pitt, Mark M., and Khandker, Shahidur R. (1996), Household and Intra-household Impact of the Grameen Bank and Similar Targeted Credit Programs in Bangladesh, World Bank Discussion Paper 320. Washington, D.C.: The World Bank.

PKSF (2003), Maps of Micro-credit Coverage in Upazillas of Bangladesh, Dhaka: Palli Karma Shohayak Foundation (PKSF).

Rahman, H. Zillur and Hossain, Mahabub eds.(1995), Rethinking Poverty: Bangladesh as a Case Study, New Delhi: Sage Publications.

Rahman, M. 2005, Micro credit and Poverty Eradication and Achievement of MDGs: Bangladesh Experience, <http://www.un.org/esa/socdev/social/papers/paper-rahman.pdf> Reconstruction and Development (The World Bank), Washington D.C.

Rhyme. E (1992), The Yin and Yang of Micro-finance, Reaching the Poor and Sustainability, The Micro Banking Bulletin, No.2, Boulder Colorado: Economics Institute.

Roodman, David and Morduch, Jonathan (2009), The Impact of Microcredit on the Poor in Bangladesh: Revisiting the Evidence, Working Paper Number 174, Center for Global Development [Internet], Available from <<http://www.cgdev.org>> [Accesses 11 February 2011]

Rosenberg, R. (1996), Microcredit Interest Rates, Consultative Group to Assist the Poorest, Occasional Paper No.1, Washington D.C.: The World Bank.

Roy, Mihir Kumar and Ahmed M. (1995), "Impact of Interest Factor on Portfolio Management in Bank", *Journal of Finance and Banking*, Vol.3, No.1.

Roy, Mihir Kumar, Nuruzzaman, M. and Alam J. (2000), Linkage between GOs and NGOs in Rural Credit: A Study of Some Credit Programs in Bangladesh, Comilla: Bangladesh Academy for Rural Development (BARD).

Sabri, A.A. and Mafruza Khan (1991), "Proshika's Experience of Collaboration with Government of Bangladesh in Livestock and Social Forestry", *Bangladesh Journal of Extension Education*, Vol.6.

Sharif, I and Wood, G (2001), Challenges for Second Generation Microfinance, Regulation, Supervision and Resource Mobilization, University Press Limited, Dhaka, Bangladesh.

Stiglitz, Joseph E. (1990), "Peer Monitoring and Credit Markets", *The World Bank Economic Review*, Vol. 4, No. 3, pp.351-66.

Von, Pischke J.D. Admas. D.W., Donald, G. (eds.), (1983), Rural Financial Markets in Developing Countries, Baltimore, Md.: Johns Hopkins University Press.

Waterfield, C (2008), Presentation on Transparency, MF Transparency,
<http://www.mftransparency.org/>

Wright, G.A.N. (2000), *Microfinance Systems: Designing Quality Financial Services for the Poor*. (Dhaka: University Press Limited)

Wright, Graham A. N. (ed.) (2001), *Microfinance System: Designing Quality Financial Services for the Poor*, University Press Limited, Dhaka, Bangladesh

Wright, Graham et al. 1999. "Vulnerability, Risks, Assets and Empowerment – the Impact of Microfinance on Poverty Alleviation." Mimeo. MicroSave-Africa: Uganda.

Yunus, Muhammad (1983), "Group Based Savings and Credit for the Rural Poor in Bangladesh", Paper Presented at the Inter-Country Workshop on Group-Based Savings and Credit for the Rural Poor sponsored by the ILO, UN Inter-agency Panel on People's Participation, Bogra, Colombia, November 6-13, 1983.

Yunus, Muhammad (1995), "Towards Creating a Poverty-Free World", paper presented at the Annual Meeting of the US Committee for World Food Day, January 25, Washington D.C.

Yunus, Muhammad (1999), "How Donor Fund Could Better Reach and Support Grass Roots Microcredit Programmes", Working Towards the Micro-credit Summit Goals and Core Themes, Abodjan.

An Analytical Study of Special Economic Zones in India

Dr.A.K.Mansuri
Asstt.Professor & HOD
G.S.College of Commerce,
Wardha(Maharashtra)

I. Introduction:

Developing countries, increasingly see foreign direct investment (FDI) as a source of economic development, modernization and employment generation, and have liberalized their FDI regimes to attract investment. Given the appropriate host-country policies and a basic level of development, a preponderance of studies shows that FDI triggers technology spillovers, assists human capital formation, contributes to international trade integration, helps to create a more competitive business environment and enhances enterprise development. All these contribute to higher economic growth. Existence of real business opportunities is one of the key factors in attracting FDI. Foreign Direct Investment influences growth by increasing total factor productivity and more generally, the efficiency of resource use in the recipient economy. Technology transfers through FDI generate positive externalities in the host country. In order to attract precious FDI in the country the government of India adopted various policy measures. Among them the most important one is the adoption of Special Economic Zones.

The concept of Special Economic Zones is not new for India. The very idea itself has its seeds in the form of Export Processing Zones which was developed in the year 1965 with the establishment of Kandla Export Processing Zones (Gujrat). But the concept received momentum in the late 90's after the visit of the then Commerce minister Mr. Murasoli Maran to China. He observed the development of China due to SEZ situated there.

It becomes necessary to define "Special Economic Zone".

"Special Economic Zone is a geographical region that has economic laws that are more liberal than a country's typical economic laws. An SEZ is a trade capacity development tool, with the goal to promote rapid economic growth by using tax and business incentives to attract foreign investment and technology."

India as a developing nation has strategically identified economic zones for export promotion and trade development. The Ministry of commerce, Government of India, defines, "Special Economic Zone (SEZ) as specifically delineated duty free enclave and shall be deemed to be foreign territory for the purpose of trade operations and duties and tariffs".

II. World Scenario of Economic Growth in terms of SEZ:

Countries like China (with great success), UAE, Malaysia, Jordan, Poland, Kazakhstan, Philippines, Russia and to some extent North Korea have experienced tremendous boost in their industrial growth on account of their successful implementation of SEZs.

Today, there are approximately 3,000 SEZs operating in 120 countries, which account for over US\$ 600 billion in exports and about 50 million jobs. By offering privileged terms, SEZs attract investments and foreign exchange, spur employment and boost the development of improved technologies.

There are about 102 countries with export zones and 126 countries which do not have them and they can be compared on economic parameters like export growth rate, market share etc.

- 87% of the world population and 70% of total world area is covered with economic zones in 102 countries. China, USA and Mexico have 52% of all the zones counted. 49% of the population is in the Low GNP/Capita category and another 18% is in the Lower Middle category, thus 2/3rd of the population belongs to the less/least developed countries with zones. Another 11% in these low categories belong to 126 countries without zones, making a total in the less/least developed area of 78% of world population.
- In the 102 countries with zones, the highest growth was recorded by the Lower Middle income category (72%). In the 126 countries without zones, lowest growth was recorded also by the Lower Middle income category (1%).
- In the 102 countries with zones, the second highest growth was recorded by the Upper Middle income category (62%). In the Upper Middle income category without zones, there was only a 33% growth.
- Countries with zones, gained market share to 75% while those without zones fell to 25%.

III. Potential benefits from SEZs to the country:

Benefit derived from SEZs is evident from the investment, employment, exports and infrastructural developments additionally generated. The benefits derived from the multiplier effect of the investments and additional economic activity in the SEZs and the employment generated thus will far outweigh the tax exemptions and the losses on account of land acquisition.

- SEZ's create immense employment opportunities. The setting up of SEZ's creates lot of indirect employment in terms of labour required. Then after the completion it enables employment in the relevant industries operating in the SEZ. Then there are lots of indirect employments generated wherein people start investing around SEZ. For example SEZ's are townships of their own; thereby there are shopping malls, restaurants, amusement parks setup around to attract people, thus resulting in more economic development in that area.
- The increased exports from the country bring in more revenue for the country which improves the economic growth
- SEZ's help in creating a balanced economic growth in a country if they are properly located and implemented leading to tapping of local talent and contributing to increased economic activity in the area.
- SEZ helps in attracting Foreign Direct Investment (FDI) which is pivotal for development.

- SEZ's also help in earning foreign exchange and contribute to exchange rate stability.

The above mentioned benefits are enjoyed by the country but apart from them the developer of SEZ and the units which are established in the country also enjoy the different incentives and exemption. They are-

- 100% Foreign Direct Investment (FDI) is allowed for townships with residential, educational, recreational facilities and franchise for basic telephone service in SEZs.
- A 10-year tax holiday (i.e. a tax holiday for any consecutive block of 10 years in the first 15 years of operation) has been provided for undertakings involved in developing and/or operating and/or maintaining notified SEZs before March 31, 2006.
- Duty free import/domestic procurement of goods for development, operation and maintenance of SEZs.
- Exemption from Service Tax and/or Central Sales Tax.
- Income of an infrastructure capital fund/company from investment in a SEZ is exempt from Income tax.
- Investment made by individuals in SEZs is also eligible for exemption under Section 88 of Income- tax Act, 1961 (the IT Act).
- Generation, transmission and distribution of power in SEZs is allowed.
- Full freedom in allocation of space and built up area for approved SEZ units on commercial basis.
- Authorization to provide and maintain services like water, electricity, security, restaurants, recreation centers, etc on commercial lines is allowed.

The SEZ Act also provides a number of incentives to units proposed to be set up in SEZs. SEZ units may be set up for carrying on manufacturing, trading or service activities. A unit set up in SEZ has the following facilities and incentives:

- 15 year corporate tax holiday on export profit – 100% for initial 5 years, 50% for the next 5 years and up to 50% for the balance 5 years equivalent to profits ploughed back for investment.
- Allowed to carry forward losses.
- No licence required for import.
- Duty free import/domestic procurement of goods for setting up of SEZ units.
- Goods imported/procured locally are duty free and could be utilised over approval period of 5 years.

- Exemption from customs duty on import of capital goods, raw materials, consumables, spares, etc.
- Exemption from Central Excise duty on the procurement of capital goods, raw materials, consumable spares, etc. from the domestic market.
- Exemption from payment of Central Sales Tax on the sale or purchase of goods, provided that, the goods are meant for undertaking authorized operations.
- Exemption from payment of Service Tax.
- The sale of goods or merchandise that is manufactured outside the SEZ (i.e, in DTA) and which is purchased by the Unit (situated in the SEZ) is eligible for deduction and such sale would be deemed to be exported.
- The SEZ unit is permitted to realise and repatriate to India the full export value of goods or software within a period of twelve months from the date of export.
- "Write-off" of unrealized export bills is permitted up to an annual limit of 5% of their average annual realization.
- No routine examination by Customs officials of export and import cargo.
- Setting up Off-shore Banking Units (OBU) allowed in SEZs.
- OBU's allowed 100% income tax exemption on profit earned for three years and 50 % for the next two years
- Exemption from requirement of domicile in India for 12 months prior to appointment as Director.
- Since SEZ units are considered as 'public utility services', no strikes would be allowed in such companies without giving the employer 6 weeks prior notice in addition to the other conditions mentioned in the Industrial Disputes Act, 1947.
- The Government has exempted SEZ Units from the payment of stamp duty and registration fees on the lease/license of plots.
- External Commercial Borrowings up to \$ 500 million a year allowed without any maturity restrictions.
- Enhanced limit of Rs. 2.40 crores per annum allowed for managerial remuneration.
- Most players are interested in setting up SEZ's with an eye on the real estate bounty so that they can acquire at cheap rates and create a land bank for themselves.
- The number of units applying for setting up EOU's is not commensurate to the number of applications for setting up SEZ's leading to a belief that this project may not match up to expectations.

Due to the establishment of the various SEZs in the country, there is a growth in the export of the country. The following table highlights the export performance and the growth in export.

Table 1: Exports from the functioning SEZs during the last three years are as under:

Year	Value (Rs. Crore)	Growth Rate (over previous year)
2003-2004	13,854	39%
2004-2005	18,314	32%
2005-2006	22 840	25%
2006-2007	34,615	52%
2007-2008	66,638	93%
2008-2009	99,689	50%
2009-2010	2,20,711.39	121.40%

Source: Ministry of Commerce and Industry, GoI

IV. Exemption from the Other Acts

Apart from the above mentioned benefits enjoyed by the SEZ unit, there are also exemption from different Acts to an establishment working in the Special Economic Zone. SEZ Act provides for a blanket exemption against all taxes, duties and cesses leviable by the following Acts:

- The Agricultural Produce Cess Act, 1940
- The Coffee Act, 1942
- The Mica Mines Labour Welfare Fund Act, 1946
- The Rubber Act, 1947
- The Tea Act, 1953
- The Salt Cess Act, 1953
- The Jute Manufactures Cess Act, 1983
- The Medicinal and Toilet Preparations (Excise Duties) Act, 1955
- The Additional Duties of Excise (Goods of Special Importance) Act, 1957
- The Sugar (Regulation of Production) Act, 1961
- The Textiles Committee Act, 1963

- The Produce Cess Act, 1966
- The Marine Products Export Development Authority Act, 1972
- The Coal Mines (Conservation and Development) Act, 1974
- The Oil Industry (Development) Act, 1974
- The Tobacco Cess Act, 1975
- The Sugar Cess Act, 1982
- The Additional Duties of Excise (Textile and Textile Articles) Act, 1978
- The Agricultural and Processed Food Products Export Cess Act, 1985
- The Spices Cess Act, 1986
- The Research and Development Cess Act, 1986

V. Legal framework for setting up and developing the SEZ:

For a long time, the foreign economic policy was formulated in para. 7.1 of the Foreign Trade Policy, according to which

- (1) SEZs are duty-free enclaves within the territory of India, and where
- (2) goods and services going into a SEZ from a domestic tariff area (DTA) shall be treated as exports, while goods coming from the SEZ area into the DTA shall be treated as if these are imported; and
- (3) The SEZs may be set up for the manufacture of goods or rendering of services.

Since the SEZ Act of 2005 was put into force, these policies have been outlined there. As the Indian government wanted to give a significant thrust to its professed investor-friendly policy, the government enacted the SEZ Act, 2005, which became operative in February 2006 together with the SEZ Rules. The state governments followed suit and also enacted their own SEZ laws to mainly cover state subjects. The SEZ legal framework intends to provide a comprehensive tool to satisfy the requirements of all principal stakeholders in the SEZ: the developer and operator, occupying enterprises, external SEZ suppliers and residents. Furthermore, the SEZ Act is advertised by the Indian government as a single window clearance mechanism in which the responsibility for promoting and ensuring the orderly development of the SEZ is assigned to the Board of Approval (BoA). The Board of Approval is constituted by the Central Government in exercise of the powers conferred under the SEZ Act. All the decisions are taken in the Board of Approval by consensus. The Board of Approval has 19 members (sec. 8 SEZ Act). It comprises various joint secretaries and other officials from several ministries, such as the Ministries of Commerce, Economy, Science and Technology, Home Affairs, Defence, Environment, Law, Overseas Affairs, Urban Development and Finance as well as that of a nominee of the state government concerned, a professor at the Indian Institute of Management or

the Indian Institute of Foreign Trade. Thus, this Central Government institution is the major authority for applications and approvals regarding the establishment of SEZs. Earlier on, the Central Government wanted to dispense with the right of the states to have a say in the approval procedure. This predictably, on the pressure of the states, had to be revoked, so as to safeguard the support of the left-wing parties in the Indian Parliament, which tolerates the minority coalition government led by the Indian National Congress.

VI. Who can set up a SEZ and what requirements are there?

A SEZ can be set up jointly or individually by the Central Government, a State Government or any other body, including a foreign company, for the purpose of

- (1) manufacturing goods,
- (2) rendering services,
- (3) for both of these reasons or
- (4) as a Free Trade and Warehousing Zone (FTWZ).

The SEZ Rules specify the minimum land area that is required for setting up a SEZ in general. This requirement depends on the type of SEZ to be established:

Table 2: Nature and size of SEZ and the required land for its establishment:

Sr.No	Nature of SEZ	Minimum Contiguous Area Required	Minimum Processing Area Required
1	Multi Product	1000(ha)	50%
2	Sector Specific	100 (ha)	50%
3	SEZ in port or Airport	100 ha	50%
4	SEZ for FREE TRADE ZONE or Warehousing	40 ha	50%
5	Gems and Jewelry	10 ha	50%
6	Electronic ,Hardware and Software	10 ha	50%

Source: Ministry of Commerce and Industry, GoI

VII. Administrative structure of an SEZ

To devolve its powers to the SEZs, the BoA may delegate the aforementioned powers to one or more Development Commissioners on the Zone level (sec. 9 para. 4 and sec. 12 SEZ Act). The Development Commissioner is the "governor" of the particular Zone or Zones assigned to him, as it were. According to sec. 12 para 3 SEZ Act he is required to be in charge of the SEZ and to exercise administrative control and supervision over the officers and his assistant employees. He is directly responsible to the Central Government. The Development

Commissioner is also something like a link person between the Central and the state governments. Inter alia, he is required to guide the entrepreneurs in setting up units in the SEZ and to ensure and take suitable steps for the promotion of exports from the SEZ. Furthermore, he has to monitor the performance of the developer and the units in the SEZ (sec. 12 SEZ Act). At Zone level, presumably below the Development Commissioner, there is the Approval Committee, of which the Development Commissioner is an ex officio member. This committee basically has to approve, reject or modify proposals for setting up SEZ units, i.e. to approve the import or procurement of goods from the domestic tariff area or outside India as well as approving the provision of services by companies from outside India or the DTA. The utilization of goods or services or warehousing or trading in the SEZ has to be monitored by the Approval Committee. Upon former approval by the Development Commissioner, it can also allow foreign collaborations and FDI for setting up a unit, including investments by people outside India. The developer or entrepreneur is responsible to the Approval Committee for complying with conditions set forth in the Letter of Approval or permission (sec. 14 SEZ Act). The Development Commissioner is what the state government and the BoA are on the national level, but at the Zone level. This means that any person intending to set up a unit for carrying out authorized operations in the SEZ has to submit a proposal to the Development Commissioner, who then forwards the same to the Approval Committee. The Committee then decides on the application (sec. 15 SEZ Act). It also has the power to cancel the Letter of Approval if the proposal contravenes the terms and conditions in it.

Applications for offshore banking have to be made directly to the Reserve Bank of India, which can specify the terms and conditions subject to which an offshore banking unit may be set up and operated in the SEZ on its own.

VII. Evaluation from EPZ to SEZ:

The EXIM Policy (1997-2002) introduced a new scheme from April 1, 2000 for establishment of the Special Economic Zones (SEZs) in different parts of the country. From November 1, 2000 the EPZs at Kandla, Santa Cruz (Mumbai), Cochin and Surat have been converted into SEZs. In 2003, other existing EPZs namely, Noida, Falta, Chennai, Vizag were also converted into SEZs. As on June 2005, 53 SEZs have been approved by the Government of India out of which 11 SEZs are functional and the rest 42 SEZs are under establishment. At present there are eight functional SEZs located at:

SantaCruz (Maharashtra), Cochin (Kerala), Kandla and Surat (Gujarat), Chennai (Tamil Nadu), Visakhapatnam (Andhra Pradesh), Falta (West Bengal) & Nodia (Uttar Pradesh) in India.

In addition 18 approvals have been given for setting up of SEZ at

Positra (Gujarat), Navi Mumbai and Kopata (Maharashtra), Nanguneri (Tamil Nadu), Kulpi and Salt Lake (West Bengal), Paradeep and Gopalpur (Orissa), Bhadohi, Kanpur, Moradabad and Greater Noida (U.P), Vishakhapatnam and Kakinada (Andhra Pradesh), Vallarpadam/Puthuvypeen (Kerala) Hassan (Karnataka), Jaipur and Jodhpur (Rajasthan) on the basis of proposals received from the State Governments.

VIII. Special Economic Zones and associated controversies:

Special economic zones are places of attracting FDI and contribute to the rapid development and growth of the economy. To some extent in India these special areas are successful in their basic objectives. Since India is the land of controversies where political interest and social issues are of great importance, The SEZs are also in the trap of controversies. The grave allegations which are linked with the SEZs are the land acquisition and the environmental degradations.

There are several cases in India only in the name of SEZ. The lands of the poor farmers are grabbed by land mafias. Singur and Nandigram are live example of land controversies associated with SEZ.

Similarly corruption and inefficient management cause delay in the establishment of Special Economic Zones in the region. Sometimes the promises of providing world class infrastructure facility also proves wrong.

IX. Conclusion:

SEZ's could improve the economic position of the country, make the country's export competitive and globally noticeable, be a net foreign exchange earner and provide immense employment opportunity. But this should not be done at the cost of bringing down the agricultural activities, Land grabbing and real estate mafia should be properly regulated so that the common man is not the real sufferer to get the net foreign exchange earnings up and running. As compared to China where majority of SEZ's were setup by the government, similar policies should be adopted in India, if not fully it should be a public-private partnership and regulatory bodies should be properly managed to weed out fallacies. To be economically viable SEZ's should be approved over a particular land area (greater than 1000 acres) for rapid economic growth in the area and for it to be profitable and self sustainable. Relaxed Tax norms, Labor laws and DTA regulations will surely attract foreign investment and major industries to setup industries in SEZ making it profitable and meeting its desired result.

References:

1. Chaturvedi, Tarun (2007), Guide to Special Economic Zones, Commercial Law Publishers (India), Delhi, 2nd Ed.
2. Palit Amitendu (2008), "Special Economic Zones-Myths and Realites" London.
3. Gupta K.R (2008), "SEZ Issues, Law and Procedure" Atlantic Publishers, New Delhi
4. Tarun Dhingra, D. S. Location Strategy for competitiveness of Special Economic Zones in India-A generic framework.
5. Mishra Neeraj "SEZ Special Economic Zones-An Overview, Challenges and Future"-July 2008
6. The Special Economic Zones Act 2005 and the Special Economic Zones Rule, 2006

1. <http://www.sezindia.nic.in>
2. www.seepz.com
3. www.mahindraworldity.com
4. www.commerce.nic.in

CONSTRAINTS AND CHALLENGES IN EMPLOYING SIX SIGMA TECHNIQUES IN HR

S.D.BAGADE

Assistant Professor

Allane Institute of Management Science Camp Pune – 1

STATEMENT OF PROBLEM

Achievement of significant and spectacular growth in profitability, marching towards zero defect production of products and reduction in costs. For this purpose; the employees should be engaged. They must ceaselessly contribute a bit more than the excellent. Further accept, adopt, adapt six sigma principle policies and programs.

SCOPE OF STUDY

This is the study of human capital development. A representative industry each one from multinational company, large scale organization, banking sector, medium sector organization, educational institute and co operative [sugar factory] are covered in this study.

OBJECTIVES OF THE STUDY

To study whether the six sigma approach can be employed in HR and what are the challenges and constraints while administering the same,

SAMPLE DESIGN

The study is based on open ended informed communication with those who are related and connected to HR functions of HR in various sectors. The population in HR department is very scant as compared to the strength of employees in the manufacturing and service departments. Hence representatives from each of the different sectors were chosen and an open ended transparent informal discussion was made with them.

LIMITATION OF THE STUDY

The size of respondents, though from heterogeneous sectors; is only representative. The reciprocation of the respondents is role oriented, dynamic, and situational and an absolute. It is connected with human beings, their mind-set, attitude, feelings, emotions, experiences, expectations etc which are different hence response is instantaneous and according to spontaneous situation.

HYPOTHESIS

Undoubtedly and unquestionably HR has a scope in employing six sigma however it has got certain constraints and challenges.. While carrying out this survey the learner has taken the sample from following sectors.

Multi National Company

Large Scale Industry

Medium Scale Industry

Co operative Sector (Sugar Factory)

Prominent & School Director

METHODOLOGY

While presenting this paper, a conceptual and empirical methodology is used. Coupled with it the experience and the observations of the learner are taken into consideration in the proper perspective. The learner also does not claim to be original in thinking. However spread thoughts are also assembled. It is a congregation of specked and spread thoughts.

The efficiency and effectiveness of the results of implementation of six sigma depends upon the whole hearted participation and attachment, binding and pleating input and hallucination of the concerned connected employees.

While searching on Google network the learner came across an interesting outcome of the survey. The same is reproduced below;

A survey was carried out to ascertain the motivational and satisfaction parameters. It states that:

The following table compares under and over age 40s in the public sector:

Importance of Work Rewards	Age Under 40	Age 40 Plus
Career is important	77%	60%
Pay is important	50%	56%
Benefits are important	64%	65%

Satisfaction with Work Rewards

Satisfaction with career at present	50%	48%
-------------------------------------	-----	-----

Satisfaction with career at present	53%	49%
-------------------------------------	-----	-----

Satisfied with pay	69%	65%
--------------------	-----	-----

Satisfied with benefit		
------------------------	--	--

54% of under 40s said they would be actively looking for work elsewhere within the next year compared with 42% of the older group.

Showing up for the Paycheck?

A report by the Conference Board in 2005 showed a decline in job satisfaction among workers of all ages and across all income brackets in the US workforce.

Half of all Americans surveyed at the time; said they were satisfied with their jobs, but this was down from nearly 60% ten years before. Moreover, among the 50% who said they were content, a mere 14% said they were "very satisfied".

The representative sample of 5,000 U.S., conducted for The Conference Board by TNS, a leading market information company, also included information collected independently by TNS. This information showed that approximately one quarter of the American workforce was simply "showing up to collect a paycheck."

"Rapid technological changes, rising productivity demands and changing employee expectations have all contributed to the decline in job satisfaction," says Lynn Franco, Director of The Conference Board's Consumer Research Center, "As large numbers of baby boomers prepare to leave the workforce, they will be increasingly replaced by younger workers, who tend to be as dissatisfied with their jobs, but have different attitudes and expectations about the role of work in their lives. This transition will present new challenges for employers."

The survey found a decline in job satisfaction across all income brackets in the last nine years. 55% of workers earning more than \$50,000 were satisfied with their jobs, but only 14% claimed they were very satisfied. At the other end of the pay scale (employees earning less than \$15,000), about 45% of workers were satisfied with only 17% expressing a strong level of satisfaction.

The survey also found that employees were least satisfied with their companies bonus plans, promotion policies, health plans and pension. The majority were most satisfied with their commute to work and their relationship with colleagues.

"Less than one-third of all supervisors and managers are perceived to be strong leaders," says Shubhra Ramchandani, North American Stakeholder Management Practice Leader at TNS. "The Enron/ WorldCom era of corporate scandals and the outsourcing of jobs have increased the level of employee discontent. Shrugging off employee disengagement would be a disastrous, short-sighted view creating lasting global repercussions for American business,"

However as per a survey conducted in India the outcome in the present trend is towards affable leadership, amicable colleagues and steady payment as preferred to a secure job.

JOB SATISFACTION – BY AGE, INCOME AND REGION

*The largest decline in overall job satisfaction, from 60.9% to 49.2%, occurred among workers 35-44.

* The second largest decline took place among workers aged 45-54, with the satisfaction level dropping from 57.3% to 47.7%.

*The smallest decline occurred among workers aged 65 and over. Overall job satisfaction decline from 60.8% to 58.0%, making this group the most satisfied with their jobs.

* The largest decline in job satisfaction took place among house householders claiming to be with their current jobs, workers in the Middle Atlantic and Mountain states are the least satisfied workers in the U.S.

* The East South Central region has the most number of content workers. Close to 59% of residents in these states claim they are satisfied with their jobs.

* Company promotion policies and bonus plans tends to be lowest on the satisfaction scale.

* Education and job training programs did not fare well either. Only 30% of workers claimed to be satisfied with these types of company programs.

* Workers also rated their wages poorly, with only 33.5% of householders expressing satisfaction with their pay. Additional results from the supplemental survey conducted by TNS in August 2004 include:

* 40% of workers feel disconnected from their employers.

* Two out of every three workers do not identify with or feel motivated to drive their employer's business goals and objectives. 25% of employees are just "showing up to collect a paycheck."

What is Six Sigma?

* It is a methodology that measures quality by eliminating defects and strives for perfection.

* The fundamental objectives of Six Sigma:

Six Sigma methodologies, is the implementation of a measurement based strategy, which focuses on process improvement and variation reduction through the application of six sigma improvement projects.

* Nature of Six Sigma

It is statistical in nature and is a management technique that seeks to drive defects to less than 3.4 defects per million. Defects are defined as any non conformance to customer specification. Once the causes of defects are identified, processes are driven approach modified to avoid the causes. It implies a customer driven approach, where the customers may be internal or external. The implementation is through a process called DMAIC [Define, Measure, Analyze, Improve, and Control]

The various steps involved in six sigma implementation are elaborated below.

1. Define the problem, the voice of the customer, and the project goals, specifically.
2. Measure key aspects of the current process and collect relevant data.
3. Analyze the data to investigate and verify cause-and-effect relationships. Determine what the relationships are, and attempt to ensure that all factors have been considered. Seek out the cause of the defect under investigation.
4. Improve or optimize the current process based upon data analysis, using techniques such as design of experiments, poka yoke or mistake proofing, and standard work to create a new, further state process.
5. Control the future state process to ensure that any deviations from target are corrected before they result in defects. Implement control systems such as statistical process control, production boards, visual workshops, and continuously monitor the process.

How does an organization know if it is ready for Six Sigma?

There has to be willingness to change, a healthy atmosphere of self criticism, and a decentralized organization that has a flat structure and decision making at all levels. The company should consider employees as an important resource, reward intelligence, encourage initiatives and creativity and be involved in rigorous strategic planning. The Organization must focus on ROI. It must have the ability to statistically measure client satisfaction, market share, cost and productivity. Companies that are not ready for Six Sigma are those that tend to be resistant to change, have a blame mentality, a low appreciation of staff, the inability to dedicate project resource and a rigid, hierarchical organizational structure.

It takes a lot of effort to move Six Sigma through an organization. TQM [total quality management] activities were a failure "because" 90 percent of the employees in the company were disconnected from it.

What companies do is that they hire trained experts and expect them to implement projects without a corporate culture change. The result yielded is; complete waste of time and money.

An organization must have an environment and corporate culture that is conducive to change and innovation. Employees should be ready to take on the challenge and prepare in advance. They must be taken into account and be involved in the transition, every step of the way so that they feel that they are a part of it all and will be contributing to its success. It has to be initiated, managed and monitored by the top management. Leading and sustaining that change is the role of executives. "It's the leadership that has to drive, put in performance expectations, put in goals."

Why is Six Sigma Important?

Six Sigma measures variability and aids companies in improving overall quality. It is fact-based and data driven and is executed on a project basis before it is applied throughout the organization. This management system achieves sustainable competitive advantage by providing a set of tools for improvement efforts to eliminate defects for its users. *One of the keys to Six Sigma, is breaking down process into manageable pieces and improving each piece to affect the overall performance.*

Is it possible to use the Six Sigma Concept in Human Resource to effectively cope up with the HR related issues?

The answer is yes. But it cannot be done without total involvement and commitment from the employees.

Is the job of the HR department to make sure that the corporate culture is moulded in a way that it can accommodate change. The HR policies and procedures should reflect and make sure that all properly qualified persons are designated and in place it ensures that the implementation is successful.

First job of HR is to prepare the organization for implementation. The second is that Six Sigma can help HR in all its functional areas and improve its working and results.

The following points will help to explain which area specifically related to the HR function; can benefit:

- *Reduce the time required to hire an employee.
- *Improve employee orientation processes.
- * Reduce expenditures for Recruitment.
- * Improve timelines and the value of employee performance reviews.
- * Reduce absenteeism.
- * Improve training efficiency.
- * Improve employee satisfaction.
- *Identify and correct retention issues.

- * Reduce Incentive Compensation errors.
- * Eliminate Over payment to Terminated Salaried Employees.
- * Improve grievance handling process.
- * Consolidation of employee information database
- * Increase job posting hit rate.
- * Increase retention using exit interview information... and many many more!

SIX SIGMA IN HUMAN RESOURCES

It can be considered the DNA of the company. In a recent conference of the human resources professional in Chicago, it was clear that HR people are now looking to benefit from Six Sigma initiatives. Two of the questions that have been asked are, 'How does HR implement Six Sigma?', " and "What can HR do to help Six Sigma initiative in an organization?" Six Sigma helps business development strategies for profit and growth. The strategy is driven down through action plans for execution. When Motorola first successfully implemented Six Sigma from 1987 to 1992; its management program of setting goals, sharing savings risk taking and linking personal goals to corporate goals all played important roles.

The challenges in implementing it in HR includes questions such as; "What should I do?" "What should I measure?" "How would I improve the HR process?" and "How can HR be at 3.4 parts per million?".... as it does not deal with a million, HR is not dealing with a million people. HR is not a huge part of any business but it has a huge effect on every business.

Role of Six Sigma in HR

- * Establish Six Sigma objectives and role in HR
- * Seek customer feedback and identify opportunities for improvement
- * Establish Six Sigma goals for HR function
- * Formulate, prioritize projects and form teams
- * Provide Six Sigma training
- * Implement DMAIC for breakthrough solution.

Examples of Six Sigma projects that companies HR departments have completed include reduction in overtime, reduction in time and cost to hire an employee, reduction in time and cost to hire an employee, reduction in employee retention or turnover, reduction in safety violations, reduction in cost of employee separation, and HR response to internal inquires for benefits, payroll, promotion and fairness. Six Sigma implies dramatic improvement through reengineering or innovation of the HR function. HR involvement in achieving corporate growth and profitability must be defined. The HR role must support leadership and departmental activities, provide feedback and intellectually support employees in achieving their personal and corporate objectives. Customers expect better, faster and cost-effective solutions. Unless every department performs better, faster and cheaper, the company will be unable to meet customer expectations. HR is no exception. Thus it must be set to perform better, faster more cost-effectively by creating

value rather than just rote support of management or training. Creating value could be accomplished through innovative solutions and employee innovation.

Six Sigma and Lean are well validated to drive brae and through in organizational business process for delivering superior customer satisfaction, lower operating costs, accelerated cycle time, enhanced quality, productivity and reducing risk.

HR has a very vital important role to play in deriving organizational performance HR has to cater to the needs of internal customers via service deliveries, operations, sales, marketing, accounts, finance, IT, R&D, and other sectors of the organizations.

Six Sigma applications significantly assist in following areas.

- 1) Create and manage HR planning, policy, strategies
- 2) Develop, train & counsel
- 3) HR organization
- 4) Manage Employee information
- 5) Payroll
- 6) Sourcing, recruiting, selection
- 7) Redeploy and retire employee
- 8) Reward and retain employee effectiveness

The efficiency in the above sectors is to be ascertained and for this purpose: the important measures/metrics should be chosen, current status of the metrics be base lived, organizational target / expectations be redefined, sustained and set targets to reach higher levels going forward.

To strike a good balance between well established results/output and process enabling productivity, cycle time, and learning based metered means we have to make a blend of cost quality.

Stephrn Coco; Associate Professors of Interlink Comments that, "Everyone wants HR to do more succession planning – organizational design support in short; "Strategic HR"

The workload of HR is already overwhelming in many organizations and it may seem impossible to add any more work. Coco suggests that using some of the concepts from sigma, specifically the lean process management philosophy, can help free up time, so that you resource on being more of a strategic business partner in an organization.

The three concepts, from lean process management philosophy that will help accordingly to Coco include:

- (i) Focusing on process value
- (ii) Improving Service through put
- (iii) GM bracing pull system

Using process value and mapping

Process value and process mapping helps to determine where the HR function is produce process heavy and that which does not contribute to quality needs to be recommended. Inefficient process can cause waste and can introduced error into the system. Articulation and movement of rechecks, rework, reprocess. These 're's add much time and length to the process and do not add tremendous amount of value.

Challenging the old way of doing things, such as questioning what may be unnecessary layers of approval, can make a process more efficient. Says Coco, "In HR we have seen so many instances where the ceremonial check offs [checking someone else's work way that it has been before and signing on it.] occur because that's the way it has been done before.

Improving "Throughput "

Improving service through put (rate of successful message delivery) involves reviewing the systems and staffing for your processes since both affect end result.

INTRODUCE "PULL" SYSTEM

Coco said "Linking process and demands curtain wastage that would otherwise result from over production. For service provider like HR: the objective is to reduce the oversell lead time of providing services by reducing (Ref. www.intellilink.com) thing in progress.

The work in HR department covers many discoveries and controversies in this field, interweaving each with data and observations across philology, history and culture and tying them together with an over arching theme.

Let us consider the case of measuring happiness and whether we are willing to accept people's answer to 'How happy they are?' As if it is an accurate measure of a psychological state whose definition remains fuzzy, a fundamental requirement for feelings of serenity and satisfaction is commitment to unquestioned ethical beliefs.

HR TRANSFORMATION

Consider the case of Reliance Industries Limited

RIL is focused on building what would be the best "To Be Organized" over the next 18 to 24 months to achieve objectives, RIL focuses on following initiatives:

- People : Emerging and engaging the existing work force, building a pipeline for the future and making an exciting work place.
- HR Processes: To ensure that RIL continues to have the world's best practice and processes. Existing processes are being reengineered and new processes are being introduced.

- Policies : The focus in FY-11 was to make the policies employee friendly keeping in view employee specific needs. The HR policies are being reviewed and benchmarked with world class organizations.
- HR Shared Service Center : The Centre was established last year to ensure effective delivery of HR service to RIL employees.

a) Why should HR encourage Six Sigma and Lean in the Organization?

One of the key roles of HR is to manage talent and improve competency of the employees. The infusion of initiatives like Lean Sigma greatly complements this activity. Six Sigma is a project by project improvement methodology and the key activities it brings along with the deployment are training, formation of teams, selection of projects that have financial and quality impact and successful deployment of projects. So by bringing this culture in the organization, it ushers in a host of skills sets that any HR person would love to see accomplished as part of the organizations human resources development.

Some of the skill sets and competencies that get developed along with the implementation of Six Sigma are as below:

1. Builds Team Building Competency
2. Creates a learning culture
3. Develops Coaching and Mentoring skills
4. Improves presentation and training skills
5. Improve Project Management skills
6. Encourages Statistical Thinking
7. Opportunity to set challenging targets
8. Creates cross functional awareness competency building
9. Motivation through awards and recognition
10. An alternate career path
11. Encourage sharing awards and recognition
12. Helps Retention of key people

Most of the points listed above are pretty self explanatory and in a culture of training 1 cycle pattern, everybody in the organization can learn the technical skills and also training skills, mentoring and project management skills.

b) Why should HR be involved in Six Sigma and Lean?: let's look at the impact directly on the function itself. Broadly the impact this will have on HR personnel is as follows.

1. Improve Analytical Thinking
2. Understanding of Statistical Tools
3. Inculcates Process Thinking and Approach
4. Improve decision making, based on data and analysis

Problem solving, either IR related or any plays a major role in HR and bringing in a more scientific and system oriented approach would help to keep the decision unbiased and logical. There is also a lot of scope for using statistical tools in solving HR issues. This can also be used in Strategic, Administrative and Operational HR Activities. This also helps improve the rapport and relationship of HR personnel with the operations team, first of all by speaking in the language of Six Sigma and Lean and also by working specific projects enhances the knowledge of the product related processes.

With a focus on process improvement as listed below:

1. Recruitment and Induction Process
2. Performance Management Process
3. Knowledge Management
4. Human Resource Information Process
5. Training and Development Process
6. Compensation Disbursement and Reimbursement Process
7. Employee related administrative transactional processes
8. Job Design and Analysis

The strengthening of statistical and analytical skill sets among the HR personnel further helps in making robust qualitative and quantitative measurement in the areas of:

1. Competency Measurement and Grading
2. Roles and Competency Patterns
3. Recruitment and Replacement Costs
4. Employee Satisfaction measurement
5. Compensation and Benefit Management
6. Attrition Patterns
7. Business Costs Vs Employee Cost
8. Analysis of Welfare Schemes.

SIX SIGMA GOALS

Six Sigma is a problem –solving process. Given a particular problem, the tools and techniques it provides are obviously effective, given the success attributed to its proponents. Starting with its roots in Statistical Process Control and with tools that come out of its precursor, it adds a focus on bottom line impact that has made it worth the attention of top management, a necessary condition for effective improvement efforts. It also brings a structure of expertise. This focus is a major benefit in getting things done. Management-supported focus on the details of individual processes and the problem associated with them is, in my humble opinion, the core strength brought to the party by Six Sigma.

Parallel list of phrases associated With the Theory of Constraints (TOC), might look like the following:

- Logic-driven approach to analyzing root cause.
- Expand top line performance to drive bottom line growth
- Market segment offers/customer value
- Assure stable performance, the source of line and clarity for improvement

TOC is an approach to managing complex systems, i.e. organizations compared of people working in interdependent, interacting processes. The objective of TOC is, to grow a system's capability to achieve more of its goal, now and in the future. It consists of a "theory" of dealing with systems by identifying and managing constraints, which are often based not in the technical limitations of a process (that the tools of Six Sigma are so good in dealing with), but in the paradigms, practices and policies of the people who are involved with them. Hence, a key component of the TOC's "body of knowledge" is in the logical and communication tools known as the TOC Thinking Process. These Thinking Processes, when used by people with intuition about the system in question, go a long way in providing what Deming refers to as "profound knowledge," and providing a way for managers to be able to better predict the outcomes of their actions.

TO COMPARE AND CONTRAST

Six Sigma works primarily at the local link of a system's chain, it's interaction with its immediate supplier and customer processes. TOC works primarily at the level of the chain, reliving focus to the weakest link and then to the linkage between that constraint and other aspects of the system.

Six Sigma, with its data-based philosophy, is great for solving technical issues that are subject to quantitative analysis. TOC, with its logic-based tools, provides strength in dealing with what might be considered "qualitative "analysis, helpful for dealing with "rock and hard place"

TOC's approach to root cause analysis, centered in the Thinking Process known as the Current Reality Tree, starts with a range of diverse problems that the system suffers and build true cause-and effect logic to identify one or very few causes at the root of them all.

Outcome

The outcome of discussion; is concisely sated below:

- 1) Sigma with quality roots
- 2) Basically the Six Sigma concept is for the manufacturing process. The function of HR is role oriented, dynamic, situational and absolute.
- 3) HR function is connected with human beings and therefore situation plays an important role.

- 4) The work of HR can be segmented into parts. One regular and routine. Here the practices are standardized, system is even; consistent results are achieved. However when matters related to industrial relations, dealing of employees resorting to manipulation, maneuvering and course interacting arises both the parts are involved.
- 5) Compared to the total strength of employees in the organization; the manpower in HR department is little and limited. Moreover generally the 'security' need is dominant in the employee at lower levels. Hence they have resistance. They are cautious; distrust in leadership may be a probability.

Conclusion

- 6) Six Sigma can be employed in the HR department subject to overcoming the constraints in the context of narrating it in the preceding paragraph.

Six Sigma involves a mathematical and statistical approach. It covers the theory of probability, the theory of elimination. However generally the staff in HR department does not have a mathematical mind set and background and hence are disinclined and unwilling.

References:-

- 1 The Power of Six Sigma .. Chowdhuri, Subir Pearson Education
- 2 Implementing lean six sigma throughout the supply chain Cudney Elizabeth
A KesleRondney.. CRC Press
- 3 Six Sigma BrueGreg, Howes Rod Tata McGraw Hill

Experiential Learning Theory : A Bio-scope on Organizational Behavior

RAMBABU PENTYALA

Associate Vice President- HR and Operations,
Process Weaver Inc, Hyderabad

INTRODUCTION: Experiential Learning Theory (ELT) argues that development in learning sophistication results from the integration of the dual dialects of the learning process, i.e., conceptualizing/experiencing and acting/reflecting. Individuals with balanced learning profiles on these dimensions are hypothesized to be more sophisticated (adaptively flexible) learners than those with specialized learning styles. This central prediction of ELT has found little empirical investigation up to date because the vast majority of research has focused on specialized rather than balanced learning styles. ELT defines learning as "the process whereby knowledge is created through the transformation of experience. Knowledge results from the combination of grasping and transforming experience. The learning model portrays two dialectically related modes of grasping experience—Concrete Experience (CE) and Abstract Conceptualization (AC)—and two dialectically related modes of transforming experience—Reflective Observation (RO) and Active Experimentation (AE). Individual learning styles are determined by an individual's preferred way of resolving these two dialectics, favoring one mode over the other. The experiential learning theory suggests that, as such, these learning styles represent specialized and limited ways of learning. Integrated learning is a process involving a creative tension among the four learning modes that is responsive to contextual demands. This is portrayed as an idealized learning cycle or spiral where the learner "touches all the bases"—experiencing, reflecting, thinking, and acting—in a recursive process that is responsive to the learning situation and what is being learned. The theory argues that this development in learning sophistication results from the integration of the dual dialectics of conceptualizing/experiencing and acting/reflecting.

An act of intellectual adaptation requires a balance or equilibrium between assimilation and accommodation. Intelligence is thus the result of the dialectic integration of internal cognitive organization, reflective abstraction, and external adaptation, active involvement in experience. Organization is inseparable from adaptation. There are two complementary processes of a single mechanism, the first being the internal aspect of the cycle of which adaptation constitutes the external aspect... "the accord of thought with things' and the accord of thought with itself" express this dual functional invariant of adaptation and organization.

OPERATIONALIZING EXPERIENTIAL LEARNING THEORY: Three instruments have been developed to assess the constructs of experiential learning theory—The Learning Style Inventory, The Adaptive Style Inventory and The Learning Skills Profile. They have been designed to be theoretically proportionate while methodologically diverse in order to reduce spurious common method variance among the three instruments.

The Learning Style Inventory (LSI): The LSI uses a forced choice ranking method to scale an individual's preferred modes of learning, CE, RO, AC, and AE. Two scores indicate an individual's relative preference for one pole or the other of the two dialectics, conceptualizing/experiencing (AC-CE) and acting/reflecting (AE-RO). In this analysis, I introduced new scores that measure the degree to which an individual is balanced in their preference for AC versus CE, and AE versus RO. The assumption is that the more balanced a person is in their dialectic preference, the more they will experience a creative tension or attraction to both poles opening a wider space for flexible adaptation and development of learning skill.

The Adaptive Style Inventor (ASI): The ASI uses a paired comparison method to rank learning preferences for the four learning modes in eight personalized learning contexts. It measures adaptive flexibility in learning, the degree to which one changes learning style to respond to different learning situations in their life. Earlier studies found that adaptive flexibility is positively related to higher levels of ego development or individuals with high adaptive flexibility are more self-directed, have richer life structure, and experience less conflict in their lives.

The Learning Skills Profile (LSP): The LSP uses a modified Q-sort method to assess level of skill development in four skill areas that are related to the four learning modes—Interpersonal skills (CE), Information skills (RO), Analytical skills (AC) and Behavioral Skills (AE). Several recent studies have used the LSP In program evaluation.

HYPOTHESES

The commensurability of the LSI, ASI, and LSP makes it possible to empirically test some of the predictions of experiential learning theory. In this paper I investigated whether individuals with balanced learning styles on the LSI show more sophisticated development in learning (as measured by adaptive flexibility on the ASI) than individuals with specialized learning styles. Also I examined levels of learning skill Development on the LSP and their relationship to integrative and specialized learning styles. Specifically, I tested the following hypotheses on a sample of 314 MBA Students.

Hypothesis 1a. The more individuals are balanced on the conceptualizing/experiencing dialectic of the LSI, the more they will show adaptive flexibility on this dimension on the ASI.

Hypothesis 1b. The more individuals are balanced on the acting/reflecting dialectic of the LSI, the more they will show adaptive flexibility on this dimension on the ASI.

Hypothesis 2a. The more individuals are specialized in their preference for conceptualizing or experiencing on the LSI, the less they will show adaptive flexibility on this dimension on the ASI.

Hypothesis 2b. The more individuals are specialized in their preference for acting or reflecting on the LSI, the less they will show adaptive flexibility on this dimension on the ASI.

Hypothesis 3a. the more individuals are balanced on the conceptualizing/experiencing dialectic of the LSI, the greater will be their level of learning skill development in analytical and interpersonal skills on the LSP.

Hypothesis 3b. The more individuals are balanced on the acting/ reflecting dialectic of the LSI, the greater will be their level of learning skill development in behavioral and information skills on the LSP.

Hypothesis 4a. The more individuals have high adaptive flexibility on the conceptualizing/experiencing dialectic of the ASI, the greater will be their level of learning skill development in analytical and interpersonal skills on the LSP.

Hypothesis 4b. The more individuals have high adaptive flexibility on the acting/ reflecting dialectic of the ASI, the greater will be their level of learning skill development in behavioral and information skills on the LSP.

Hypothesis 5a. The more individuals are specialized in their preference for conceptualizing on the LSI, the greater will be their level of learning skill development in analytical skills on the LSP.

Hypothesis. 5b. The more individuals are specialized in their preference for experiencing on the LSI, the greater will be their level of learning skill development in interpersonal skills on the LSP.

Hypothesis 5c. The more individuals are specialized in their preference for acting on the LSI, the greater will be their level of learning skill development in behavioral skills on the LSP.

Hypothesis 5d. The more individuals are specialized in their preference for reflecting on the LSI, the greater will be their level of learning skill development in information skills on the LSP.

METHOD

SAMPLE:

As part of a projected fifty-year longitudinal study of managerial careers and lifelong competency development, now in its tenth year, a sample of 314 MBA students completed a battery of learning instruments during a required course called managerial Assessment and Development. The sample was composed of students who entered the full-time or part-time program in 2000 (84), 2001 (55) 2002 (74) 2003 (75), and 2004(18). The average age of the sample was 27.4; 61% were male and 30% female; 77% were native indigenous TELUGU speakers and 23% were not. At the conclusion of the required course, all students are asked for permission to use their data in various research studies. An average of 89% of the students gave their permission in each of these samples.

MEASURES: Data was collected with the Learning style inventory, Adaptive Style Inventory, and Learning Skills Profile, described earlier, Eight variables were calculated from the LSI; raw scores for each of the learning modes (CE, RO, AC, AE); two measures of specialization in one of the dialectical modes of the two dimensions in ELT (AC-CE, AE-RO); and to assess a balanced profiles, the absolute value of these dialectical scores was adjusted for population variation. For example, individuals scoring equally in AC and CE can be said to be balanced on this

dimension. Their subtracted absolute score reflects an inverse score of this balance; that is, a low score indicates a balanced profile, a high score indicates a high score toward either end of the dialectical dimension. The absolute score was adjusted to center it around the 50th percentile ($ABS(AC-(CE+4))$) of the LSI normative comparison group, resulting in a score with a range of 0 to 33, mean of 10.7 and a standard deviation of 7.2 (skewness=0.528, kurtosis=-0.316). Similarly, the formula for the balanced profile in the AE/RO dimension is $ABS(AE-(RO+6))$, resulting in a score with a range of 0 to 33, mean of 11, and a standard deviation of 7.1 (skewness = 0.556, kurtosis= -0.267)

Eight variables were calculated from the ASI: Four mode scores (CE, FO, AC, and AE), two specialization scores (AC-CE- AND AE-RO), and two adaptive flexibility measures, one for each dialectical dimension. The formulae for the adaptive flexibility measures and the relevant univariate statistics are explained in appendix A. These two measures are absolute values of the subtraction of the flexibility on AC minus the flexibility on CE, and flexibility on AE minus flexibility on RO respectively. The AC/CE adaptive flexibility score ranges from 0 to 8, with a mean of 3.6 and a standard deviation of 2.3 (skew and kurtosis are less than 1). The AE/RO adaptive flexibility score ranges from 0 to 8, with a mean of 2.2 and a standard deviation of 1.9 (skew and kurtosis are less than 1).

Six variables were calculated from the LSP. Four were obtained from the sum of the scale scores of the three scales constituting each "quadrant" of skills. One quadrant assesses CE skills (the interpersonal quadrant of Leadership, Relationship, and Helping skills). Another quadrant assesses RO skills (the information quadrant of Sense Making, Information Gathering, and Information analysis skills). The last two measures were computed as the dialectical dimensions difference scores (AC-CE and AE - RO).

PSYCHOMETRIC CHARACTERISTICS OF ELT INSTRUMENTS: The psychometric properties of the LSI, ASI, and LSP have been described in detail. In this study, I examined the consistency of these commensurate instruments by testing their inter correlations. I found that the scores from each of the three instruments for each of the four learning modes (CE, RO, AC and AE) and the two dialectical dimensions (AC-CE and AE-RO) were significantly correlated, as shown in Appendix B. The LSI and ASI correlations for the four modes and two dimensions ranged from 0.39 to 0.50 (power=100% at $\alpha=0.05$, one-tailed). The LSI and LSP showed significant correlations for four of the six relationships ranging from 0.23 to 0.54 (power>96%). The two exceptions were RO and AE. The ASI and SLP showed significant correlations for five of the six relationships, ranging from 0.15 to 0.37 (power>73%). Again, the exception was RO. Overall, fifteen of the total eighteen inter correlations among the LSI, ASI, and LSP scores were significant.

DEMOGRAPHIC CHARACTERISTICS OF ELT INSTRUMENTS: The mean LSI scores for program type (i.e., full-time, part-time), gender, and age are presented in Appendix C (Table C.1). The sample overall has an AC and AE bias, and there are no significant differences between full-time and part-time students, as well as between age groups. There is one significant difference in terms of gender. Men have a significantly stronger preference than women for conceptualizing ($t=-4.19$, $p<0.001$) and the conceptualizing end of the AC/CE dimension ($t=-3.762$, $p<0.001$).

In terms of the ASI, there are no significant differences between full-time and part-time students, as well as between age groups (Table C.2). There are important differences between male and female students with the latter adapting significantly more toward experiencing than males ($t=2.88$, $p<0.01$) and the men adapting more toward the conceptualizing end of the AC/CE dimension ($t=-2.45$, $p<0.05$). Women are also more adaptively flexible than men on both the conceptualizing/experiencing dimension ($t=-2.36$, $p<0.05$) and the acting/reflecting dimension ($t=-2.12$, $p<0.05$).

Finally, table C.3 in Appendix C presents the mean LSP scores for program type, gender, and age. There are no significant differences for the age groups. Male students have significantly more developed analytical skills than female students when they enter the program ($t=-5.65$, $p<0.001$) while women specialize more on interpersonal skills ($t=-4.86$, $p<0.001$). Part time students enter the program with significantly more developed analytical skills ($t=-2.27$, $p<0.05$) while full-time students specialize more on interpersonal skills ($t=-2.80$, $p<0.01$).

RESULTS: A balanced learning profile on the conceptualizing/experiencing dialectic of the LSI was positively correlated with adaptive flexibility on this dimension, as shown in Table 1 (power = 98%, $\alpha=0.05$, one-tailed). A

balanced learning profile on the acting/reflecting dialectic of the LSI was positively correlated with adaptive flexibility on the same dimension in the ASI (power=80%). Hypotheses 1a and 1b are, therefore, supported.

TABLE 1
PEARSON CORRELATIONS BETWEEN THE BALANCED LEARNING PROFILE AND ADAPTIVE FLEXIBILITY
(N=225)

LSI LEARNING PROFILES	ADAPTIVE FLEXIBILITY IN THE ASI DIMENSIONS OF	
	Conceptualizing/Experiencing	Acting/Reflecting
Balanced Learning Profile in Conceptualizing/Experiencing	0.243***	-0.031
Balanced Learning Profile in Acting/Reflecting	-0.080	0.164*

Note:

1. Due to inverse scoring in the computation of adaptive flexibility, the lower the score the more adaptively flexible the individual.
2. The same is true for the balanced learning profile where the lower the score the more balanced the profile. Thus a positive correlation between the balanced learning profile and adaptive flexibility indicates a positive relation between them.
3. Significance (two-tailed): *, $p < 0.05$; ***, $p < 0.001$.

Specialization in a preference for conceptualizing on the LSI was negatively related with adaptive flexibility on this dialectical dimension (power = 94%). While specialization in a preference for experiencing on the LSI was positively related with adaptive flexibility on this dialectical dimension (power = 79%), as shown in Table 2. This indicates that people with a specialization in conceptualizing are less flexible on this dimension according to the ASI, while people with a specialization in experiencing are more flexible. Therefore, Hypothesis 2a is supported for one mode or end of this dimension and rejected for the other. Specialization in preference for acting or reflecting on the LSI was not correlated with adaptive flexibility on this dialectical dimension, as shown in Table 2. Therefore, Hypothesis 2b was rejected.

TABLE 2
PEARSON CORRELATIONS BETWEEN SPECIALIZED LEARNING STYLES AND ADAPTIVE FLEXIBILITY
(N=225)

LSI LEARNING STYLES SPECIALIZATION	ADAPTIVE FLEXIBILITY IN THE ASI DIMENSIONS OF	
	Conceptualizing/Experiencing	Acting/Reflecting
Conceptualizing (AC)	0.209**	0.031
Experiencing (CE)	-0.163	-0.036
Acting (AE)	-0.063	0.000
Reflecting (RO)	-0.007	0.000
AC-CE	0.220**	0.040
AE-RO	-0.030	0.000

Note:

1. Due to inverse scoring in the computation of adaptive flexibility, the lower the score the more adaptively flexible the individual. Therefore a negative correlation between a specialized learning style and style and adaptive flexibility indicates a positive relation between them.
2. Significance (two-tailed): *, $p < 0.05$; **, $p < 0.01$.

A balanced learning profile on the conceptualizing/experiencing dimension of the LSI showed significantly less developed learning skills in the Information quadrant (power=89%) and the Analytical quadrant (power=99%), and no significant correlation with the interpersonal quadrant, as shown in Table 3. Individuals with a balanced learning profile on the AC/CE dialectic of the LSI showed less developed Information and Analytical skills. Hypothesis 3a was therefore rejected. A balanced learning profile on the acting/reflecting dimension of the LSI did not show

greater learning skills in either relevant quadrant (the Behavioral nor Information quadrants of learning skills). Therefore, Hypothesis 3b too was rejected.

TABLE 3
PEARSON CORRELATIONS BETWEEN THE BALANCED LEARNING PROFILE AND LEVELS OF SKILL DEVELOPMENT (N=225)

LSI LEARNING PROFILES	LEVEL OF DEVELOPMENT IN LSP SKILLS			
	ANALYTICAL	INTERPERSONAL	BEHAVIORAL	INFORMATION
Balanced Learning Profile in Conceptualizing/Experiencing	0.276***	-0.018	0.114	0.191**
Balanced Learning Profile in Acting/Reflecting	-0.004	0.068	-0.035	0.005

Note:

1. Due to inverse scoring in the computation of the balanced learning profile, the lower the score the more balanced the profile. Therefore a positive correlation between the balanced learning profile and level of skill development indicates a negative relation between them.

2. Significance (two-tailed): **, $p < 0.01$; ***, $p < 0.001$.

Adaptive flexibility on the conceptualizing/experiencing dimension of the ASI showed less developed learning skills on the Analytic quadrant (power=80%) and the information quadrant (power=63%) of the LSP, as shown in Table 4. Adaptive flexibility on the acting/reflecting dimension of the LSI did not show greater learning skills in either relevant quadrant (the Behavioral or Information quadrants of learning skills). Therefore, Hypotheses 4a and 4b were rejected.

TABLE 4
PEARSON CORRELATIONS BETWEEN ADAPTIVE FLEXIBILITY AND LEVEL OF SKILL DEVELOPMENT (N=225)

ASI LEARNING PROFILES	LEVEL OF DEVELOPMENT IN LSP SKILLS			
	ANALYTICAL	INTERPERSONAL	BEHAVIORAL	INFORMATION
Adaptive Flexibility in Conceptualizing/Experiencing	0.164*	0.040	0.093	0.132*
Adaptive Flexibility in Acting/Reflecting	0.032	-0.039	-0.051	-0.026

Note:

1. Due to inverse scoring in the computation of the adaptive flexibility, the lower the score the more adaptively flexible the individual. Thus a positive correlation between adaptive flexibility and level of skill development indicates a negative relation between them.

2. Significance (two-tailed): *, $p < 0.05$.

Specialization in conceptualizing on the LSI showed positive correlation to greater learning skills in the Analytic quadrant (power=100%) and negative correlation to learning skills in the Interpersonal quadrant (power = 97%), as shown in Table 5. Specialization in experiencing on the LSI showed positive correlation to greater learning skills in the Interpersonal quadrant (power=100%) and negative correlation to learning skills in the Analytic quadrant (power=100%). Therefore, Hypotheses 5a and 5b were supported. Specialization in acting on the LSI did not show a significant positive correlation to the learning skills in the behavioral quadrant, but showed a negative correlation with the Analytic quadrant (power = 88%), as shown in Table 5. A pattern that emerged from the study is that the learning skills of the Analytic quadrant correlate negatively with learning styles specializing in both Experiencing and Acting. Specialization in reflecting on the LSI did not show a correlation to greater learning skills in the Information quadrant but did show a negative correlation to learning skills in the Behavioral quadrant (power=94%), as shown in

Table 5. The reflective learning skills, indicated by the Information quadrant, do not show consistent results of the other scales. Hypothesis 5c was therefore partially supported and Hypothesis 5d was rejected.

TABLE 5
PEARSON CORRELATIONS BETWEEN SPECIALIZED LEARNING STYLES AND LEVEL OF SKILL DEVELOPMENT (N=225)

LSI LEARNING STYLES SPECIALIZATION	LEVEL OF DEVELOPMENT IN LSP SKILLS			
	ANALYTICAL	INTERPERSONAL	BEHAVIORAL	INFORMATION
Conceptualizing (AC)	0.541***	-0.236	0.047	0.138*
Experiencing (CE)	-0.292***	0.299***	0.071	0.090
Acting (AE)	-0.189**	0.102	0.118	-0.110
Reflecting(RO)	-0.101	-0.115	-0.209**	-0.107
AC-CE	0.499***	-0.312***	-0.009	0.037
AE-RO	-0.041	0.125+	0.191**	0.005

Note:

Significance (two-tailed): *, $p < 0.05$; **, $P < 0.01$; ***, $P < 0.001$.

DISCUSSION:

Summary of Results: The primary prediction from experiential learning theory was that individuals who integrate the dual dialectics of the learning model of conceptualizing and experiencing as well as acting and reflecting will be more flexible on those dimensions. It was confirmed. Balanced LSI scores are significantly correlated with ASI adaptive flexibility scores on the AC/CE and AE/RO dimensions. The relationship is strongest on the conceptualizing and experiencing (AC/CE) dimension. Individuals who are adaptively flexible on the ASI show the same pattern of results on SLP scores as those who are balanced on the LSI. Results from the corollary prediction that specialized learning styles might respond less flexibly to different learning contexts showed unpredicted findings. Flexibility on the AE/RO dimension is unrelated to degree of specialization in any of the learning styles. However, specialization in the concrete learning style was related to being less flexible on the AC/CE dimension of ASI adaptive flexibility.

Contrary to prediction those with the balanced learning style did not show greater learning skill development. Balance on the LSI AE/RO dimension was unrelated to level of learning skill in any area of the LSP. Individuals who were balanced on the LSI AC/CE dimension, surprisingly showed lower levels of skill development in analytic skills and information skills. Individuals with learning styles specialized in experiencing (CE) show higher levels of interpersonal skill and lower levels of analytic skill. Individuals who specialize in conceptualizing (AC) show lower levels of interpersonal skill and higher levels of analytic skill on the LSP. Learning styles that are specialized in acting or reflecting show less or no significant relationship to levels of skill development in the corresponding LSP areas. Those who specialize in the reflecting style, however, show lower levels of skill development overall, while those specializing in the acting style show moderately higher skills in the Behavioral quadrant of the LSP.

INTERPRETATION: While the above results show some support for the dual dialectic model of experiential learning, they show stronger relationships among variables on the conceptualizing/experiencing dialectic than on the acting/reflecting dialectic. It would appear that balancing the dialectic of comprehension (conceptualizing) and apprehension (experiencing) has more impact on the learning process, flexibility in responding to possible learning, and skill development than balancing the extension (acting) and intention (reflecting) dimension. The increased flexibility shown by those focusing on experiencing, supports the importance of being contextual in responding to learning opportunities. The decreased flexibility shown by those focusing on conceptualizing is reminiscent of the research on attitude change showing that attitudes were more difficult to change when embedded in an internally consistent theory or mental model than when the attitude appeared inconsistent with the person's other views or their worldview. One possible explanation for this may lie in the context of the study—Osmania University campus and affiliated colleges' M.B.A students in a degree program than emphasizes analytic and quantitative skills. In addition, the sample used in this study had a slight bias toward AC. This predisposition to AC and socialization

toward AC from graduate school programs may act like a pre-selection screen encouraging those less flexible in learning styles. If this were the case, the explicit objective of many graduate programs to broaden people's perspectives and their openness to others would be frustrating. A specializing learning style in the skill domain of experiencing or conceptualizing is related to higher skill development in that domain and lower skill development in the opposite domain; while the balanced profile is related to lower skill development particularly in the domain of analytic skills. Perhaps, when learning challenges are focused in the analytic realm, the person who is specialized in conceptualization has the advantage over the more flexible person with a balanced learning style. The fact that specialization in conceptualizing is negatively related to adaptive flexibility, while specialization in experiencing is positively related to adaptive flexibility is consistent with ELT.

Other study results provide further construct validation for ELT. Table 6 shows the highly significant positive correlation of ICET (INTEGRATED COMMON ENTRANCE TEST) scores to specializing in conceptualizing as a learning style, to the conceptualizing end of the dialectic dimension, skill development in analytic learning skills, and negatively correlated with learning skill development in interpersonal skills. Since the ICET (INTEGRATED COMMON ENTRANCE TEST) is currently used as a popular screening tool for MBA programs, and the corresponding standardized, multiple-choice test is used for other graduate programs (LAWCET for law school, EAMCET for medical and engineering school, GRE for other technical graduate programs viz., aviation and microbiology, aeronautical engineering), we can conclude that graduate programs favor admitting those students biased toward conceptualizing learning styles and showing less flexibility in learning situations. As these test scores have increased in salience because of their use in competitive rankings of programs by the media, the consequences on learning flexibility and skill development may have become exaggerated in a direction opposite to the explicit mission of graduate programs.

TABLE 6
PEARSON CORRELATIONS BETWEEN LSI, ASI, LSP Scores and ICET (INTEGRATED COMMON ENTRANCE TEST) scores (N=219).

LSI, ASI, and LSP Scores	ICET (INTEGRATED COMMON ENTRANCE TEST) SCORES		
	QUANTITATIVE	VERBAL	TOTAL
LSI Specialization in Conceptualizing (AC)	0.305***	0.146*	0.307***
LSI Specialization in Experiencing (CE)	-0.166*	0.006	-0.116
LSI Specialization in Acting (AE)	-0.090	-0.029	-0.089
LSI Specialization Reflecting (RO)	-0.071	-0.116	-0.114
LSI Specialization in (AC-CE)	0.286***	0.090	0.260***
LSI Specialization in (AE-RO)	-0.006	0.055	0.020
Balanced LSI Learning Profile in AC/CE	0.026	0.127	0.116
Balanced LSI Learning Profile in AE/RO	0.070	-0.148*	-0.039
ASI Specialization in Conceptualizing (AC)	0.094	-0.057	0.030
ASI Specialization in Experiencing (CE)	-0.115	0.137*	-0.003
ASI Specialization in Acting (AE)	0.069	0.039	0.073
ASI Specialization in Reflecting (RO)	-0.048	-0.0137*	-0.107
ASI Specialization in (AC-CE)	0.116	-0.108	0.019
ASI Specialization in (AE-RO)	0.069	0.100	0.104
ASI Adaptive Flexibility in AC/CE	0.009	-0.069	-0.018
ASI Adaptive Flexibility in AE/RO	0.068	-0.010	0.063
LSP Specialization in Analytical Skills (AC)	0.261***	-0.006	0.188**
LSP Specialization in Interpersonal Skills (CE)	-0.251***	-0.162*	-0.276***
LSP Specialization in Behavioral Skills (AE)	-0.158	-0.035	-0.127
LSP Specialization in Information Skills (RO)	-0.076	0.009	-0.023
LSP Specialization in (AC-CE)	0.342***	0.086	0.300***
LSP Specialization in (AE-RO)	-0.116	-0.051	-0.131

Notes:

1. Due to inverse scoring in the computation of the balanced learning profile, a negative correlation between the balanced learning profile and ICET (INTEGRATE COMMON ENTRANCE TEST) scores indicates a positive relation between them.
2. Due to inverse scoring in the computation of adaptive flexibility, a negative correlation between adaptive flexibility and ICET (INTEGRATE COMMON ENTRANCE TEST) scores indicates a positive relation between them.
3. Significance (two-tailed): *, $p < 0.05$; **, $p < 0.01$; ***, $p < 0.001$.

The ELT instruments show a high degree of commensurability. The high degree of inter correlation of the dimensions and dialectics suggest scales and instruments assessing comparable theoretical dimensions. Meanwhile, their differential construct and criterion validation results support the discriminant validity of the scales and measures. In terms of age and gender, as shown in tables in Appendix C (Tables C.1, C.2, and C.3), we can find consistent lack of findings regarding type of program and age, and consistent findings regarding gender. As the literature would suggest, women show an increased tendency toward the experiencing end of the dialectic, increased flexibility on this dimension, and greater learning skill development, while men show the opposite tendency toward conceptualizing.

IMPLICATIONS FOR RESEARCH AND PRACTICE: One of the major goals in creating the ASI was to develop a quantitative measure of adult development. The findings suggest that further research to replicate, extend the construct validity, and mathematical analysis of new formulas to assess adaptive flexibility on the ASI will add to our understanding of learning processes and effectiveness. Also, the substantial correlation between LSI scores and ASI total scores suggest that ASI total scores are similar to LSI scores. Whereas to date the LSI has been extensively used in the management literature to study learning preferences, the results of this study underline the importance of integrated learning and adaptive flexibility.

Implications for practice must be considered tentative at this point, awaiting replication and further construct validation of the balanced LSI learning profile and adaptive flexibility on the ASI. At a minimum, the study gives a suggested answer to the often asked questions, "What does it mean if I score 'in the middle' on the LSI?" or "What is the difference between balanced and specialized learning styles?" The findings suggest that the balanced learning profile, particularly on the conceptualizing/experiencing dialectic, is more flexible in adapting to different learning contexts, but may be less effective for skill development than a specialized learning style commensurate with specific specialized learning skills.

These findings suggest the biases inherent in most graduate programs admissions criteria and faculty orientation create a self-fulfilling prophesy. Those with a high conceptualizing orientation perform better in the faculty's eyes and get better grades for written work and class room performance. Meanwhile, those who perform their professions and occupations more effectively, and may be even in life, seem to represent people with more varied learning style preferences, flexibility, and skill development. To be more effective in preparing students for their professions, graduate programs should consider designing admissions criteria and learning processes with more pluralism regarding learning styles and flexibilities. The same argument would apply to organizationally sponsored training and development. Although the training and development programs offered in companies and government agencies often have a different learning orientation bias, but one which still focuses on the socially most acceptable styles and devalues others, unintentionally devalues flexibility.

REFERENCES:

1. Boyatzis, R.E.(1982). "The competent manager: A model for effective performance", New York: John Wiley&Sons.
2. Cohen, J.(1977). "Statistical power analysis for the behavioral sciences." New York: Academic Press.
3. Gish, G.(1980)."Adult development and adaptation: An empirical test of the experiential learning theory and adaptive flexibility." Unpublished doctoral dissertation, Department of Organizational Behavior, Weatherhead School of Management, Case Western Reserve University, Cleveland, OH.
4. Johnson, H.(1991) *Cross-cultural Differences: Implications for Management Education and Training*, Journal of European Industrial Training, 15,6,13-16.
5. Kolb,A.&Kolb.D.A(1999). "Bibliography of research on experiential learning theory and the learning style inventory." Department of Organizational Behavior, Weatherhead School of management, Case Western Reserve University, Cleveland, OH.
6. Kayes, D.C.(2002) *Experiential Learning and Its Critics: Preserving the Role of Experience in Management Learning and Education*, 1,2,137-149.
7. Kolb, D.A.(1984). *Experiential Learning: Experience as the source of learning and development*," New Jersey: Prentice-Hall.
8. Kolb, D.A.,& Wolfe, D.(1981). "Professional Education and Career Development: A cross-sectional study of adaptive competencies in experiential learning."
9. Kolb, D.A., Boyatzis, R.E., & Mainemelis, C. "Experiential learning theory: Previous research and new directions."
10. Perlmutter, S.(1990) "Cognitive complexity and time perspective in hybrid organizations."
11. White, J. (1992). "Applying an experiential learning styles framework to management and professional development." *Journal of Management Development*, 11(5), 55-64.

APPENDIX A

ADAPTIVE FLEBIBILITY FORMULAE

The formulae for the two adaptive flexibility measures are based on the vectors for each of the eight items of the ASI. There are two possible vectors per dimension for each item. For example, the AC/CE vectors for Item 1 are:

If $AC > CE$, Vector AC/Item 1=1; Vector CE/Item 1=0.

If $AC = CE$, Vector AC/Item 1= Vector CE/Item 1=1.

If $AC < CE$, Vector AC/Item 1=0, Vector CE/Item 1=1

The valence of individual's preference for each mode is given by summing the vectors of the eight items:

SUM (Vectors AC) = Vector AC/Item 1+...+Vector AC/Item 8.

SUM (Vectors CE) = Vector CE/Item 1+...+Vector CE/Item 8.

SUM (Vectors AE) = Vector AE/Item 1+...+Vector AE/Item 8

SUM (Vectors RO) = Vector RO/Item 1+...+Vector RO/Item 8

The formulae for adaptive flexibility in the two ASI dimensions are the following (note that due to subtraction the scoring is inverse: The lower the score, the higher the adaptive flexibility):

Adaptive Flexibility in AC/CE= ABS (SUM [Vectors AC] - SUM [Vectors CE]). This score has a minimum value = 0, maximum = 8, mean = 3.59, standard deviation = 2.27, skewness = 0.236, and kurtosis = -0.901

Adaptive Flexibility in AE/RO=ABS (SUM [Vectors AE] - SUM [Vectors RO]). This score has minimum = 0, maximum = 8, mean = 2.21, s.d.=1.85, skewness = 0.994, kurtosis = 0.745.

APPENDIX B

Table B: Univariate Statistics and Pearson Correlations among LSI, ASI, and LSP SCORES (N=225).

SL NO	ITEM	MEAN	S.D	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1.	LSI AC	33.73	7.67																
2.	LSI CE	24.78	6.69	-0.44															
3.	LSI AE	33.55	7.27	-0.38	-0.03														
4.	LSI RO	27.94	8.10	-0.24	-0.38	-0.51													
5.	LSI (AC-CE)	08.95	12.22	0.87	-0.83	-0.22	0.06												
6.	LSI (AE-RO)	5.61	13.37	-0.06	0.21	0.85	-0.88	-0.15											
7.	LSI ABS (AC-[CE+4])	10.91	7.38	0.35	-0.31	-0.08	0.00	0.38	-0.04										
8.	LSI ABS (AE-[RO+6])	11.29	7.14	-0.08	0.09	-0.13	0.12	-0.10	-0.14	-0.14									
9.	ASI AC	13.94	3.91	0.48	-0.23	-0.22	-0.06	0.43	-0.08	0.12	-0.07								
10.	ASI CE	9.63	3.91	-0.41	0.40	0.06	0.00	-0.48	0.03	-0.19	0.08	-0.63							
11.	ASI AE	11.85	3.42	-0.11	-0.02	0.45	-0.28	-0.06	0.41	0.02	-0.08	0.39	-0.12						
12.	ASI RO	12.59	3.10	0.04	-0.20	-0.30	0.39	0.13	-0.40	0.07	0.07	-0.05	-0.34	-0.47					
13.	ASI (AC-CE)	4.32	7.05	0.49	-0.35	-0.16	-0.03	0.50	-0.07	0.17	-0.08	0.90	-0.90	-0.15	0.16				
14.	ASI (AE-RO)	-0.74	5.60	-0.09	0.10	0.44	-0.39	-0.11	0.48	-0.03	-0.09	-0.21	0.12	0.87	-0.84	-0.18			
15.	ASI Adaptive Flexibility AC/CE	3.57	2.27	0.21	-0.16	-0.06	-0.01	0.22	-0.03	0.24	-0.08	0.43	-0.44	-0.12	0.14	0.48	-0.15		
16.	ASI Adaptive flexibility AE/RO	2.21	1.83	0.03	-0.04	0.00	0.00	0.04	0.00	-0.03	0.16	-0.01	0.03	0.00	-0.04	-0.02	0.02	0.01	
17.	LSP Analytical (AC)	67.44	20.20	0.54	-0.29	-0.19	-0.10	0.50	-0.04	0.28	0.00	0.33	-0.33	0.03	-0.04	0.36	0.04	0.16	0.03
18.	LSP Interpersonal (CE)	83.37	14.80	-0.24	0.30	0.10	-0.11	-0.31	0.12	-0.02	0.07	-0.14	0.15	0.04	-0.07	-0.16	0.06	0.04	-0.04
19.	LSP Behavioral (AE)	84.43	13.96	0.05	0.07	0.12	-0.21	-0.01	0.19	0.11	-0.04	0.05	-0.04	0.16	-0.19	0.05	0.21	0.09	-0.04
20.	LSP Information (RO)	78.60	11.35	0.14	0.09	-0.11	-0.11	0.04	0.01	0.19	0.00	0.10	-0.08	0.00	-0.02	0.10	0.01	0.13	-0.04
21.	LSP (AC-CE)	-15.9	26.22	0.55	-0.39	-0.20	-0.01	0.56	-0.10	0.22	-0.04	0.33	0.34	0.00	0.01	0.37	0.00	0.10	0.05
22.	LSP (AE-RO)	5.82	11.35	-0.08	0.00	0.26	-0.15	-0.15	0.23	-0.05	-0.05	-0.04	0.03	0.21	-0.22	-0.04	0.25	-0.02	-0.04

Note: Significance (two-tailed): $r's \geq ABS(0.13)$, $P < 0.05$; $r's \geq ABS(0.18)$, $p < 0.01$; $r's \geq ABS(0.23)$, $p < 0.001$

APPENDIX C

Table C.1: <Mean LSI Scores for Program Type, Gender, and Age.

LSI SCORES	PROGRAM		GENDER		AGE		
	FULL TIME (N=166)	PART TIME (N=58)	MEN (N=145)	WOMEN (N=79)	<27 (N=62)	27-32 (N=123)	>32 (N=32)
Conceptualizing (AC)	33.28	35.00	35.26	30.91	33.98	33.34	34.06
Experiencing (CE)	24.97	24.05	24.06	25.96	24.48	24.98	24.13
Acting (AE)	33.61	33.72	33.59	33.75	32.81	34.63	31.69
Reflecting (RO)	28.13	27.22	27.09	29.38	28.73	27.06	30.13
AC-CE	8.31	10.95	11.20	4.95	9.50	8.37	9.94
AE-RO	5.48	6.50	6.50	4.37	4.08	7.57	1.56
Balanced Learning Profile in AC/CE	10.55	12.02	11.53	9.84	11.15	10.63	11.63
Balanced Learning in AE/RO	11.39	10.67	11.37	10.90	11.02	10.90	12.38

NOTE: Due to inverse scoring in the computation of the balanced learning profile, the lower the score the more balanced the profile.

Table C.2: <Mean ASI Scores for Program Type, Gender, and Age.

ASI SCORES	PROGRAM		GENDER		AGE		
	FULL TIME (N=166)	PART TIME (N=58)	MEN (N=145)	WOMEN (N=79)	<27 (N=62)	27-32 (N=123)	>32 (N=32)
Conceptualizing (AC)	13.81	14.29	14.25	13.37	14.34	13.70	14.03
Experiencing (CE)	9.69	9.44	9.08	10.63	9.94	9.50	9.47
Acting (AE)	11.93	11.72	11.94	11.77	11.42	12.22	11.63
Reflecting (RO)	12.57	12.55	12.73	12.25	12.32	12.58	12.88
AC-CE	4.12	4.84	5.17	2.73	4.40	4.20	4.56
AE-RO	-0.63	-0.83	-0.79	-0.48	-0.90	-0.37	-1.25
Adaptive Flexibility in AC/CE	3.54	3.67	3.84	3.09	3.55	3.59	3.88
Adaptive Flexibility in AE/RO	2.25	2.04	2.38	1.85	2.34	2.18	1.99

NOTE: Due to inverse scoring in the computation of adaptive flexibility, the lower the score the more adaptively flexible the individual.

Table C.3: <Mean LSP Scores for Program Type, Gender, and Age.

ASI SCORES	PROGRAM		GENDER		AGE		
	FULL TIME (N=166)	PART TIME (N=58)	MEN (N=145)	WOMEN (N=79)	<27 (N=62)	27-32 (N=123)	>32 (N=32)
Analytical (AC)	65.69	72.62	72.77	57.80	67.69	66.56	67.44
Interpersonal (CE)	84.52	80.40	82.74	84.77	84.50	82.30	86.66
Behavioral (AE)	85.13	83.07	84.65	84.49	86.02	83.39	86.91
Information (RO)	78.60	78.50	79.43	77.00	78.29	77.36	82.31
AC-CE	-18.83	-7.77	-9.97	-26.98	-16.81	-15.75	-19.22
AE-RO	6.53	4.57	5.22	7.49	7.73	6.03	4.60

Generic Skills Development to Enhance Performance of Employees in Hospitality

Prof. Anita Frantz
Principal M.A.Rangoonwala Institute
of Hotel Management and Research,
Azam Campus, Pune

Introduction:

Employees from the Hospitality Industry come from various strata of society, with different educational, cultural and financial backgrounds which influences their behavior and personality. This behavior pattern may reflect in their approach towards tackling different aspects during the execution and performance of their duty. It is extremely important for the employer / organization to educate their staff in generic skills to bring about the desired change in behavior and uniformity in the approach towards their jobs.

Role of Generic skills in the well-being of the employee

Life skills or generic skills are least acknowledged, but equally important. Unfortunately it is not clear how to develop these competencies systematically or how to measure them objectively. There is rarely a systematic approach to learning generic skills. Generic skills are those that we all need, to manage the world around us, so that we can use our technical skills more effectively.

Some essential generic skills

- Managing yourself (Time management, Health management)
- Managing resources (Usually Money)
- Managing people
 - Being part of & leading a team & managing meetings
 - Appointing & interviewing
 - Giving & taking feedback
- Managing Knowledge
 - Lifelong learning (learning skills)
 - Writing & publishing
 - Knowledge skills, libraries, & info technology
 - Teaching skills

Generic skills are vitally important in helping us do our jobs in an effective and fulfilling way. In pursuit of accomplishing the organization goals and objectives, managers today strive to create an environment that enhances the potential and maximizes energy and creativity of their employees.

Benefits associated with Generic Skill Development.

Organizational	Individual
<ul style="list-style-type: none"> • Acts as a staff retention tool and reduces turnover • Eliminates current and future skill shortages • Enriches the perception of the authority as an employer and as a body which is respected by both its staff and the community. • Emphasizes the value of local authority staff, consequently boosting moral and motivation level • Increases productivity and organizational capacity • Fit employees means increased output • Happy employees make happy customers 	<ul style="list-style-type: none"> • Increased competence and confidence • Heightened aspirations • Increased sense of achievement and feelings of self-worth. • More flexibility • Active engagement in life-long learning • Increase opportunities for assuring increased responsibility and promotion • Increases earning potential • Opens up career opportunities and career development opportunities. • Increases awareness of one's mental and physical health and brings about a work life balance

TRAINING IN DEVELOPMENT OF GENERIC SKILLS SHOULD INCLUDE INFORMATION IN THE FOLLOWING AREAS

Self-Development and Areas of Self Development

Personality is crucial to life. Our personality has the ability to evoke positive feelings, sympathy and cooperation from others or invoke hostility, resentment and antagonism. All our problems are personality problems and all our triumphs are due to our personality. This being the importance of personality, we should study what it is and what it is made of, so that we can see how to develop it and use it effectively for social and professional success.

Personality simply means the habitual manner with which we respond to our environment. It refers to our characteristic patterns of behavior, patterns of thinking, feeling and behaving, which constitute our distinctive and unique method of relating ourselves with our environment.

Stephen Robbins defines personality as the "Sum total of ways in which an individual reacts and interacts with others."

Self-Development

The word personality is derived from the Latin word 'persona' WHICH MEANS A MASK. Personality implies a mask that we put on. So there is a growing tendency to replace the word personalities with a more politically correct term 'self'.

Self-Development means preserving our best traits while replacing dysfunctional or negative patterns of thinking, feeling and behaving which subject us to stress, conflict and failure with more functional patterns that ensure success. Development involves all the aspects of personality i.e. the physical, intellectual, emotional, and social aspects. A healthy physique, a sound mind, emotional maturity and social effectiveness are the areas of self-development.

The goal of self-development is adjustment. Adjustment does not mean compromise but a dynamic and effective interaction with the environment.

Areas of Self- Development

Human beings live at many levels. They live at physical, intellectual, emotional and spiritual levels. In order to live a fulfilling life, they have to develop all these dimensions. Development has to be holistic (i.e. body, mind, emotions, and spirit)

Self-Analysis

SELF Analysis means identifying our strengths and weaknesses in terms of skills. So we can use our strengths to get what we want as well as overcome weaknesses that prevent us from attaining to our best.

STRESS

What is stress?

Man has to constantly interact with his environment to fulfill his needs. In this process he makes demands or puts pressure on the environment and the environment too makes similar demands on him.

When any factor within the environment makes a demand on him which his body and mind resources cannot withstand his system fails and he is said to be under 'stress'. Thus stress can be defined as a state or condition in which a person fails to cope with a demand made by the environment.

How is stress management concerned with self-development?

In the introduction to self-development we have understood that the goal of self-development is 'adjustment' and stress management is a crucial component of the adjustment process.

Pressure and problems are inevitable in the process of living. They cannot be avoided. We cannot hope to have an environment that is tailor made for us. The truth is we have to tailor ourselves and adapt to the environment

How we respond to the problems and challenges thrown up by environment decides what kind of life we lead. If we withstand the pressures or manage them advantageously, we will be successful and well adjusted. If we crumble under pressure, we lead a miserable and substandard life. If we are 'well adjusted' we leave ourselves at an advantage in reference to our environment and can function optimally within the constraints imposed by the environment and pressures exerted by it. We will be able to fulfill our needs satisfactorily and lead a contented life. Nobody has confidence in a person who falls to bits at the hint of pressure and he is not given any responsibilities. The ability to withstand cringing and cribbing and cope out of pressure cooker situations is what makes one a leader. People who have the attitude of taking stress as a challenge are positive and well-adjusted people and have strong personalities. Some people are

stress prone and have weak coping abilities to stress. There is a well-documented connection between personality type and the ability to cope with stress.

Effects of stress: Stress has far-reaching effects on our behavior and health. There are far too numerous to be mentioned in a paragraph form.

Cost of stress: the cost of stress is enormous in terms of finance involved in treatment and rehabilitation.

- In terms of social problems like drug abuse, alcoholism, increased incidence of crime.
- In terms of relationships- divorce, child abuse, sexual perversions.
- In terms of productivity, growth and development.

Stress managers

There are numerous functional methods of managing stress. They can be classified as follows:

Social methods: Involves creating strong social bonds and a network of positive, healthy and long-standing relationships. Friends offer excellent support and help in numerous ways. They reduce the impact of stressful events. Psychologists suggest social networking to develop a large circle of friends. So visiting, going out on picnics and outings etc. are excellent ways of beating stress.

Emotional strategies: Pent up emotions cause severe stress and lead to violent outbursts that are dangerous for self and others. We cannot avoid emotions as people and events induce some kind of feelings but dealing with it in a harmless way is important.

Physical: Any kind of physical activity keeps the body from accumulating harmful toxins. Emotions generate toxic substances that can cause great harm. So exercising regularly not only eliminates toxins but also brings self-esteem and relaxation.

Aesthetic: Any kind of aesthetic activity, be it singing, dancing, painting or playing an instrument is an excellent way to connect with the 'inner self, especially dancing is a mind body par excellence.

Cognitive: Strategies involve using reasoning to solve problems. Neuro-linguistic programming, Ratio emotive behavior therapies etc are cognitive methods that cope with stress excellently. They involve identifying negative patterns of thinking and belief systems and replacing them with positive patterns.

Behavioral: Being passive and taking orders will inevitably fill you with bitterness and resentment. It will result in low self-esteem and stress. You have to become assertive enough not to let people get what they want at your expense. You should protect yourself from being exploited.

HEALTH

When it comes to defining, positives can never be defined as precisely and easily as negative states. It is easy to define illness and negative states. It is easy to define illness and disease. We can list a few symptoms and give it a difficult name. But it is very difficult to define health and wellness.

Generally, we believe that we are healthy if we are not ill with something. But health is not the absence of pain but something much more than that.

Health is a state of body and mind where the organism throbs with positive sensations: where it is vitally and vibrantly alive and brimming with energy and is in a positive frame of mind. The World Health Organization defines health as a state of complete physical, mental and social well-being and not merely the absence of illness.

Wellness means we have a full use of our body and mind regardless of our age and occasional spells of ill health.

HOW IS HEALTH CONNECTED WITH PERSONALITY?

Though the role of physical attributes has been undermined in theory, it is nevertheless the most important attribute of personality in practice. Other peoples' first impressions of us are made on the basis of our appearance, grooming and health. How we are judged and valued depends a great deal on our physical attribute and health. Even infants, who have no concept and standards of beauty whatever, respond positively to healthy and well groomed people and fear those whose appearance and health are poor.

Our social stimulus value is influenced by our health and grooming. People like to be seen and be with those who are fit, healthy and well turned out. Health and body type play opportunities. People who are healthy and pleasant in appearance get better partners as well as paid glamorous jobs.

Body image and social success

Body image means our idea of our body. Most of us have a more or less fair idea of how we look and what impact our appearance has on others. But our body image has less to do with what it is than what we '*feel*' about our body. It is an indispensable or perhaps the single most important factor in our self-image and has a great impact on our '*self-esteem*'.

Our feelings towards our body decide how well we relate with others, how poised we are and how effective we prove in social interactions. Studies have confirmed that those people who have a healthy regard for their body are well adjusted and feel socially adequate and those of us who have a negative body image have poor self-esteem, little confidence and are prone to chronic depressions and usually experience social inadequacy.

Though appearance and fitness form the basis on which we decide body image, studies lead to the conclusion that appearance is not half as important as fitness and health are.

All cultures at all times had a concept and criteria on what constituted beauty but at no time in history have cultures exerted so much pressure on us as they do now, to look good, fit and healthy. As awareness toward fitness increases, the standards are raised every day causing us anxiety.

Health (Food, Exercise and Rest)

Health cannot be had overnight. It cannot be brought about by some wonder drug or by a diet plan designed by a high profile doctor or some readymade health food formula. It is the result of a longstanding life style of healthy eating, regular exercise and good resting habits on the one hand and good genes, regular medical care and avoidance of addictions on the other. Above all it is the outcome of a commitment to a healthy holistic living, and a personal responsibility for our own health.

Food: To function as living organisms, the cells of the body use up a great deal of energy. Even when it is at complete rest, (e.g. deep sleep) the body consumes energy at the rate of 1 Cal/sec because essential functions like breathing, blood circulation etc. goes on.

Thus we expend prodigious amount of energy every day and it has to be replenished and the energy balance should be maintained by a high-energy diet, failing which the body breaks down. Well balanced and nutritious food helps us to retain energy balance and enables the body to function efficiently.

Fitness and exercise

What is fitness?

If diet is one side of the coin of health, fitness is the other side. We cannot regard anyone as healthy unless he is also fit. Fitness is a condition of the organism. It means the functioning of the entire organism is in top gear. We don't have a good understanding of what fitness is. It actually is made up of 11 components, 5 health components and six related components. Health related components are (1) Ratio of muscle to fat (2) cardiovascular fitness (heart and blood pulse) (3) Flexibility (4) Muscular endurance (stamina) (5) Strength.

Skill related aspects: (1) agility (2) speed (3) alertness or reaction time (4) balance (5) motor co-ordination (6) power. These aspects, if present, not only result in excellence in performance but also enable us to enjoy life more completely. Generally fitness is the outcome of physical activity. But there is no single exercise that can guarantee all the above abilities. A sensible combination of exercise will help us to attain peak fitness.

Exercise: Exercises are activities with synchronized or organized movements and a repetition of these movements designed to strengthen the muscles and internal organs. Any type of exercise can strengthen the internal organs and the musculature but some exercises are good for the muscles and some for the internal organs. On this basis we can divide exercises into cardiovascular and osteopathic.

Body Observation: If we observe our body carefully we know how it works. The body has a feedback arrangement called the bio-feedback mechanism. The body sends signals continuously which tell us about its condition. Illness results only when we ignore the body talk and perpetuate the symptoms. The aches, spasms and sprains and the tingles are body's ways of expressing itself and if we are sensitive to its messages we can prevent diseases from taking root. Besides, the body has a bio-rhythm which may not coincide with the rhythms of day and night. Similarly certain foods agree with it and some don't. Each body is unique and it should be treated as unique. What may be a good diet for one may be bad for the other. What is good rest for one may be too much or too little for another. There is no way of knowing our body well other than by observing it minutely. This monitoring of body yields us so much of information that if we know how to respond to its needs, the doctor can be permanently avoided and illnesses can be put at bay.

The body mind unity: Man is psychosomatic i.e. mind and body complex. What happens in our body will affect our mind and vice versa. Though their unity was known from ancient times, it was downplayed until connection. Now all diseases are considered psychosomatic.

With this acceptance of body and mind unity, arose the concept of mental hygiene which means positivity of belief and thought. It is the result of intelligent perception on one hand and the acceptance of social and environmental reality on the other.

If a man is dynamically adjusted into his physical and social surroundings, facing up to and accepting the demands made on him by his environment and retains his optimism and good cheer in the face of many frustrations that life is fraught with, his mind will be at ease and his body will follow suit.

If a person does not accept the socio- cultural reality in which he exists and creates tensions and friction for himself and others, he will lose his mental stability and his body will fall ill.

So watching our mind and preventing it from falling into the self-created trap of irrational thinking is another important challenge for modern men. It is part of his body watch.

Thus health is a personal responsibility. We have to take the responsibility of our wellbeing and observe and care for our body and see what works and what are its unique needs as a key to wellness. Here are a few guidelines for body watch.

- Understand how your body works.
- Know how body and mind interact.
- Know what you should and what you shouldn't do.
- Know your family's health history and its health risk.
- Know the occupational hazards integral to your lifestyle, work and environment.
- Go for a periodic and thorough medical checkup.
- Develop a healthy lifestyle of good eating exercising and resting habits (buy a self-care guide and first aid box).
- Interact with your doctor regularly.
- Know the symptoms of and cures for common ailments.

EMOTIONS

What are Emotions?

Emotions or feelings are simply the responses of the body to mental activity. In the past it was believed that emotions and thoughts are not only separate but opposites: those emotions belong to the heart while thoughts are of the head. But now science has demonstrated beyond a shade of doubt that our emotions result from cognitive processes and are formed by what we think, assume or believe. We cannot experience any feelings whatsoever, if the thinking center of our brain gets damaged.

Types of Emotions

Emotions can be functional or dysfunctional. Functional emotions are those that invoke pleasant sensations and create a sense of wellbeing. They leave us in a state of contentment which contribute to a positive self-image and self-esteem, increasing our ability to perform tasks efficiently.

E.g. love, friendliness, compassion, sympathy etc.

Dysfunctional emotions leave in their wake unpleasant sensations and a state of misery and low self-worth. They inhibit and depress the organism resulting in behaviors and consequences that are harmful to us.

E.g. Anger, fear, worry, guilt, hate, jealousy etc.

Effects of Emotions on Health: Studies suggest that on an average we get about 50000 thoughts a day, each producing a corresponding body sensation or feeling. Of these, a few thoughts are productive or positive and a whopping portion of them negative, stimulating the release of toxic substances resulting in unpleasant sensations which subject the organism to great stress and eventually lead to numerous diseases.

We can imagine how these drastic and dramatic mood swings affect the chemical balances of the body and what havoc they wreck on our health notwithstanding the behavior and their consequences these moods result in.

On Our Social Effectiveness: The quality of our social life depends on our emotions. Our emotions can put us into a state of high energy and enthusiasm and predispose people towards us, inspire their confidence and secure their cooperation and thereby help us to attain our goals: or they can antagonize people, merit their criticism and condemnation leading to isolation and alienation. Thus our social stimulus value rests entirely on the kind of emotions we experience and exhibit.

On Interaction and Behavior: Our ability to relate with others depends largely on our feelings. Our feelings towards ourselves and others result in the four patterns of interpersonal behavior we see in human interaction.

It is evident that the positive feeling towards ourselves boosts our confidence, builds our image, attracts others, inspires their confidence in us and secures their cooperation in us, whereby helping us attain our goals. Negative feelings towards self and others shatter our self-esteem, invite the contempt of others, anger and antagonize them, so that they impede our actions and ruin our prospects.

On Cognition and Performance: dysfunctional or negative emotions lead to cognitive malfunction or failure. We fail to see things in proper perspective, and distort reality. We lose objectivity, rationality and perspective in life. No complex activity can be performed well under the influence of extreme emotions like fear, anger, anxiety etc. we fail to perform even those tasks we are normally good at.

Behavior and personality: Behavior can be defined as manifested feeling or as disguised feeling and emotions experienced consistently which become habit patterns or compulsive behavior patterns which eventually become part of our psychological make-up and personality. Personality is our habitual emotional pattern.

Emotional Maturity/ emotional Stability

Emotional maturity does not imply an absence of emotions or repression of emotion. It simply means the ability to express emotions appropriate or in proportion to the experiences we go through. Emotions when felt in proportions to circumstances are not dangerous but very necessary. In fact, emotions have in-built mechanisms that protect the organism and aid in its survival. Even negative emotions are devices that protect us from abuse, unwanted attention and advances. Fear keeps us alert, careful and cautious from possible danger. Worry inspires planning for future and so on.

Emotional Stability implies the ability to come to terms with our feelings and not allowing them to spiral out of control and bring about consequences that are inimical to our happiness and jeopardize our survival and existence. It means the maturity to digest the many failures, frustrations and cruel blows fate hands out. It does not require that we should never experience extreme emotions. Some events inevitably bring about such feelings. But we should try to quickly get over those extremities and stabilize. Dwelling on those events endlessly tosses us into the turbulent sea of extreme emotions.

- Emotional Stability Means we don't lose out on faith or optimism in existence no matter what fate brings.
- Reset our goals whenever there is a setback.
- Shift our focus from results of our actions to our efforts.
- Remain assertive (which implies an awareness and positive regard for others)
- Always be rational and retain perspective even among difficulties;
- The insight that "we are responsible" for anything that befalls us.
- Having appropriate emotions (irritation rather than anger or rage, dislike rather than hate or contempt)
- Examining our beliefs with more functional ones (e.g. - nobody needs to be loyal to me). Changing rules into preferences and demands to expectations.
- Being goal oriented e.g. I should not waste my time listening to and thinking about what others say about me. I better get this task finished before it is too late.

- Generate alternatives: I will tell him not to discuss me or I'll ask the boss to send a general notice requesting employees to respect each other's privacy.
- Condemn behavior and not person: listen "I don't like your habit of cribbing about me behind my back", instead of "you are a disloyal scoundrel".
- Rational positive self-talk: "I cannot control what others say about me. I better do something that disturbs me less rather than punish that guy which might cause more trouble than I already have."

Emotional Intelligence and Training

Training

We need systematic effort to break free of self-defeating emotional patterns. The training program needs both sessions which create real life situations as well as constant alertness to get rid of inappropriate emotions.

Know Emotions

The first step in emotional training is to know all you can about emotions. In the previous sections, the nature of emotions is described. The most important thing we need to keep in mind is the fact that emotions are our choices and we are responsible for them. It also means we can change them if we want.

The second important thing is to discover our emotional patterns or habits. Habits are ready made responses which involve minimum thinking. Habits help to reduce unnecessary thinking in routine actions. We have what is called "autonomous nervous system" which responds automatically without our consent or involvement. If we perform an action repeatedly, the nervous system knows the sequence of actions needed and reacts without our conscious involvement. We have to distinguish between "reaction" and "response". Reaction is habitual or instinctual behavior which is not appropriate to the situation because it is not conscious behavior. It takes the situation into account, identifies alternative courses of action and chooses the best alternative. Response is situation specific and appropriate.

Stay Focused: another important part of training is to set goals and remain focused on them. If we have goals which involve us passionately we will not be left with the time and energy to waste on the negativity of goal-less people. Goal-less people are a frustrated and jealous lot who consciously create problems for us and have an uncanny ability to suck everyone into their negativity by their continuous criticism, cribbing and taunting. We have to be extremely alert not to get into their trap. We have to emotionally distance ourselves from them. Focusing on our goals is the best way of getting rid of them.

Self-Defeating Emotions and Their Causes

Anger, fear, guilt, worry are the most common emotions that create so many behavioral complications and social problems. Like all emotions they are our reactions to events and circumstances. They are learned response patterns and can be changed if we have the knowhow, effort and motivation to change them.

Anger is a reaction to unfulfilled expectations or rather demands. It is our expectations which arise out of or belief that there are rules which coincide with universal laws and they should not be broken without being punished.

On the basis of these beliefs we decide whether someone's behavior or some circumstances is just – fair or not. We think, there is a right way and a wrong way. It would have been good if life was so simple. But unfortunately there is no authority figure which decides absolutely a

universal way of living. Various people and various cultures have various beliefs about what is right and wrong.

Naturally, there are many infractions to our beliefs of justice, our sense of propriety, our desire and demand for fairness and justice and inevitably we respond in anger.

Understanding that there are no absolutes, that our anger is our choice, and the fact we cannot change the world and its ways will help us contain anger.

Guilt is another self-defeating emotion that arises out of our sense of having broken some social standard or norm. It prevents us from being completely in the present because of regret over past behavior. It is an utterly useless emotion because no amount of guilt can change the past.

This emotion can be overcome by understanding that there is nothing that can be done about past behavior except using it as a learning experience and getting on with life. Besides all social standards and norms are mere beliefs and have no value except their use in making social life orderly.

Besides, guilt is a tool our parents, teachers, priests and peers use to manipulate us and coerce us into compliance. Manipulators use guilt to show that they are loving and concerned, to secure our pity and sympathy or to avoid some present responsibility. *Worry* is another wasteful emotion that immobilizes us in the present about something that is yet to happen or come to pass. No amount of worrying can change anything except damage our health. The existence is uncertain and security cannot be guaranteed.

Conclusion:

Employees who are mentally and emotionally healthy have

- 1) A sense of contentment
- 2) A zest for living and an ability to laugh and have fun
- 3) An ability to deal with stress and bounce back from adversity
- 4) A sense of meaning and purpose in both their activities and relationships
- 5) A flexibility to learn new things and adapt to change
- 6) A balance between work and play, rest and activity etc
- 7) The ability to build and maintain fulfilling relationships
- 8) Self-confidence and high self-esteem

Thus training the staff in generic skills helps in:

- 1) Improving methods of work and work process
- 2) Developing better working environment
- 3) Reducing staff fatigue
- 4) Reducing labor turnover & excess overtime
- 5) Introducing standardization into one work situation
- 6) Reducing complaints & grievances on the part of the employee & customer
- 7) Utilizing staff to their fullest
- 8) Improving the mental and physical health of the employees

References:

- 1) Bohdanowicz, Paulina Zientana, Piotr (2009), "Hotel companies contribution to improve the quality of life of local communities and the well being of their employees", *Journal of Tourism and Hospitality Research*, Vol 9, No.2,P 147-158.
- 2) Kattara, HauanSaadWaheba, Dina El-Said, Osman Ahmed (2008), "The impact of employee behavior in customers service quality perception and overall satisfaction", *Journal of Tourism and Hospitality Research*, Vol.8, No 4,P 309-323.
- 3) Gill, Amarjit S. (2008), "The role of trust in Employee-manager relationship, *International Journal of Contemporary Hospitality Management*", Vol.20, No 1, P 98-103.
- 4) Deery, Margaret, (2008) "Talent Management work life balance and retention strategies", *International Journal of Contemporary Hospitality Management* Vol.20 , No.7 P 792-806.
- 5) Catherine R. Curtis, Randall S. Upchurch, (2008), "A case study in establishing a positive service culture, Attachment and involvement in the workplace, " *Journal of Retail & leisure property* Vol.5, No.7, p 131-138.
- 6) www.softskill.com
- 7) Sudesh K (2003), "Development of Generic skills, "1st Edition, Nandu Printers & Publishers India.

A Study on the Problems and Challenges faced by Indian Women Entrepreneurs

Dr. Mohammad Khalil Ahmad*

Anjum Ara M.K.Ahmad**

1. Introduction:

Entrepreneurship has its origin from the French word *entreprendre* that means "to undertake" Burch (1986). The word reflects a willingness to do something, and usually the person who exhibits the willingness is known as an entrepreneur. There are many definitions for entrepreneurship but, simply, entrepreneurship is the process of identifying new opportunities and transferring them into marketable ideas, products and services. Lazear (2005: 649) defines entrepreneurship as "the process of assembling necessary factors of production consisting of human, physical, and information resources and doing so in an efficient manner" and entrepreneurs as those who "put people together in particular ways and combine them with physical capital and ideas to create a new product or to replicate an existing one." Entrepreneurship is considered as a factor of production, linked to innovation and risk taking, where entrepreneurial compensations are tied to uncertainty and profits (Montanye, 2006). The general observation is that there are fewer female entrepreneurs in the industrial sector than male entrepreneurs in India. This reflects the trend visible in other spheres of economic activity where males greatly outnumber females. Giving credence to the above statement is the work participation rate for men and women. The 1991 census data reveals that the female work participation rate is 22.25% as against 51.48% for males. Women have yet to make a visible and lasting impact of their economic participation, although in rural households they have always contributed, in part or whole, to the earnings in the family. However, unrecognized by policy or legislation, their contributions are often relegated to home-based work in the informal sector. India is definitely the hub of entrepreneurs worldwide. Women owned businesses are highly increasing in the economies of almost all countries. The hidden entrepreneurial potentials of women have gradually been changing with the growing sensitivity to the role and economic status in society. Skill, knowledge and adaptability in business are the main reasons for women to emerge into business ventures.

Some decades ago women were less educated and constituted a mere fraction of the region's human capital. Barriers that held them back levied a relatively smaller economic

cost than today, when women, after decades of investment in their education, account for nearly half the region's human capital, especially among the younger generations. Islam has a powerful role model in the first wife of the Prophet Mohammed, Khadija, a wealthy trader and powerful businesswoman of her time who was pivotal in the rise of Islam.

The recent interest in women's entrepreneurship in the Asian region has spurred a number of studies, that aim to identify the challenges facing women entrepreneurs. In all these studies, women entrepreneurs felt empowered because the data in most of these studies did not cover male entrepreneurs, however, it is not possible to say for certain whether they faced gender-based barriers or barriers common to everyone.

In the Indian context, National level Standing Committee on Women Entrepreneur constituted by the Ministry of Industries, The Govt. of India (1984) notes women entrepreneurs as "An enterprise owned and controlled by women having a minimum financial interest of 51% of the capital and giving at least 51% of employment generated in the enterprise to women. " However, the validity of such a definition had been challenged at every step particularly in the 8th National Convention of Women Entrepreneurs held in 1990. Finally the schemes that were offered condescend to drop the second requirement but the first is applicable till today. The generally accepted definition includes women who create something new, organize production and undertake risk and handle economic uncertainties (Anuradha, 1988) to adjust their personality needs, family life, social life and economic independence (Singh and Gupta, 1985) .Further they may not necessarily be the independent organizer\manager (Singh et.al., 1986) According to Kamala Singh," A women entrepreneur is a confident, innovative and creative woman capable of achieving economic independence individually or in collaboration generates employment opportunities for others through initiating, establishing and running an enterprise by keeping pace with her personal needs, family and social life. Thus a women entrepreneur is one who starts business and manages it independently and tactfully, takes all the risks and faces the challenges boldly with an iron will to succeed.

1. Aim of the Study

Many studies have been conducted on women entrepreneurs since the beginning of the 1980s, but more research is needed to understand various aspects of women entrepreneurship. However, there is a dearth of research on women entrepreneurs in India. Recognizing the presence of some self-motivated women entrepreneurs in India, this study identifies the barriers that they confront and highlights the challenges that are needed to boost entrepreneurship. The objective of the study is to examine the issues relating to women entrepreneurship development in India and to investigate the problems faced by woman's entrepreneurs in India. Women entrepreneurship needs to be studied for two main reasons. The first reason is that women entrepreneurship has been documented during the last decade as an important unexploited source of economic growth. Secondly, the topic of

women entrepreneurship has been largely ignored both in society in general and in the social sciences in particular. This issue is currently very important since it is part of the ongoing national efforts to alleviate poverty in developing countries like India in relation to the Millennium Development Goals (MDGs).

2. Materials and Methods

2.1. Methodology

This paper on women entrepreneurship results from an exploratory process identifying a new entrepreneurship phenomenon. This study is based on a review of key literature and a descriptive analysis of secondary data, from government sources as well as from the International Labour Organization (ILO), or from individual case studies on women entrepreneurs in India.

2.2. Research on women entrepreneurship: Crucial dilemma arises in collecting data

Framing successful programmes and policies to promote women's entrepreneurship requires information about women entrepreneurs: who they are, what kind of businesses they run, and how they are faring as compared to men. Such information is not always easy to collect. Moreover, the data that is accessible often suffers from several problems, most significantly a *lack of standard definitios* and a *lack of consistency among available data sources*.

3. A Review of Women entrepreneurship

The rising number of female business owners is, currently, a global trend. In advanced market economies, women own more than 25% of all businesses (Woldie & Adersua, 2004). Walker et al. (2007) argue that historically women were "pushed" rather than "pulled" into business ownership, but more recent studies have indicated that overall many women now actively choose self-employment, specifically younger women. In a different study, Walker et al. (2008) observe that women's preference to home-based business ownership is driven predominantly by the flexibility afforded to lifestyle and the ability to balance work and family.

Women entrepreneurs can significantly contribute in poverty reduction, mobilization of entrepreneurial initiatives, autonomy, and in accelerating the achievement of wider socio-economic objectives (Belwal & Singh, 2008). However, the contribution of women entrepreneurs depends on their performance, which in turn is affected by the underlying facilitators and barriers, understanding of which is a key to nurturing a balanced economy and its growth in the long run.

In his search for factors that influence the survival of women owned small business startups in Ghana, Chea (2004) observed innovation, flexible business planning, strong family support systems, strategic social networks, professional development, and economic policies as prime facilitators. Approaching from a social capital theoretical framework, Brunetto et al. (2007) find that trust affects the networking behaviour of women entrepreneurs where government involvement may affect the relational dynamics. Rather than pinpointing to specific facilitators or inhibitors, Dhaliwal (2000), however, contemplated that there are distinctive issues faced by South Asian women, and that each case is unique and must be weighed on its own merits.

However, women entrepreneurs in developed countries such as the US are much more ambitious in constructing a professional identity. James et al. (2006) revealed that they actively draw on role models from different domains and prefer to learn from external role models. Petridou et al. (2008) appraise rural women entrepreneurs running co-operatives in Greece to examine the effects of training support on their entrepreneurial skills and attitudes, co-operatives' viability and growth prospects, and work-family balance. Their study illustrates that participants perceived training positively in terms of skill improvement, identification and capturing of business opportunities, effective cooperation and flexibility in decision making, more positive attitude towards entrepreneurship, development and growth prospects for the cooperative and better work-family balance.

4. Women Entrepreneurship in India

Out of a total of 1210.19 million people in India, in 2011, females comprise 586.47 million representing 48.5 percent of the total population. There are 126.48 million women workforce but as per the 2011 census, only 1,85,900 women accounting for only 4.5 per cent of the total self-employed persons in the country were recorded. As per a rough estimate the number of SSIs are expected to be 2.5 billion having 9% women entrepreneurs involved in it. Considering this trend, women participation in another five years was 20 % more, raising the number of women entrepreneurs to about 5,00,000. Combined effect of motivational drive, preparation of information material, conducting training, creation of women industrial estates, and training of promoters and use of mass media all together is bound to accelerate the process of women entrepreneurship development.

4.1 Basic Characteristics of an Indian women

1. **Multi task oriented:** Indian women are known for juggling many tasks at same time in their personal lives for e.g. women can talk on phone and the same time she can easily handle their kitchen also. This attribute is known as multi task oriented that is most essential trait for an entrepreneur, this helps in saving time and handling more work.

2. Indian women can easily connect with people and they don't hesitate to ask for help. Indian women always do this in their routine life, like to take admission in a new school she contacts guardians and gets information about the best school. This trait of women in our business language is known as **the ability to make a strong network**
3. Indian women are very calm and they solve any family problem gently. Indian women show great extent of patience in their family life. **Being patient** is most vital for an entrepreneur. To achieve results an entrepreneur has to wait till the process is complete.
4. Indian women always give emphasis on the positive attribute of any product whether it is related to health or any home accessory. She is always ready to tell others about their positive experience.

Marketing skill: This skill of women in business language is known as marketing skills and women are natural marketers. To emphasize the benefit of their service to their potential customer this skill is required to run an enterprise.

5. Women are thorough with their daily task. They don't get bored with their routine activities. This attribute of women is known as being **consistent and thorough with daily task**. This attribute helps women get more clients, as if they consistently maintain your name by providing consistently good products and services they help to maintain customers.
6. Women can effectively manage their house budget, they are more aware about the price of the product. Being **cost conscious** is very crucial to run an enterprise. To solve the problem of scarcity of funds an entrepreneur should be cost effective.
7. Indian women can easily grasp anything that is new; either any food recipe or newly required skill. **Open and willingness to learn** is most essential for an entrepreneur to survive in this competitive world.
8. Indian women can easily adjust in a joint family and can work with them cooperatively. This attribute of women shows **team work and loyalty** that is required if you work in a group.
9. Indian women always fight for their problems and take initiatives and try to solve family matters. This attribute of women is called as the ability to **focus intensely and make decisions**. In spite of having lots of responsibilities and problems, she is always trying to think about further study or career advancement. This quality of women shows that they are highly **ambitious** and an entrepreneur has to be ambitious.

In spite of having all the characteristics of a women entrepreneur, a woman faces lots of problems that stop them from being entrepreneurs.

4.2 Challenges/Problems faced by women entrepreneurs

Women owned businesses are highly increasing in the economies of almost all countries. The hidden entrepreneurial potential of women has gradually been changing with the growing sensitivity to their role and economic status in society. Skill, knowledge & adaptability in the

business are the main reasons for women to emerge in business ventures. Indian women entrepreneurs face many problems to get ahead in their life in business.

A few problems can be listed as:-

1. The greatest deterrent to women entrepreneurs is that they are women. Male members think it is a big risk financing a venture by women.
2. Women's family obligation also bar them from becoming successful entrepreneurs in both developed and developing nations. The financial institutions discourage women entrepreneurs on the belief that they can at any time leave their business and become housewives again. The result is that they are forced to rely on their own savings and loans from relatives and family friends.
3. Indian women give more emphasis to family ties and relationships. Married women have to make a fine balance between business and home. The interest of the family member is a determinant factor in the realization of women folk's business aspirations.
4. The **male female competition** is another factor which develops hurdles for women enterprises in the business management process.
5. **Low level risk taking attitude** is another factor affecting women's' decision to get into business. Low level education provides low level self-confidence and self reliance in women to engage in business, which is a continuous risk taking and strategic decision making profession. Though the risk tolerance ability of the women folk in day to day life is high as compared to male members, in business it is found to be just the opposite.
6. **High production cost** of some business operations adversely affects the development of women entrepreneurs. The installation of new machinery during the expansion of the productive capacity and so on, dissuades the women entrepreneur from venturing into new areas.
7. **Product Selection:** Many entrepreneurs lack the aptitude for product selection. They adopt an unrealistic approach when they select products unsuited to their background or past experience. "A woman science graduate tends to select a highly technical product on the basis of her educational background. But later due to lack of skills, her unit fumbles" (Vinze, 1987). These problems often stem from women's lack of knowledge and exposure to industries and business. Potential entrepreneurs do not give the product selection process adequate time, as they are unable to gauge its significance in the healthy running of their venture. Women entrepreneurs in India are notorious for their product selection and, according to line stereotype, typically choose pickle or pappad manufacturing, being limited in their options to the confines of domestic life. Such choices may also be more socially acceptable for women entrepreneurs, but can lead to a variety of problems.
8. **Business Plan Preparation:** Women entrepreneurs lack systematic planning, particularly at the time of project report preparation as found in (Singh, 1992). Furnishing exhaustive

data is hampered by intrinsic factors, such as lack of information, mobility, maturity in understanding, true appreciation of the utility and value of a project report. Extrinsic factors, such as scarcity of resources, limits the entrepreneur from employing the services of a consultant or consulting agency although it was found in a recent study (Padaki, 1994) that 30% women entrepreneurs used consultants for preparation of project reports. Iyer (1991), however, observed that "many women get into industry without making appropriate business plans and find it relatively easy to enter but extremely difficult to sustain due to nonavailability of mid-stream financing. This contributes to business failure." Thus, lack of exposure about the business plan creates problems both of enterprise setting and sustenance.

9. **Form of Ownership:** As indicated earlier, a majority of women choose to set up a sole proprietorship where, by definition, all responsibilities rest with one person. The onus of this responsibility often leads to excessive tension and challenges which increase the intensity of problems they already face.
10. **Site Selection:** At times, business site selection is made on the basis of space (such as a shed) in a particular area. It has been noted (Vaid, 1986) that "a major problem faced by prospective women entrepreneurs was their inability to get allocation for themselves of an adequate and appropriate place for their units to be located. The government's attitude, although very helpful at the micro-level, did not translate into effective action so far as allotment for sheds and plots were concerned". Often, suitable sites are unavailable and the entrepreneur may be forced to settle for a site which is not well connected both in terms of transportation facilities and in terms of communication networks. "Procurement of material and market access also becomes difficult. Often small projects outside industrial estates are not backed up with infrastructural facilities and locations and such areas are often influenced by cheap rates or being ancestral lands" (Vinze, 1986).
11. **Financial Aspects of Project Planning:** Complicated banking procedures, insistence on collateral, and the attitudes of bankers often force women entrepreneur's to plan on non-institutional sources of credit such as family, friends and money lenders (Iyer, 1991). Since they invest the entire amount in "start-up activities", it becomes very difficult for them to fulfil the requirement of margin money insisted upon by the banks for any additional mid-term financial assistance. Consequently, a number of them drop out of business (Iyer, 1991). It therefore becomes essential for entrepreneurs to orient themselves to the issue of financial planning and thus reduce failure.
12. **Technical Constraints:** For women entrepreneurs, technical ignorance is a big lacuna. Besides lack of technical know-how about running the unit, inadequate technology evaluation, "lack of specialized skills to work on specific projects" (Singh, 1992), are additional drawbacks. Women are also hampered by non-availability of technology. If they have neither access to machinery nor the required skills for its operation, women

inevitably find themselves in competition with machine-made products. This often leads them into the handicraft sector, which has low profit margins.

13. **Implementing the Project:** In a study conducted by ICECD, it was found that almost every woman interviewed in the sample, expressed her inability to get things done quickly in the planning and implementation stages of her enterprise (Shah, 1991). Women have less mobility than men and it is not easy for them to make the rounds of various agencies and departments. Limited exposure inhibits their ability to establish rapport and deal effectively with various officials and departments. Where men can establish rapport with vigorous handshakes, sharing a smoke or a joke to extract work, women are unable to establish such camaraderie. However, it has been observed that they are trusted more than their male counterparts.
14. **Programs, Policies and Institutional Networks:** Lack of awareness and information pertaining to "agencies and institutions working for entrepreneurs, various schemes run by the government and loaning schemes and procedures of financial institutions", ignorance of the different laws applicable to business, makes women entrepreneurs more prone to official/legal hurdles (Singh, 1992). In a recent study (Padaki, 1994), it was found that only 22% of the women entrepreneurs sampled had participated in any developmental activities. While the government has initiated various policies and schemes targeted at women, often the implementation leaves much to be desired and those women who do participate, do so only to fulfil pre-determined targets, as "beneficiaries" on paper (World Bank, 1991). As far as financial schemes are concerned, inadequate dissemination of information results in many women being unaware of the facilities available to them. Singh et al. found that while 72.4% of women who had not attended any training intervention were unaware of incentives they could avail of, even amongst those trained, only 26.4% claimed to be aware.
15. **Support System:** "For women's enterprise to succeed, the wider supporting network must understand women's practical needs, the barriers they face, and most importantly start taking women's enterprise seriously" (Howarth, 1992). Taking cognizance of this, the government has called for the establishment of special training and counselling cells for women entrepreneurs. Schemes such as the Mahila Nidhi Yojana, exclusively for women, have been instituted. Besides, each financial institution has been instructed to finance at least 10% of its disbursements to women entrepreneurs.
16. **Access to Credit:** Credit can often act as a catalyst in expanding both enterprises and income. Poor women especially, for whom the principal constraint in improving living standards is simply lack of income, can benefit tremendously from credit inputs. Ironically, it is they who are most often denied this access. In remote rural areas, the problem of credit accessibility is very basic. Banks are located in towns and villages close to communication networks. Because of women's reproductive activities and responsibilities, the time and expenditure involved in reaching a bank can increase the

transaction cost of borrowing tremendously, especially if many trips have to be made for a loan to be sanctioned.

17. **Entrepreneurial Vision:** Due to the low orientation for leadership and lack of managerial skills and commercial know-how, many women tend to concentrate on small projects which do not require large capital investments and sophisticated managerial skills, and which yield quick returns. Such projects, however, tend to have limited profitability due to keen competition and short project lives (Malhotra, 1988). The low entrepreneurial aptitude manifests itself in the form of lack of vision and creativity in managerial and organizational aspects, which prevents the successful supervision of labour, materials and machines and affects quality control of both input and output. Thus these factors contribute to reducing the marketability and profitability of the product.
18. **Marketing:** Studies reveal that even amongst successful business-women, one in every five faced problems related to marketing (Singh et al., 1986). It has been seen that faulty marketing strategies are often adopted by women. The targeted market is not kept in view while adopting a marketing strategy. Product promotion is not stressed, and no effort goes into market development efforts, mainly because not enough funds can be diverted to this area. This creates problems in disposal of products. Customer service is often a neglected area amongst entrepreneurs. Many face difficulties in recovering dues from customers. All these problems basically stem from a lack of marketing experience. However, exceptional cases such as that of Priya (Iyer, 1991), appear to be different when we find her solving the problems of marketing by hiring a marketing expert and an engineer to try out her new products and sell in the market.
19. **Technology:** Technological constraints at the operational stage are many. Lack of technical know-how results in erroneous production planning. Lack of specialized skills can result in poor maintenance of machinery. Repairs pose additional problems. For many, non-availability of machinery and technology in distant places act as barriers.
20. **Raw Material :** Irregular, insufficient and untimely supply disrupt the efficacy of a targeted production schedule. Kamala Singh (1992) has identified four basic resources: "lack of supply of raw materials for uninterrupted production, time consuming procedures for procurement of raw material, variations in raw material prices at different places, and lack of sufficient stock of raw material in times of short supply and anticipated price change." These problems are also common for male entrepreneurs and are therefore not gender specific. However, helping entrepreneurs to anticipate changes in the environment, could certainly help them solve such problems to some extent.
21. **Labour Problems:** Labour problems are not uncommon and problems with workers cited as a problem by 23% of a study sample of successful women entrepreneurs, received the highest score (Singh et al., 1986). (Singh, 1992) cites the case of Ms. Bhalla, owner of Wing Automobile Products India, who identified labour unrest being among her major problems. Moreover, dealing with male labourers is not an easy task as many men have

problems in taking orders from women (Iyer, 1993). Nevertheless, a handful of women entrepreneurs are greatly respected by their employees as they have a great concern for their welfare and are also ready to provide them with help in every way. Their employees are seen to work relentlessly from dawn to dusk, even when their proprietors are busy in other activities or sick, since they feel duty-bound to their employer.

22. **Working Capital:** At this stage of the business, the problem of inadequate working capital may arise. Finance is a constant need and limited working capital is available, a factor which banks are not sensitive to. It is seen that in granting working capital and enhancement facilities, the discretion of a branch manager prevails. Lack of finance, cutting down on advancement, and delays, adversely impacts capacity utilization of the enterprise and the morale of the entrepreneurs. Mali (1992), profiling entrepreneurs in the North-East region, found that women entrepreneurs there faced problems related to finance in the form of delays in sanction and disbursement of loans by the banks/financial institutions, or delays in getting seed money or margin money, besides inadequate financing of the project as a whole. A majority of women entrepreneurs indicated that finance was the major problem.
23. **Expansion:** Women show more keenness to improve their operations rather than expand (an intrinsic problem). Often however, their ventures stay small because expansion requires credit, access to which is far from smooth (extrinsic problem). A central issue that entrepreneurs (especially women) have to deal with is that of control. They have an overwhelming desire to hold the reins and work on their own terms. "Expansion might mean a loss of control or disruption in the amount of time she invests in other facets of her life. She may also want to oversee and control every aspect of her business and may be she loses that opportunity if she grows to the point where she cannot" (Kaptan and Pandey, 1993). This problem can be effectively surmounted by training programs, dealing with issues related to delegation and decentralization, targeted at women entrepreneurs.
24. **Knowledge in Business Administration** – Women must be educated and trained constantly to acquire the skills and knowledge in all the functional areas of business management. This can facilitate women to excel in decision making process and develop a good business network.
25. **Awareness about financial assistance** – Various institutions in the financial sector extend their maximum support in the form of incentives, loans, schemes etc. Even then every woman entrepreneur may not be aware of all the assistance provided by the institutions. So the sincere efforts taken towards women entrepreneurs may not reach the entrepreneurs in rural and backward areas.
26. **Exposed to the training programs** - Training programs and workshops for every type of entrepreneur is available through social and welfare associations, based on duration, skill

and the purpose of the training program. Such programs are useful to new, rural and young entrepreneurs who want to set up a small and medium scale unit on their own.

27. *Identifying the available resources* – Women are hesitant to find out the entrances to cater their needs in the financial and marketing areas. In spite of the mushrooming growth of associations, institutions, and the schemes from the government side, women are not enterprising and dynamic to optimize the resources in the form of reserves, assets mankind or business volunteers.
28. *Motivational factors* – Self motivation can be realized through a mind set for a successful business attitude to take up risk and behavior towards the business & society by shouldering the social responsibilities. Other factors are family support, Government policies, financial assistance from public and private institutions and also the environment suitable for women to establish business units.
29. *Lack of confidence* – In general, women lack confidence in their strength and competence. The family members and the society are reluctant to stand beside their entrepreneurial growth. To a certain extent, this situation is changing among Indian women and yet need to face a tremendous change to increase the rate of growth in entrepreneurship.

Hence, we can summarize the problems faced by entrepreneurs at various stages of their enterprise evolution in the following manner:

Women entrepreneurs have been making a significant impact in all segments of the economy in India, Canada, Great Britain, Germany, Australia and the United States. The areas chosen by women are retail trade, restaurants, hotels, education, cultural, cleaning, insurance and manufacturing. The New Thrust suggests following two factors pulling or pushing women in an entrepreneurship. Factors leading women to be an entrepreneur: Women entrepreneurs choose a Women who takes up business enterprises, as a profession, as a challenge and gets over financial difficulties. With the spread of education and new approaches/awareness, women entrepreneurs are achieving higher level of 3E's, namely: (i) Engineering (ii) Electronics (iii) Energy. Though we should not forget certain Psycho-Social Barriers which hinders the growth of women entrepreneurs.

4.3 SUGGESTIONS:

following general measures can be adopted to encourage and develop women entrepreneurship in India:

1. To create and develop some coaching, mentoring, counseling etc. programmes for the development of initial businesses, owned and run by women.
2. To facilitate the access to funds for the women entrepreneurs, by creating and developing some funding products with subsidized interest, and advantageous credits destined to women wishing to develop their business, in compliance with the conditions related to the field of activity, investment, added valued, competitiveness etc.

3. To give bank loans with government guarantees to women wishing to develop their business, in compliance with conditions related to the field of activity, investment, added value, competitiveness etc.,
4. To provide fiscal facilities for the businesses developed by women entrepreneurs in national, regional, and local key fields and defined as such in the national, regional, and local development plans;
5. Active measures promoting entrepreneurial culture, especially among women;
6. Measures to reduce bureaucracy and the instability of financial and commercial legislation;
7. Active measures to conciliate family life with professional life;
8. Active measures to support the start up and development of business by women, especially businesses involving self-employment, co-preneurship, and family businesses;
9. Information campaigns meant to make the public aware and sensitive to gender disparities and sexist stereotypes existing in the field of entrepreneurship and provide advantages to support women entrepreneurship;
10. To reform the legal policies and systems and to develop juridical services meant to protect women's ownership rights and women's rights in the field of entrepreneurship. Matching the basic qualities required for entrepreneurs and the basic character of Indian women reveal that much potential is available among the Indian women in their entrepreneurial ability. This potential is to be recognized and exposed for utilization in the production and service sector for the development of the nation. Women have all the disposition of becoming a successful entrepreneur, just identify your passion and start living it. The government of India has launched a scheme for women in India called "Trade Related Entrepreneurship Assistance and Development Scheme for Women" (TREAD) during the 11th five-year plan. This scheme may augment economic empowerment of women through the development of their entrepreneurial skills in non-agricultural activities. The underlying motivation for women entrepreneurs is the desire to help the overall community, environment or disadvantaged groups in society. Increasing number of women entrepreneurs and the rapid growth of their businesses have shown that a woman can succeed as an entrepreneur. Women have the capabilities of contravention through the obstacles that thwart their business expansion. Nevertheless, the rate of opportunity for entrepreneurship and level of confidence to start a business successfully for men is remarkably outperforming that of women. So wishing all the women the very best in their lives, we hope to have a world that is more respectful toward a woman.

5. Conclusion:-

The role of women entrepreneurs has been growing and progressing throughout the world. Creating a balance between work and home is not easy. For women, raising a family in itself is not an easy task and beyond it successfully running a business adds additional responsibility. Women demand social, institutional and family support to succeed in their efforts. To ensure the success of women in their ventures, there is a clear need for supportive policies, education and

training opportunities, understanding from the community, establishment of a communication system, and work-related assistance. Despite all these odds, successful women's entrepreneurs do exist. Women entrepreneurs have evidently more to "acquire" than their male counterparts. This is largely due to the socio-cultural environment in which Indian women are born and raised. Social customs, caste restrictions, cultural restraints and norms leave women lagging behind men. They are not mentally geared to slip into an entrepreneurial role because of their family orientation, restricted mobility and limited access to resources. But, given the opportunity, direction and guidance, they are capable of overcoming these limitations. Socio-cultural pressures on one hand inhibit growth of the "self" of a woman bringing in intrinsic constraints, while on the other hand, extrinsic factors make the working environment of a woman entrepreneur non-conducive for smooth functioning. Higher education incentives for women from rural regions, advanced training programs for development of management skills among women, and setting up of polytechnics and industrial institutes for women are the key thrust areas to strengthen the women's entrepreneurial talent through education and training.

6. Reference:-

1. Aliva Mohanty "Women in Management of Micro enterprise Problems and Prospects" Journal of social science vol.8 (3) pp.245-251 (2004)
2. Adhikari Shilpee "Women Entrepreneurs New Face of Women" , Saroj institute of technology and management , Lucknow: 2004
3. Carter, S. And Rosa, P. (1998): "The financing of male- and female-owned businesses", *Entrepreneurship and Research Development*; 10 (3), pp 225-41.
4. Charumathi B (1998): "Women entrepreneur's challenges and prospects", in C. Swaraj ya Lakshmi (ed.), *Development of Women Entrepreneurship in India: Problems and Prospects*, New Delhi: Discovery Publishing House.
5. Entrepreneurship-ICFAI Publication.
6. Duncombe, Richard et al (2005) *Supporting Women's ICT-Based Enterprises: A Handbook for Agencies in Development*. IDPM, University of Manchester. [www.womenicntenterprise.org Accessed on 10/09/2009]
7. *Doing Business 2008*. Published by World Bank, Sept 2007; Washington DC.
8. Dhaliwal S (1998): Silent contributors: Asian female entrepreneurs and women in business, *Women's Studies International Forum*, 21(5): pp 463-474.
9. Lectures on Entrepreneurship Development By Dr.B.M. Kacholia of Narsee Monjee Insitute of Management Studies, Mumbai.
10. Medha Dubhashi Vinze " Women Entrepreneurship in India" Mittal Pub. New Delhi; pp112, 1987.

11. Mishra S.P. " Factor Affecting Women Entrepreneurship in Small and Cottage industries" ILO, Nov. 1996
12. Prasad *Anuradha*, 1988 Entrepreneurship development under TRYSEM; ICSSR reviewer, Kuldeep Mathur Concept Pub. Co., New Delhi.
13. Raju, G (2000): "Women entrepreneurship development through DWCRA", in K. Sasikumar (ed.), Women Entrepreneurship. New Delhi: Vikas Publishing House.
14. Soundarpandian M (ed.) (1999): Women Entrepreneurship: Issues and Strategies. New Delhi: Kanishka Publishers.
15. Singh, Kamala, Women Entrepreneurs, Ashish Publishing house, New Delhi, 1992.
16. Satish Taneja & S.L.Gupta : Entrepreneur Development-New Venture Creation.
17. Prasad JK (1998): "Development of women entrepreneurship in India -The role of different institutions", in C. Swarajya Lakshmi (ed.), Development of Women Entrepreneurship in India: Problems and Prospects, New Delhi: Discovery Publishing House.

Behavioral Finance: Investors Preferences for Investment

Dr. Khan M. A. Imran

Vice Principal, Dr. Rafiq Zakaria Campus, Millennium Institute of Management,
Aurangabad (Email: imrankhan_mim@yahoo.co.in)

Introduction

The Investments in securities are spread across a wide cross-section of industries and sectors thus reducing the risk. Diversification reduces the risk because all stocks may not move in the same direction and in the same proportion at the same time. Mutual Fund Schemes issue units to the investors in accordance with quantum of money invested by them. Investors of Mutual Fund Schemes are known as unit holders.

This paper made an attempt to understand the financial behavior of Mutual Fund investors in connection with the preferences of Brand (AMC), Products, and Channels etc. It has been observed that many people fear to invest in Mutual Funds. They think their money will not be secure in Mutual Funds. They need the knowledge of Mutual Fund Schemes and its related terms. Many people have not invested in Mutual Fund Schemes due to lack of awareness although they have the money to invest. As awareness and income is growing, the number of mutual fund investors are also growing.

The most vital problem spotted is that of ignorance. Investors should be made aware of the benefits. Nobody will invest until and unless he is fully convinced. Investors should be made to realize that ignorance is no longer bliss and what they are losing by not investing. Mutual Fund Schemes offer a lot of benefits which no other single option could offer. But most of the people are not even aware of what actually a mutual fund is? They only see it as, just another investment option. So the advisors should try to change their mindset.

“Brand” plays an important role in investment. People invest in those Companies where they have faith or are well known to them. There are many AMCs in Aurangabad, Maharashtra but only some are performing well due to Brand awareness. Some AMCs are not performing well although some of their schemes are giving good returns because of lack of awareness about the Brand. Reliance, UTI, SBIMF, ICICI Prudential etc. are well known Brands, they are performing well and their Assets Under Management is larger than others whose Brand name are not well known like Principle, Sunderam, etc.

OBJECTIVES OF THE STUDY

1. To find out the Investors Preferences for Asset Management Companies.
2. To know the Investors Preferences for portfolios.
3. To know why to invest or not to invest in SBI Mutual Fund Schemes.
4. To find out the most preferred channel.
5. To find out what steps should be taken to boost the Mutual Fund Industry.

Scope of the study

A big boom has been witnessed in the Mutual Fund Industry in recent times. A large number of new players have entered the market and are trying to gain a market share in this rapidly improving market.

The research was carried on in Dist. Aurangabad, Maharashtra. The study will help to know the preferences of the customers, regarding the company, portfolio, mode of investment, and options for getting returns and so on. This research paper may help the company in further planning and strategy.

Research Methodology

This report is based on primary as well secondary data, however primary data collection was given more importance since it is an overbearing factor in attitude studies. One of the most important uses of research methodology is that it helps in identifying the problem, collecting, analyzing the required information data and providing an alternative solution to the problem. It also helps in collecting the vital information that is required by the top management to assist them for better decision making, both day to day decisions and critical ones.

Data sources: Research is totally based on primary data. Secondary data has been used only for the reference. Research has been done by primary data collection, and primary data has been collected by interacting with various people. The secondary data has been collected through various journals and websites.

Duration of Study: The study was carried out for a period of two months, from 1st March to 30th April 2012.

Sampling:

❖ **Sampling procedure:** The sample was selected among the customers/visitors of the State Bank of India, Jalna Road Branch, Aurangabad, irrespective of them being investors or not or availing the services or not. It was also collected through personal visits to persons, by formal and informal talks and through filling up the questionnaire prepared. The data has been analyzed by using mathematical/Statistical tools.

❖ **Sample size:** The sample size is limited to 200 people only, out of which only 120 people had invested in Mutual Funds. The other 80 people had not invested in Mutual Funds.

❖ **Sample design:** Data has been presented with the help of bar graphs, pie charts, line graphs etc.

Limitation:

1. Sample size is limited to 200 visitors of the State Bank of India, Aurangabad, and Maharashtra. Out of these only 120 had invested in Mutual Funds. The sample size may not adequately represent the whole market.
2. Some respondents were reluctant to divulge personal information which can affect the validity of all responses.
3. The research is confined to a certain part of Aurangabad.

Analysis & Interpretation of the Data

1. (a) Age distribution of the Investors of Aurangabad, Maharashtra

Age Group	<= 30	31-35	36-40	41-45	46-50	>50
No. of Investors	12	18	30	24	20	16

Interpretation: According to this chart out of the 120 Mutual Fund Investors of Aurangabad and Maharashtra, most are in the age group of 36-40 yrs. i.e. 25%, the second most investors are in the age group of 41-45yrs i.e. 20% and the least investors are in the age group below 30 yrs.

(b). Educational Qualification of investors of Aurangabad, Maharashtra

Educational Qualification	Number of Investors
Graduate/ Post Graduate	88
Under Graduate	25
Others	7
Total	120

Interpretation: Out of 120 Mutual Fund investors 71% of the investors in Aurangabad, Maharashtra are Graduate/Post Graduates, 23% are Under Graduate and 6% are others (under HSC).

(c). Occupation of the investors of Aurangabad, Maharashtra

Occupation	No. of Investors
Govt. Service	30
Pvt. Service	45
Business	35
Agriculture	4
Others	6

Interpretation: In the Occupation group out of 120 investors, 38% are Pvt. Employees, 25% are Businessman, 29% are Govt. Employees, 3% are in Agriculture and 5% are in others.

(d). Monthly Family Income of the Investors of Aurangabad, Maharashtra.

Income Group	No. of Investors
<=10,000	5
10,001-15,000	12
15,001-20,000	28
20,001-30,000	43
>30,000	32

Interpretation: In the Income Group of the investors of Aurangabad, Maharashtra, out of 120 investors, 36% investors that is the maximum investors are in the monthly income group Rs. 20,001 to Rs. 30,000, Second one i.e. 27% investors are in the monthly income group of more than Rs. 30,000 and the minimum investors i.e. 4% are in the monthly income group of below Rs. 10,000.

(2) Investors invested in different kinds of investments.

Kind of Investments	No. of Respondents
Saving A/C	195
Fixed deposits	148
Insurance	152
Mutual Fund	120
Post office (NSC)	75
Shares/Debentures	50
Gold/Silver	30
Real Estate	65

Interpretation: From the above graph it can be inferred that out of 200 people, 97.5% people have invested in Saving A/c, 76% in Insurance, 74% in Fixed Deposits, 60% in Mutual Fund, 37.5% in Post Office, 25% in Shares or Debentures, 15% in Gold/Silver and 32.5% in Real Estate.

3. Preference of factors while investing

Factors	(a) Liquidity	(b) Low Risk	(c) High Return	(d) Trust
No. of Respondents	40	60	64	36

Interpretation: Out of 200 People, 32% People prefer to invest where there is High Return, 30% prefer to invest where there is Low Risk, 20% prefer easy Liquidity and 18% prefer Trust

4. Awareness about Mutual Fund and its Operations

Response	Yes	No
No. of Respondents	135	65

Interpretation: From the above chart it is inferred that 67% People are aware of Mutual Funds and its operations and 33% are not aware of Mutual Funds and its operations.

5. Source of information for customers about Mutual Fund

Source of information	No. of Respondents
Advertisement	18
Peer Group	25
Bank	30
Financial Advisors	62

Interpretation: From the above chart it can be inferred that the Financial Advisor is the most important source of information about Mutual Funds. Out of 135 Respondents, 46% know about Mutual funds through Financial Advisors, 22% through Banks, 19% through Peer Groups and 13% through Advertisements.

6. Investors invested in Mutual Funds

Response	No. of Respondents
YES	120
NO	80
Total	200

Interpretation: Out of 200 People, 60% have invested in Mutual Funds and 40% have not invested in Mutual Funds.

7. Reasons for not investing in Mutual Funds

Reason	No. of Respondents
Not Aware	65
Higher Risk	5
Not any Specific Reason	10

Interpretation: Out of 80 people, who have not invested in Mutual Funds, 81% are not aware of Mutual Funds, 13% said there is likely to be higher risk and 6% do not have any specific reason.

8. Investors who invested in different Assets Management Co. (AMC)

Name of AMC	No. of Investors
SBIMF	55
UTI	75
HDFC	30
Reliance	75
ICICI Prudential	56
Kotak	45
Others	70

Interpretation: In Aurangabad, Maharashtra most of the Investors preferred UTI and Reliance Mutual Fund. Out of 120 Investors 62.5% have invested in each of them, only 46% have invested in SBIMF, 47% in ICICI Prudential, 37.5% in Kotak and 25% in HDFC.

9. Reasons for investment in SBIMF

Reason	No. of Respondents
Associated with SBI	35
Better Returns	5
Agents Advice	15

Interpretation: Out of 55 investors of SBIMF 64% have invested because of its association with Brand SBI, 27% invested on Agent's Advice, 9% invested because of better returns.

10. Reason for not invested in SBIMF

Reason	No. of Respondents
Not Aware	25
Less Return	18
Agent's Advice	22

Interpretation: Out of 65 people who have not invested in SBIMF, 38% were not aware of SBIMF, 28% have not invested due to less returns and 34% due to Agent's Advice.

11. Preference of Investors for future investment in Mutual Fund

Name of AMC	No. of Investors
SBIMF	76
UTI	45
HDFC	35
Reliance	82
ICICI Prudential	80
Kotak	60
Others	75

Interpretation: Out of 120 investors, 68% prefer to invest in Reliance, 67% in ICICI Prudential, 63% in SBIMF, 62.5% in Others, 50% in Kotak, 37.5% in UTI and 29% in HDFC Mutual Fund.

12. Channel Preferred by the Investors for Mutual Fund Investment

Channel	Financial Advisor	Bank	AMC
No. of Respondents	72	18	30

Interpretation: Out of 120 Investors 60% preferred to invest through Financial Advisors, 25% through AMC and 15% through Banks.

13. Mode of Investment Preferred by the Investors

Mode of Investment	One time Investment	Systematic Investment Plan (SIP)
No. of Respondents	78	42

Interpretation: Out of 120 Investors 65% preferred One time Investment and 35 % Preferred a through Systematic Investment Plan.

14. Preferred Portfolios by the Investors

Portfolio	No. of Investors
Equity	56
Debt	20
Balanced	44

Interpretation: From the above graph 46% preferred Equity Portfolio, 37% preferred Balance and 17% preferred Debt portfolio

15. Option for getting Returns Preferred by the Investors

Option	Dividend Payout	Dividend Reinvestment	Growth
No. of Respondents	25	10	85

Interpretation: From the above graph 71% preferred Growth Option, 21% preferred Dividend Payout and 8% preferred Dividend Reinvestment Option.

16. Preference of Investors whether to invest in Sectoral Funds

Response	No. of Respondents
Yes	25
No	95

Interpretation: Out of 120 investors, 79% investors do not prefer to invest in Sectoral Funds because there is maximum risk and 21% prefer to invest in Sectoral Funds.

Research Findings

1. Investors in the Age Group of 36-40 years were more in number in Aurangabad. The second most were the Investors in the age group of 41-45 years and the least investors were in the age group of below 30 years as per the sample collected.
2. In Aurangabad most of the Investors were Graduate or Post Graduate and those below HSC were very few in number. In the Occupation group most of the Investors were Govt. employees, the second most Investors were Private employees and the least were associated with Agriculture. In the family Income group, those between Rs. 20,001-30,000 were more in number, the second most were in the Income group of more than Rs.30, 000 and the least were in the group of below Rs. 10,000.
3. All the Respondents had a Saving A/c in the Bank, 76% Invested in Fixed Deposits, Only 60% Respondents invested in Mutual funds.
4. Most Respondents preferred High Returns while investing, the second most preferred Low Risk then liquidity and the least preferred Trust.
5. Only 67% Respondents were aware about Mutual funds and its operations and 33% were not. Among 200 Respondents only 60% had invested in Mutual Funds and 40% had not invested in Mutual funds.
6. Out of 80 Respondents 81% were not aware of Mutual Funds, 13% told there is no specific reason for not investing in Mutual Funds and 6% told there is likely to be higher risk by investing in Mutual Funds.
7. Most of the Investors had invested in Reliance or UTI Mutual Fund, ICICI Prudential has also good Brand Position among investors, SBIMF stands after ICICI Prudential according to the Respondents.
8. Out of 55 investors of SBIMF 64% have invested due to its association with the Brand SBI, 27% Invested because of Advisor's Advice and 9% due to better returns.
9. Most of the investors who did not invest in SBIMF were not aware of SBIMF; the second was due to Agent's advice and the rest due to Less Returns.
10. For Future investment a maximum Respondents preferred Reliance Mutual Fund, the second most preferred ICICI Prudential while SBIMF has been preferred after them.
11. 60% Investors preferred to Invest through Financial Advisors, 25% through AMC (means Direct Investment) and 15% through the Bank.
12. 65% preferred One Time Investment and 35% preferred SIP among both Modes of Investment.

13. The most preferred Portfolio was Equity, the second most was Balance (mixture of both equity and debt), and the least preferred Portfolio was Debt portfolio.
14. Maximum Number of Investors Preferred Growth Option for returns, the second most preferred Dividend Payouts and then Dividend Reinvestment.
15. Most of the Investors did not want to invest in Sectoral Funds, only 21% wanted to invest in Sectoral Funds.

Conclusion

Running a successful Mutual Fund requires complete understanding of the peculiarities of the Indian Stock Market and also the psyche of the small investors. This study has made an attempt to understand the financial behavior of Mutual Fund investors in connection with the preferences of Brand (AMC), Products, and Channels etc. It has been observed that many of the people have fear of Mutual Funds. They think their money will not be secure in Mutual Funds. They need knowledge of Mutual Funds and its related terms. Many people do not invest in mutual funds due to lack of awareness although they have money to invest. As awareness and income is growing, the number of mutual fund investors is also growing.

“Brand” plays an important role in investment. People invest in those Companies where they have faith or are well known to them. There are many AMCs in Aurangabad, Maharashtra but only some are performing well due to Brand awareness. Some AMCs are not performing well although some of the schemes are giving good returns because of lack of awareness about the Brand. Reliance, UTI, SBIMF, ICICI Prudential etc. are well known Brands, they are performing well and their Assets Under Management is larger than others whose Brand name are not well known like Principle, Sunderam, etc.

Distribution channels are also important for investment in mutual funds. Financial Advisors are the most preferred channel for investment in mutual funds. They can change investors' mind from one investment option to another. Many of investors directly invest their money through AMC because they do not have to pay entry load. Only those people invest directly who know well about mutual fund and its operations and those who have time.

The most vital problem spotted is that of ignorance. Investors should be made aware of their benefits. Nobody will invest until and unless he is fully convinced. Investors should be made to realize that ignorance is no longer bliss, and what they are losing by not investing.

Mutual Fund Schemes offer a lot of benefit which no other single option could offer. But most of the people are not even aware of what actually a mutual fund is? They only see it as another investment option. So the advisors should try to change their mindset. The advisors should target more and more young investors. Young investors, as well as, persons at the height of their career would like to go for advisors due to lack of expertise and time.

Mutual Fund Companies need to give training to Individual Financial Advisors about the Fund/Scheme and its objective, because they are the main source which influences the investors.

Before making any investment, Financial Advisors should first enquire about the risk tolerance of the investors/customers, their need and time (how long they want to invest). By considering these three things they can take the customers into consideration.

Younger people aged below 35 will be a key new customer group into the future, so making greater efforts with younger customers who show some interest in investing should pay off.

Customers with graduate level education are easier to sell to and there is a large untapped market out there. To succeed however, advisors must provide sound advice and high quality.

Systematic Investment Plan (SIP) is one the innovative products launched by Assets Management companies very recently in the industry. SIP is easy for monthly salaried persons as it provides the facility of doing investments in EMI. Though most of the prospective and potential investors are not aware about SIP, there is a large scope for companies to tap salaried people.

References:

- WWW.SBIMF.COM
- WWW.MONEYCONTROL.COM
- WWW.AMFIINDIA.COM
- WWW.ONLINERESEARCHONLINE.COM
- WWW.MUTUALFUNDSINDIA.COM

Green Marketing - Challenges and Opportunities

Dr. Sanjay D.Khairnar
Associate Professor & Head,
Department of Commerce
L.V.H. College, Panchavati,
Nashik - 3

Introduction

The world's population has grown to pass the six billion mark. We witnessed the birth of the mass market and the boom in mass production to satisfy its needs. As markets became more competitive, formal marketing emerged and became increasingly important as a means by which companies could continue to grow their markets and their market shares.

It is now widely accepted that societies, economies and the business within them need to find a more sustainable path for future development. Achieving this will involve some very new things about marketing and perhaps rediscovering some of the fundamental truths. Marketing has contributed to the current environmental crisis, because of its central role as a driving force behind the unsustainable growth in consumption. Marketing as it is will become a part of the solution. This will require the marketing of new, more sustainable products, new companies, new life styles, new values and new ideas. In this conceptual paper, we seek to review and understand green marketing, its challenges and opportunities.

Green Marketing - What is it? Why?

"Green" is a term coined in Europe to refer to a particular life style & politics. Green Marketing decisions based on environmental concerns, implies a rejection of wasteful consumption.

Fig. 1 - The Many Meanings of Green



Mc Donough (1994) examines what green means within the context of advertising, and, concludes that for different people 'green' will relate to one or more of the components in fig. 1. Although the term 'Green Marketing' has been popular in the UK and some other countries, in the International business environment, it does not have a universally consistent meaning.

Green Marketing is a combination of "Social Marketing Concept" and "Ecological Marketing Concept."

A workshop on ecological 'Marketing' was held by American Marketing Association (AMA) in 1975. Since then, the definition has been refined and segmented into 3 Main buckets:

Retailing Definition:

The marketing of products that are presumed to be environmentally safe.

Social Marketing Definition: The development and Marketing of products designed to minimize negative effects on the physical environment or to improve its quality.

Environmental Definition :

The efforts by organizations to produce, promote, package and reclaim products in a manner that is sensitive or responsive to ecological concerns.

All three of these definitions speak the fact that green marketing involves informing consumers about initiatives you've undertaken that will benefit the environment, with the overall goal of improving sales or reducing costs.

Green Marketing involves, developing and promoting products and services that satisfy customer's wants and needs, for quality performance, affordable pricing and convenience without having a detrimental input on the environment."

Green Products: Competitive Advantage

A firm offering green products can derive competitive advantage either from having a cost advantage or from having a value advantage or even a combination of two. Having a cost advantage, means that, firms can produce and distribute at a lower cost than their competitors. A value advantage, on the other hand, means that the firm is able to offer a product, which is perceived to provide differentiated benefits to customers -it has greater added value. A significant percentage of consumers in the U.S. and elsewhere profess a strong willingness to favour environmentally conscious products and companies, consumers' efforts to do so in real life have remained sketchy at best. One of green marketing's

challenges is the lack of standards or public consensus about what constitutes "green" says according to Joel Makower, a writer, the lack of consensus by consumers, marketers, activists, regulators and influential people has slowed the growth of green products. In spite of this, resources are limited and human wants are unlimited, it is important for the marketers to utilize the resources efficiently without waste as well as to achieve the organizations objective. So green marketing is inevitable.

In 2002 study of 16 countries, more than 50 percent of consumers in each country, other than Singapore, indicated they were concerned about the environment. A 2004 study, in Australia found that 84.6 percent of the samples believed all individuals had a responsibility to care for the environment. A further 80 percent of this sample indicated that they had modified their behaviour due to environmental reasons. As demands change, many firms see these changes as an opportunity to exploit. Given these figures, it can be assumed that a firm marketing goods with environmental characteristics will have a competitive advantage over firms marketing non-environmentally responsible alternatives. For example, Philips lighting's first shot at marketing a compact fluorescent light (CFL) bulb promised savings in energy costs and increased its sales by 12 percent in the market. The consumer electronics sector provides room for using green marketing to attract new customers. One example of this is HP's promise to cut its global energy use by 20 percent by delivering energy efficient products, operating practices, worldwide.

Companies that develop new and improved products and services with environment inputs in mind give themselves access to new markets, increase their profit sustainability and enjoy a competitive advantage over the companies which are not concerned about the environment for example, it could be argued that Xerox's "Revive 100 percent Recycled paper" was introduced a few years ago in an attempt to address the introduction of recycled photo copier paper by other manufacturers.

Green Marketing Challenges & Opportunities

1. It has a long-run perspective

The pursuit of sustainability needs to go beyond long term to become open ended. However, many green marketing initiatives have clearly been rather shortsighted, such as the promotion of recyclable containers in areas that lack recycling facilities. It has been noted that many green technologies remain un-commercialized, simply because their payback period is often longer than that of conventional alternatives. It is in this area that sustainability represents a major challenge to marketers.

2. It involves full use of all the company's resources

Green marketing needs to be reflected throughout the company so that the actions or policies of any part of the company or its supply chain does not compromise the eco-performance of the products.

Innovation is being seen very narrowly in terms of product and production system technology. Customer wants and needs can often be effectively met in ways that create environmental improvements by innovations in market structures and supporting services. This can allow needs to be met through renting rather than owning products, improving product longevity through service and maintenance or reducing environmental impact through better product disposal.

3. Marketing Communication aims to inform, rather than impress

Communicating about environmental issues is difficult for marketers and involves complex issues without simple solutions, and messages which are difficult to reduce down to fit on to a label. With the lack of environmental literacy amongst consumers, progress will be difficult unless formal sustainable development education in schools and colleges is reinforced in the rest of society and life. More sustainable Marketing will require a greater willingness among marketers to consider consumer and social welfare, and to take some responsibility for guiding their consumers towards more sustainable behaviors'.

The development of advanced computing, broadband, tele-communicating, e-commerce, the internet and other technologies in the digital age increase the potential benefits including reduced wastage from greater optimization of economic processes, substitution of electronic for physical process, affiliated marketing replaces transport and easier access to knowledge for all. Many companies are now placing supplementary information to their environmental reports on such sites.

4. An Emphasis on Social Responsibility

Companies, often shelter behind the idea that they are essentially the passive servants of consumers and their desires; many Companies are beginning to realize that they are members of a wider community and therefore must behave in an environmentally responsible fashion. This translates into companies that believe they must achieve environmental objectives as well as profit related objectives. This results in environmental issues being integrated into the firm's corporate culture.

5. Governmental Pressure

As with all marketing related activities, the government wants to "protect" consumers and society, this protection has significant green marketing implications. Governmental regulations relating to environmental marketing are designed to protect consumers in several ways i.e. reduce production of harmful goods, evaluation of environmental composition of goods, modify industry's use of harmful raw materials etc.

The government has established certain regulations to control the amount of hazardous waste produced by firms. Many by-products of production are controlled through the issuing of various environmental licenses, thus modifying organizational behaviour.

In spite of this, better coordination and co-operation between different departments of the government, is also needed, for the subsidization of energy and other sources. Government is also the largest buyer in our country. They therefore have opportunities to place greater weight in sustainable development criteria. In its purchasing decision the government could set an example by achieving EMAS and ISO 14001 for their own operations, incentive based regulations, environmental taxes, environmental audit which are all means of stimulating green marketing.

6. Appropriate use of Accounting Tools

Environmental Management Accounting [EMA] highlights the financial costs and benefits of environmental action as an important tool for sustainable development. EMA includes the identifying and measuring of environmental related costs and benefits, costs of tracking and analysis systems, life cycle costing, integration of environmental with other business performance measurement activities, assessment of future environment related costs as part of capital investment process and communicating the values of company's superior environmental performance to their external financial stakeholders. This requires an institutional frame work of experts, professionals that support financial performance management. This could also help environmental and social management tools to be used more appropriately and effectively which is a more urgent need than developing a new one. The management can support by developing and demonstrating good practices to their own activities and creating supportive infrastructure , e.g. creation of standardized data base and encouraging environmental financial reporting by companies.

Today, investors are starting to pay more attention to green companies. The San Francisco chronicle reports that there are at least 25 green funds that invest in companies based on their approach to dealing with environmental issues.

7. Make your claims clear and specific

You should substantiate all claims regarding the environmental benefits of a product before you make them. This includes specific explicit claims as well as implicit claims. If you don't have solid evidence to support an environmental claim don't make it. Vague claims that are open to varying interpretations are more likely to be deemed mis-leading. A claim must be substantiated through scientific evidence, such as tests, analysis, research or study. Claim comparing, your product to a competitor's is particularly tricky and should be rock solid. If your substantiation data is thin or open to varying interpretations, expect a law/suit. Therefore, choose certifying agencies with care.

CONCLUSION

For the new century, the key challenge for mankind is to find more sustainable and equitable ways to produce, consume and live. Despite above challenges, green marketing has continued to gain adherents, particularly in light of growing global concerns about climate change. The emerging greenhouse gas reduction market can potentially catalyze projects with important local environment, economic and quality of life benefits. It is more helpful to view the concept of 'Green Marketing' which has developed as a response to green movement of today, as something which integrates and expands upon the ideas embedded in the ecological and societal marketing concepts.

Green Marketing is likely to evolve in three phases namely, substitution, systematization and social change, during which it will sprout, grow and finally blossom. If green producers try to focus on the most environmentally concerned customers as a niche market, what good are they really doing? If they aim to increase the mass market towards sustainability how likely are they to succeed, given the proven lack of understanding about sustainability among consumers?

The sooner substantive progress is made, the more likely the story will have a happy ending.

BIBLIOGRAPHY

- 1 Azzone, Giovanni, and Raffaell Manzini. 1994 "Measuring Strategic Environmental Performance ' Business Strategy and Environment 3 (i): (1-14)
- 2 Charter Martin (ed) 1992, greener Marketing, Sheffield, England: Greenleaf Publishing.

- 3 Davis, Joel J- 1992, Ethics and Green Marketing "Journal of Business Ethics 11 (2) 81-87.
- 4 Elkington J and Knight Pand Hailes. J. (1991) The Green Business Guide, Victor Gollanz.
- 5 J. Murugesan -Green- Trust and Distrust (2008) Indian Journal of Marketing (P-22-26).
- 6 Ken Peattie (1995) - Environmental Marketing Management - Meeting the Green Challenge "Pitman Publishing London
- 7 Kotler P. (1994) Marketing Management Analysis planning and control 7th edn) prentice Hall.
- 8 Ottman J.E. (1992) Industry's Response to Green Consumerism" Journal of Business Strategy, vol. 13 (4)
- 9 Porter, M.E. (1995) Green and Competitive ,ending the state Harvard Business Review, Vol. 73 No 5 PP20.33
- 10 P. Santhi, U. Jerinbi &N.M. Gandhi (2007) Indian Journal of marketing (P 26-29)
- 11 Sheenu Jain (May 2007) Indian Journal of Marketing P 17-24.
- 12 Suju R. Nair (2002)- Consumer Behaviour in Indian perspective Himalaya Publishing House, New Delhi.

Problems and Prospects of Shrimp Farming in Bangladesh

Jannatul Mawa Nupur

Assistant Professor of Marketing,
Department of Business Administration,
Northern University Bangladesh,
e-mail-jmawa17141@gmail.com

1.0 Introduction

Shrimp culture is expected to continue to play an important role in ensuring food security and poverty alleviation, particularly for the rural poor. The urban population will benefit from the improvement in processing, value addition, and marketing of the shrimp industry as a whole. Incidences like "EU ban on Bangladeshi shrimp" should not happen again and most importantly, this industry is operating under capacity and can increase the productivity up to five times than the current capacity. A majority of workers in the processing industries are women. The shrimp industry benefits three to four million "mostly poor" Bangladeshis while providing livelihood directly numbering to some 11, 50,000 people. In 2007-2008, a total of 2, 23,095 metric ton shrimp produced in Bangladesh contributed 19,567.90 crore taka in the GNP. There is ample demand in the international market for shrimp and Bangladesh is blessed with an environment friendly for shrimp production. A primary study was undertaken to detect the problems plaguing the different levels of the value chain of shrimp in the country. Consequently, a study was conducted in which the participants were representatives of the various stakeholders in this industry. The increasing demand and steadily rising prices of shrimp encouraged its cultivation in the coastal belt of the country.

By 2007-08, the shrimp farming area occupied nearly 2, 17,877 hectares; the main fresh water shrimp farming districts are Khulna, Bagerhat, Jessore, Narail, Gopalganj, Pirojpur and Noakhali. More or less, 80% of the shrimp farming areas are in the southwestern region of Bangladesh while the rest are in the southeastern part. Shrimp is the second most important export item in Bangladesh.

1.1 Shrimp

Shrimps are swimming crustaceans, decapods classified in the infra-order Caridea, found widely around the world in both fresh and salt water. Adult shrimps are filter feeding benthic animals living close to the bottom.

1.2 Bagda Shrimp

Bagda farms are mostly rice fields converted into shrimp ponds varying in size from 0.4 to 200 hectares. Most of the shrimp farmers are not permanent residents of the areas in which their ghers are situated, even the local big landowners typically lease their land to outside entrepreneurs. Though it requires saline water throughout the entire process.

1.3 Galda Shrimp

There are about 105,000 freshwater prawn farms in Bangladesh "Shrimp Region". Galda farming has increased quite rapidly in recent years because it can be farmed on a smaller scale. The prawns are grown in freshwater and can often be re-used three or four times, the environmental impact is much less than in Bagda farming. Galda shrimp are cultured in ponds and ghers.

1.4 Scope of the Study

The study tried to show why the problems from government, farmers and experts of shrimp are reducing the chances of golden prospects of shrimp farming in Bangladesh, the south-western region in Khulna, Jessore, Bagerhat and Satkhira.

1.5 Rationale of the Study

- I. Shrimp earned 378 million US dollar in the year 2003-04. During the last ten years, Bangladesh has earned international credibility by responding to the food-safety and quality requirements of its destinations, mostly, the United States and the European Union countries.
- II. 65 processing plants have been approved by the European Commission for exporting shrimp and fish products to the European Union member states. Recently, Bangladesh has also initiated projects for implementing 'traceability' regulations of the EU.
- III. It may be noted that, Bangladesh has also focused on organic production of shrimp. Swiss Import Promotion Programmed (SIPPO) is assisting Bangladesh in this initiative.
- IV. A larger number of export processors are now producing greater amount of value-added products such as individually quick-frozen, peeled and divined, and butterfly-cut shrimps as well as cooked and semi-cooked products.
- V. Value-added products have constituted about 33 percent of total exports of 32,000 metric tons valued at 378 million US dollar.

1.6 Research Objectives:

This study provides a comprehensive evaluation of Problems and Prospects of Shrimp Industry in Bangladesh.

- I. To analyze the current status of the shrimp industry in southwestern area of Bangladesh.

- II. To find out the problems with the supply chain in the shrimp industry.
- III. To identify the problems that affect shrimp farming.
- IV. To know the prospects of shrimp cultivation in Bangladesh.

1.7 Limitations of the Study

- I. Unwillingness of the respondents to go through a survey process was the main limitation of this survey.
- II. Besides, the severe level of illiteracy among the majority of the stakeholders was a major obstacle to collect reliable information.

2.0 Literature Review

This literature review emphasizes the Problems and Prospects of Shrimp Industry in Bangladesh, including: (i) Existing problems in shrimp farming. (ii) Government contribution and attention regarding the shrimp industry development. (iii) The obstacles for shrimp export.

Haque (1994) the market for frozen shrimp in the USA has not melted down, as some feared might happen in the United States; instead it markets a retail range of frozen shrimp products. International pressure on wild, caught species, increasing global incomes, importing significant quantities of seafood products, and a strengthening demand in these countries, have all combined to result in a steady rise in international prices for shrimp, and the growing importance for cultured shrimp

Khan (1994) in 1975-76 the country's fish production from all sources was 640,000 tons. In 1993-94, this production rose to 1,087,000 tons, whereas the per capita fish consumption went down from 33.4 g to 21g. This has happened simply because fish production increased at an arithmetical rate whereas the human population increased in geometrical proportion. The government-approved hatcheries produce around 120 corer giant freshwater prawns a year against the demand for 120 to 150 corers. The smuggled fry do not grow big, 30-40 of the Indian variety shrimps make one kilogram, but four of the local adult lobsters weigh the same. The Indian fry grown in hatcheries in Andhra Pradesh and Orissa are sent to Bangladesh after 10/12 days.

Selim(1994) over the last two decades, shrimp farming has emerged as a major industry in Bangladesh. The impact of the process has economic, social and environmental dimensions. All of these may have serious implications for sustainability, not only of shrimp farming, but of the rural community in the coastal areas of Bangladesh. Problems with quality compliance arise at pre-processing phase at the stage of handling of raw shrimp (harvesting, sorting by size and color, removal of heads and peeling which are often carried out under conditions and facilities

that are unsuitable from the hygiene perspective) and also at the processing stage (absence of high quality water and ice, irregular electricity supply, poor infrastructure and transportation facility) which seriously constrain Bangladeshi firms' ability to pursue modern sanitary practices.

Mazid (1994) the country has vast and diversified water resources of 4.34 million hectares. The climate is also very suitable for fish production. In spite of that, the development of the fisheries sector during the country's early plan periods remained very slow. The average marine aquaculture farm is 4.5 hectares while the fresh water ponds on inland farms are usually no greater than 0.3 hectares.

The constraints faced in the four sub-sectors (inland culture, inland open water capture, coastal fisheries and marine fisheries) and the impeding realization of their potential has been also enumerated. The essentially required policy support, approach and strategies, enabling increase of fish production to achieve nutritional food security during the next five years and development of ancillary industries have been identified.

Karim (1995) brackish water aquaculture, also known as coastal aquaculture is a rapidly expanding farming activity and plays an important role in the overall fisheries development effort in Bangladesh. Marine and estuarine shrimp, fish and crabs are farm products. Bagda shrimp (black tiger shrimp, *Penaeus monodon*) is the primary target culture species, while fish, heterogeneous shrimp and crabs are the by-products. Amongst the coastal districts, brackish water aquaculture activities are most visible in Satkhira, Khulna, Bagerhat, Cox's Bazar and Chittagong. Because of the turbulent nature of the Bay of Bengal, the wide fluctuations of tide and salinity, and the absence of any sheltered places, e.g. lagoons or backwaters adjoining the sea, Mari culture (culture of marine organisms in marine environment) has not so far developed in Bangladesh.

Khan (2003) a project funded by USAID has the potentials to increase the value of shrimp exports fivefold to \$1.5 billion by 2010. The United States and the European Union (EU) each import 40 percent of the shrimp, while the remaining 20 percent goes to Japan. Bangladesh is already among the top 10 exporters of shrimp in the world and accounts for some 3 percent of global production.

3.0 Methodology

3.1 Data Collection.

Both primary and secondary sources were used for the collection of necessary data. Primary data was collected through a questionnaire survey. Use of secondary data was strictly limited to the

background discussion of the research, the designing of the report and construction of the survey questionnaire.

3.2 Research Approach.

This study is qualitative in nature. This analysis was done in a formal and rigid fashion to draw inference about the opinion of the shrimp stakeholders.

3.3 Instruments.

To collect the data from the population, a structured questionnaire had been followed.

Primary data has been gathered through interviewing the respondents in their respective workplaces. Three questionnaires had been used to collect the data from three areas such as from Experts, Producers & Government Employees of the shrimp industry.

3.4 Rating Scales.

Likert scale was used in this study. In its most basic form, attitude scaling requires that an individual Strongly Agree, Agree, Neutral, Disagree, or Strongly Disagree with a statement or respond to a single question.

3.5 Sampling units

For this study, sampling units was the same as elements for the study. It includes all farmers of shrimp farming, government employees who are working in the fisheries department & experts who are scientists working in Bangladesh Fisheries Research Institute in Khulna, Jessore, Bagerhat and Satkhira as target population for this study.

3.5 Research period: 01 July 1991 -31 August, 2011- this period gave a prominent view about the changes of international rules and regulations related with shrimp marketing. The questionnaire survey was conducted from August 2009 to August 2011.

3.6 The sampling frame (Random sampling):

Category of sample	Sample Size	Data Collection Points
Producers / Farmers	40	Training center of DOF on 10th August , 2010 03, Jalil Sarani, Boyra, Khulna-9000. Bangladesh
Experts	30	Experts who are the scientists working in Bangladesh Fisheries Research Institute in Khulna, Jossore and Bagarhat .
Government Employee	30	The Government officers who are working in Khulna area and in Fish inspection & Quality Control, Khulna under the department of fisheries.
Total =	100	

4.0 Quantitative Analysis and Findings

4.1 Findings from Experts:

To identify the problems and prospects of shrimp industry in Bangladesh the researcher has conducted a survey among the experts. (Here it's only in Khulna, Jessore, Bagerhat and Satkhira in the south-western region of Bangladesh.). Because in Bangladesh most Shrimp industries are situated in Khulna, Jessore, Bagerhat and Satkhira, in the south-western region of Bangladesh.

- i. The analysis shows that (See appendix#02, Figure:01) 73.3 % respondents strongly agree that there is a shortage of raw materials in terms of capacity utilization of shrimp processing industries, 26.7% respondents also agree with this. The Shrimp processors are faced with a huge demand from the international markets. But they aren't able to meet this demand because of failure to supply adequate shrimp. Inconsistency in the supply chain results in substantial and rapidly changing price structure. As a result unethical practices are prevalent in the value chain. In order to meet the necessary weight requirements, farmers sometimes inject the shrimp with illegal material.
- ii. The farmer has not enough technical knowledge about shrimp culture. (See appendix#02, Figure: 01) Hence the shrimp producer can't achieve their target production. 33% respondents strongly agreed that there was a lack of efficient processing workers. 50 % respondents also agreed with this statement.
- iii. The analysis shows that(See appendix#02, Figure:01) 63 % respondents strongly agree that the industry has failed to ensure quality as per international requirements. 20% respondents agreed with this statement. In the last few years the international market has experienced quite a revolution. The consumers have grown much more aware about food safety & quality. They want to know whether the imported shrimp is produced maintaining international codes of conduct for food safety & quality
- iv. 70% respondents were strongly agreeable that there is a lack of quality awareness among the stakeholders associated with shrimp value chain (See appendix#02, Figure: 01) and 30 % respondents agreed with this statement. Quality and price control measurement are compromised due to inadequate supply. This level, of the chain, is also characterized by too much dependence on catchers and they eventually dictate prices. Inadequate monitoring and control by law, enforcing and monitoring agencies is also a troubling issue in this phase of the chain.
- v. In case of lack of modern machinery, instruments & methodology for testing quality parameters of exportable shrimp 80% respondents were strongly agreeable with this statement.

The Laboratory is not sufficiently facilitated with modern & sophisticated, machine, instruments & methodology for testing quality parameters of exportable shrimp.

vi. The contamination of banned elements in the shrimp affects the shrimp industry.

(See appendix#02, Figure: 03) The analysis shows that 97 % experts were strongly agreeable with this statement. Sometimes some dishonest shrimp producer or businessman undertake malpractices like push of unhygienic liquid and solid bar. These types of adulteration in shrimp create a bad image for the shrimp industry in the overseas market.

vii. The analysis shows that (See appendix#02, Figure: 03) 97% respondents were strongly agreeable that various new and stringent regulations regarding quality assurance are introduced by the importing countries like EU & USA. That creates complexities in shrimp export.

viii. The analysis shows that 60% respondents were strongly agreeable that the shrimp industry has a lack of proper transport facilities, 33% respondents also agreed with this. The poor transportation infrastructure of the country further cripples the industry. This problem is even more acute in cases where the shrimp have to be transported. The poor transportation infrastructure of the country further cripples this industry. Lack of landing facility for air transporters results in high carrying and time related costs which ultimately results in the farmers paying higher prices.

ix. 55% respondents were strongly supportive that there was not adequate government patronization. 20% respondents were neutral with this statement, (See appendix#02, Figure: 02) 17 % respondents disagreed with this statement. Government should support the shrimp industry because this sector needs a lot of development. The government should permit more projects for Shrimp culture. The government has also failed to play a constructive role, evidence by the lack of support from government extension workers. The cost of maintaining nurseries and undertaking experiments is at a time too risky and expensive.

x. (See appendix#02, Figure: 03) 71% respondents strongly agreed that harmful antibiotics are mixed with exported shrimp, 23% respondents agreed with this statement. EU banned some harmful antibiotics for fish & animal. The banned antibiotics are Furazolidon, Furaldone, Nitrofurazone & Chloramphenicol Antibiotics. These banned antibiotics are responsible for cancer in the human body. But in our country these drugs are available in the market randomly for shrimp farming.

xi. 90 % respondents were supporting that due to unavailability of ocean going vessels to deliver exportable shrimp in foreign markets in due time there is delay. The ocean going vessel are not available as per its requirements.

xii. About the shortage of electricity supply in the shrimp industry, 80% respondents were strongly agreeable with this statement, 20% respondents also agreed with this statement. In Bangladesh the electricity supply is not adequate and that hampers the shrimp production. In rural areas electricity supply is too shocking because they get very little electricity.

xiii. 80% respondents were strongly agreeable that the lack of technical knowledge among the farmers regarding shrimp culture will reduce the productivity of shrimp manufacture. They have no knowledge about modern methods of shrimp farming that reduces productivity.

xiv. 77% respondents were strongly agreeable that there is a lack of exploration of new markets (See appendix#02, Figure: 02) for shrimps in local & international areas. Inconsistency in the supply chain results in substantial and rapidly changing prices for shrimp in local & international markets. In the supply chain of shrimp there is no control over the price of shrimp. Due to this uncontrolled price some producers are not getting the right price for shrimp, inability to create a variety of shrimp products to serve the international & local markets and lack of exploration of new markets for the shrimp industry. There is a lot of demand of shrimp in international & local market but marketers failed to execute this demand.

xv. The effect of natural calamities in shrimp industry is very dangerous (See appendix#02, Figure:04). 67% respondents strongly agreed with this statement, 30% respondents also agreed with this statement. Natural calamities like floods, salinity, Sidre can fully destroy cultured shrimp. Excess rainfall can also change the salinity of brackish water.

xvi. 67% respondents strongly agreed about the limitation of social security in the shrimp industry, 23 % respondents were also agreeable with this statement. Agents are commercially driven and therefore engage in overselling certain medications such as antibiotics and hormones just to gain profits. Low levels of knowledge regarding bacterial and fungal infestation prohibit them from taking proper measures in preventing and curing diseases.

xvii. 60% respondents strongly agreed that social conflict regarding shrimp cultivation (especially for saline water shrimp) is a common scenario, 30 % respondents were also agreeable with this statement. There is conflict between shrimp producers and cereal crop producers.

xviii. 50% respondents were strongly agreeable that there was adulteration by the social miscreants (like push of unhygienic liquid and solid bar). 30% respondents were also agreeable with this statement. Sometimes dishonest shrimp producers or businessmen use malpractices like push of unhygienic liquid and solid bar. These types of adulteration in shrimp create a bad image for the shrimp industry in the overseas market.

4.2.1 Findings from the Producers or Farmers of Shrimp :

To identify the problems and prospects of shrimp industry in Bangladesh a survey was also conducted among the producers.

i. 55 % respondents were agreeable that low awareness levels regarding proper farming practices results in high mortality rates and diseases in the farms. (See appendix#02, Figure: 05) 35% respondents agree with this. The weak financial capability of the farmers is also a great barrier towards development. Inadequate banking support makes it impossible for the farmers to obtain the funding they require.

ii. The analysis shows that 50% respondents were strongly agreeable that post harvest handling facilities for shrimp are not available for shrimp production. (See appendix#02, Figure: 05) 20% respondents agreed with this statement. PL (Post Larvae) supplied by the hatcheries is of low quality. It is important to note that the biological, chemical and physical hazards are to be controlled regarding food safety and not food quality.

iii. (See appendix#02, Figure: 06) 82 % respondents strongly agreed that although in recent times, there have been efforts to comply; compliance with HACCP (Hazard Analysis Critical Control Point) is still not adequate .18% respondents were agreeable with this statement. It is important from a business standpoint to produce high quality seafood products, and the measures taken to produce safe products, no doubt which contribute to quality, the two parameters should be kept separate when developing a HACCP plan. For example, insects, filth, hair, and even spoilage by nonpathogenic microorganisms are undesirable in food and would certainly make it low quality. In July, 1997 the European Commission imposed a ban on import of shrimp products from Bangladesh into the EU on the ground that exports of this commodity did not meet the stringent provisions of EC's HACCP (Hazard Analysis Critical Control Point) regulations that originated from (a) concerns as regards standards in areas related to health safeguards, quality control, infrastructure and hygiene in the processing units, and (b) lack of trust in the efficiency of the controlling measures carried out by designated Bangladesh, the Department of Fisheries (DOF).

iv. The analysis shows that 75 % respondents strongly agreed that financing related complexities should be reduced for farmers and producers of shrimp, 25% respondents agreed with this statement. Financial agencies consider financing farms non profitable and high risk and therefore are reluctant in extending loans. The knowledge-base of financial operators regarding the industry is not adequate. Although they are willing to grant loans to hatcheries, they have very little idea of the demand supply status in the industry. Loan disbursement to a large extent

is either directed toward hatcheries or processors as they seem to be larger as compared to the rest of the actors in the value chain.

v. 77 % respondents strongly agreed that **the** government should provide more training & development programs for shrimp producers, 23% respondents were agreeable with this statement. Training & development programs for shrimp producers are not adequate. It is needed to enrich their technological knowledge.

vi. The analysis shows(See **appendix#02, Figure:05**) that 43% respondents strongly agreed that forecasting the symptoms of shrimp diseases is poor, 54% respondents were agreeable with this statement. There is no way to forecast the symptoms of shrimp diseases that are related to the training and development of shrimp farming.

vii. Management inefficiency and lack of technology are considered as main contributing forces behind the rising costs of production.72% respondents strongly agreed with this statement. The government has also failed to play a constructive role, evidenced by the lack of support from government extension workers. The cost of maintaining nurseries and undertaking experiments is at times too risky and expensive.

viii. Government should ensure the political constancy within political boundaries. (See **appendix#02, Figure: 06**) 62% respondents strongly agreed with this statement, 35% respondents were agreeable with this statement. In Bangladesh political conflict between the government party & the opposition party is quite a natural thing. These types of political conflicts destroy a lot of government & private property. Sometimes the opposition party calls transportation strikes that hamper the shipment of shrimps.

ix. Inconsistency in the supply chain results in substantial and rapidly changing prices for shrimps the in local & international market. (See **appendix#02, Figure: 06**) 70 % respondents strongly agree with this statement, 30 % respondents were agreeable with this statement. As mentioned before, there exists a huge gap between the demand for shrimp by processors and the supply of the same provided by the farmers. Processors dictate prices based on international market rates. Too many depots are engaged in this stage and a large number of these depots and sub-depots are either owned or controlled by agents. All adulteration is performed in the depots or sub-depots. Here shrimp is injected with fluids and other substances or immersed in water to increase their weight. Again, the measures taken by the government in monitoring of compliance are alarmingly inadequate.

x. The producer's relation with supplier is not always friendly. The analysis shows that 79% respondents strongly agreed with this statement. The producer's relation with the supplier is not always friendly. A gap exists between the supplier and the producer.

4.3.1 Findings from Government Employees:

Government employees are also related with the problems and prospects of shrimp farming in Bangladesh. Their assessment is shown in the following findings.

- i. Shrimp processing personnel are not professional. (See appendix#02, Figure: 07). The analysis shows that 23% respondents strongly agreed with this statement and 30% respondents were agreeable with this statement. The extension workers provided by the government have so far performed very poorly and failed to facilitate the farmers properly.
- ii. Shrimp industry fails to ensure the quality as per international requirement. (See appendix#02, Figure: 07) 34 % respondents strongly agreed with this statement, 30% respondents were agreeable with this statement. The quality of raw material (shrimp/prawn) supplied to the processors is not satisfactory because of adulteration, size variation etc. It has also been observed that, some processors engage in this business only for the period for which the tax holiday has been extended. After the expiry they simply get a new registration. This practice results in financial default. Lack of marketing efforts and a negative country image are also great obstacles. The negative country image is solely responsible for the low price Bangladeshi shrimp commands in the international market and its failure to increase its market share and acquire new markets. Inadequate technology and knowledge transfer also impact operations.
- iii. Introduction of various new and strict regulations concerning quality assurance by the importing countries like EU & USA, becomes a threat for Shrimp export. 90% respondents were agreeable with this statement. The international market has experienced quite a revolution. The consumers have grown much more aware about food safety, environmental and human right issues. They want to know whether the imported shrimp is produced maintaining international codes of conduct for food safety, whether it is produced in an environmental friendly way, whether the human rights and labor rights requirements are followed while producing and processing shrimp.
- iv. Integration of banned elements in the processing of shrimp affects the image of the shrimp industry of Bangladesh. 37 % respondents strongly agreed with this statement, 49% respondents were agreeable with this statement. Sometimes, some dishonest shrimp producers or businessmen follow malpractices like push of unhygienic liquid and solid bar. These types of adulteration in shrimp create a bad image for the shrimp industry in international markets.
- v. PL (Post Larvae) supplied by the hatcheries is of low quality. 60% respondents strongly agreed with this statement. These agents constitute a major profit making action in the chain with the least risk. These agents are very influential in the value chain and determine prices.

Lack of working capital and availability of special interest rates are outlined as major constraints faced by the group.

vi. Facilities for WSSV (White Spot Syndrome Virus) screening are almost nonexistent. 55% respondents strongly agreed with this statement, (See appendix#02, Figure: 07) 37% respondents were agreeable with this statement. Inadequate bio-security measures such as drainage, bacterial control, viral control, use of medication, etc. due to inadequate technology base also results in high mortality rate and low quality of the product. A disease called White Spot Syndrome Virus (WSSV) affects the *bagda* species specifically and is the sole contributor of falling productivity of *bagda*. *Golda* bio security related problems mainly involve bacterial infection and contaminated medicine and feed. EU imposed a ban on Bangladesh shrimp imports in 1997 because of a failure to comply with EU quality regulations. These events have resulted in a bad image of Bangladeshi shrimp in foreign markets. As a result Bangladesh cannot demand the same price as its competitors can in the international market.

vii. There is a lack of quality and safe feed supply for the shrimp culture. (See appendix#02, Figure: 07) 47% respondents strongly agreed with this statement, 37% respondents were agreeable with this statement. There is a shortage of artificial shrimp feed in Bangladesh. Only 6,000 ton of shrimp and fish feed are produced locally as opposed to a total requirement of more than 100,000 ton. Apart from the Bangladesh Fisheries Development Corporation's fishmeal plant, there is only one feed mill operating in Mymensingh and a few small-scale local manufacturers of fish feed shrimp feeds, usually with a shelf-life of about three months, that are imported from Thailand and Taiwan. It has been reported that stale feeds are supplied at the farm level, leading to adverse effects on shrimp farming. Consequently, most farmers rely on natural feed and their farms suffer from low productivity.

viii. The government should conduct an awareness campaign regarding the quality management of shrimp. (See appendix#02, Figure: 07) 100% respondents strongly agreed with this statement. Bangladesh government should conduct more awareness campaigns of quality management because there is lack of knowledge of quality management among the stakeholders.

ix. Quality control measurement standards should be more developed. (See appendix#02, Figure: 07) 100% respondents strongly agreed with this statement. Quality control measurement standard is not applied properly in shrimp supply chain according to international requirements.

5.2. Conclusion

In this study a number of problems have been identified and analyzed on the shrimp industry. But a severe level of illiteracy of the cluster members is the main reason for the significant difference in the imaginary level of the problem and the actual stakeholders' awareness level

regarding the problems. Besides, lack of monitoring, widespread corruption and the absence of an integrated policy for this industry are also various reasons. The disintegrated supply chain of the industry is also to blame. Bangladesh, with a large deltaic flood plain has a long tradition of fishing and shrimp culture. In recent decades, due to an increased international demand, shrimp has become one of the most important export product. In export earnings 85% of this is earned through export of shrimp. The government has declared shrimp cultivation a priority industry and specific support programmers (both technical and financial) have been designed. The discussion that ensured to identify obstacles to the growth of the industry, develop some intervention strategies that would help eradicate these obstacles and begin to develop a strategic model to achieve an export target of \$1 billion by 2010. It is therefore quite possible to attain the year 2010 export revenue target of \$1 billion if the above mentioned obstacles are overcome.

5.3. Policy Recommendations

Mass level of the stakeholders need institutional and industry related education, instantaneously. Activities like training programs, seminars, and trade-fairs are still in the initial level and done on a small project base. Industry wise expansion of these kinds of activities should be taken into account immediately. Problems including *high mortality rate, lack of virus screening facility and unfair practices* should be taken into account for both operative and strategic levels immediately. Enforcement of food safety outside the government should be explored.

Following special measures should be taken immediately:

- Shrimp processing industries or shrimp producers sometimes face a lot of risk like disease problems, rising price of shrimp feed, natural calamities, falling of shrimp price etc. So the government should share the risk with them to ensure the productivity of the shrimp industry.
- Shrimp transportation should be facilitated with modern facilities like insulated & refrigerated carrier van and handling of shrimp with food graded plastic baskets.
- Introduction of quality certification systems at all levels of the shrimp and fish based industry to ensure food safety, traceability, environmental sustainability and social responsibility is needed.
- In Bangladesh, electricity supply is not adequate but the government should ensure a continuous electricity supply in shrimp processing industries.
- Quality control measurement standard should be more developed
- All local manufacturers or importers of shrimp feeds must ensure and certify, on the body of feed bag or package that the feed does not contain any EU and USFDA prohibited antibiotics or other chemicals.

- Feed manufacturers should be allowed to import duty free essential ingredients that are not locally available.
- Affordable rate of interest, easy repayment schedule should be introduced for the industry related entrepreneurs.
- Vocational training centers should be established at aquaculture locations for hands-on training in aquaculture, post-harvest handling and processing.
- Laboratories should have enough facilities with modern and sophisticated machines, instruments and methodology for testing quality parameters of exportable shrimp.
- Ocean going vessel for the export of shrimp should be made easily available. Often, ocean going vessel are not available as per its requirement, hence exporters cannot export shrimp in due time.
- Inability to create a variety of shrimp products to serve the international and local markets leads to lack of exploration of new markets in the shrimp industry. There is a lot of demand for shrimp in international and local markets but marketers fail to execute this demand. Shrimp production should be enhanced.

• References

1. Afzal Khan (2003). "Integrated Coastal Zone Management Plan Project: a Systems Analysis of Shrimp Production" Dhaka, Bangladesh. Bangladesh Shrimp Exports Poised to Soar with U.S. Assistance, August 10, (USAID-funded project aiding production of quality shrimp) p-15
2. Karim, M. and Aftabuzzaman, 1995. "Brackish and Marine Water Aquaculture: Potential, Constraints and Management Needs for Sustainable Development". A paper presented at the National Workshop on Fisheries Resources, Development and Management, Dhaka, October 1995.
3. Khan, M.G. 1994 "Present Status and Future Plan for Sustainable Marine Resources Development: In Sustainable Development of Marine Fisheries Resources in Bangladesh", Mymensingh Fisheries Research Institute, June 1999, p-18, Bangladesh.
4. Mazid, M.A. 1994, "Environmental Issues and Aquaculture Development in Bangladesh" Country Paper, presented at the Final Workshop, FAO (Food and Agriculture Organization of the United Nations).
5. Selim, N.M. 1994, "Development of 'bagda' Hatchery as a Strategy for Acceleration of Shrimp Aquaculture as an Industry in Bangladesh" Dhaka, BFFEA (Bangladesh Frozen Foods Exporters Associations Special Bulletin), January 1994. Bangladesh.

Webliography

1. Retrieved from <http://www.FoodBizDaily.com> - 11pm – 12am, 22, 25, July, 2011
2. Retrieved from <http://www.uow.edu.au/research/> - 11pm – 12am, 12 August, 2011.
3. Retrieved from <http://www.bangladeshobserveronline.com>. 11pm – 12am 22 August, 2011.
4. Retrieved from http://www.usaid.gov/bd/files/atdp_2_shrimp_report.doc. 11pm – 12am, 25 May, 2010
5. Retrieved from <http://www.nri.org/projects/fishtrade/bangladesh>. 11pm – 12am 27 August, 2009

Appendix #01

Table: 01: BASIC INFORMATION ON FROZEN FOOD INDUSTRIES IN BANGLADESH,2009.

1	No of Fish Processing Plants	133
2	Plants Licensed by the GOB	75
3	Fish Processing Plants Approved by the EU	65
4	Quantity of Frozen Food Exported in 2007-2008	75,299 M. Ton
5	Shrimp Exported in 2007-2008	49,907 M. Ton
6	Processing Capacity in the Total Plant	2,65,000 M. Ton
7	Export Earnings from Shrimp & Fish 2007-2008	Tk. 3396.28 Crore
8	No of Shrimp Hatchery	105
9	Production of Shrimp Fly	1200-1500 Crore
10	Shrimp Cultured Land	1,70,000 Hector

Source: WWW.BFFEA.BD.com

Frozen Shrimp & Fish Exports from Bangladesh (1991-1992 to 2006-2008)

Year	Item	Quantity (Million Pounds)	Value(Million\$)	Taka Core
1991-1992	Shrimp & Fish	44.32	130.53	496.91
1992-1993	Shrimp & Fish	48.35	165.34	642.34
1993-1994	Shrimp & Fish	55.51	210.52	838.90
1994-1995	Shrimp & Fish	78.36	305.64	1225.92
1995-1996	Shrimp & Fish	75.07	313.69	1283.00
1996-1997	Shrimp & Fish	76.05	320.73	1365.65
1997-1998	Shrimp & Fish	60.85	293.84	1333.13
1998-1999	Shrimp & Fish	58.35	270.32	1316.16
1999-2000	Shrimp & Fish	74.23	343.82	1722.5
2000-2001	Shrimp & Fish	76.70	363.23	1957.79
2001-2002	Shrimp & Fish	88.36	276.11	1585.25
2002-2003	Shrimp & Fish	73.57	321.81	1863.27
2003-2004	Shrimp & Fish	84.48	390.25	2300.92
2004-2005	Shrimp & Fish	96.11	420.74	2587.90
2005-2006	Shrimp & Fish	107.86	459.11	3200.00
2006-2007	Shrimp & Fish	112.15	515.32	3558.78
2007-2008	Shrimp & Fish	106.77	490.58	3396.28

Table: 02, Source: www.bffea.net/export,04 May 2010

i) Demographic findings from Experts:

The total sample breakdown in terms of occupation, 33.3% was Senior Scientific Officer & Junior Scientific Officer (16.7%). The majority were Scientific Officer (50.0%).

In terms of working experience 46.7% had 1-10 years of experience, and 50.0% were 11-20 years & +20 years were (3.3%). In terms of working area, out of the total respondents, 53.1% worked in Paikgacha, Khulna, and 21.9% worked in Jessore, 18.8% worked in Bagerhat area.

ii) Demographic findings from Farmers:

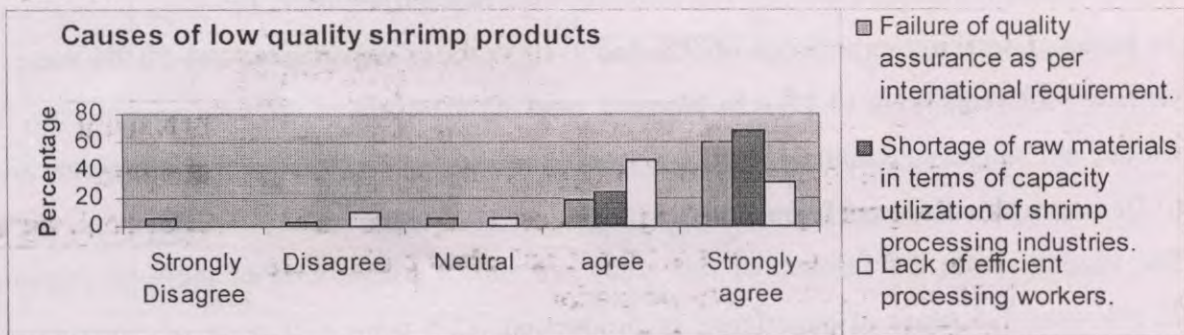
The findings from the farmers of this study are shown below. Out of the total respondents, 23.5% were 1-5 years of experience of production, 12.5 were +20 years of experience, 15% were 11-15 years, 10% were 16-20 years. The majority were 6-10 years of experience of production 35%. Out of the total respondents 30.0% produce 100-1000 kgs a year, 27.5% produce +2000 kgs a year. The majority produce more than 2000 kgs a year (42.5%). Out of the total respondents 25.0% invested 100,000-10, 00,000 taka, and 10% invested 200,000-30, 00,000 taka, 12.5 % invested 30, 00,000 taka. The majority invested 100,000-10, 00,000 taka (52.5 %).

iii) Demographic findings from Government Employees:

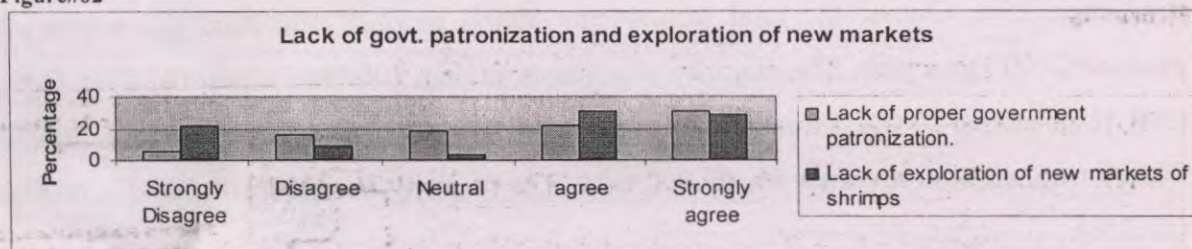
In terms of designation of government employee 16.7% were Microbiologists, and 20.0% were Inspectors, 20.0% were Upozila Fisheries Officers, 6.7% were Quality Control Officers. The majority were Senior Upozila Fisheries Officers (36.7%). In terms of department of government employee 20.0% were in Quality Control Dept. of Fisheries, Khulna, The majority were in Dept. of Fisheries (80.0%). In terms of working area of government employee 20.0% were in Bagerhat, 26.7% were in Jessor, The majority were Khulna (53.3%). In terms of working experience of government employee 30.0% had 0-10 years of working experience, 23.3% had 11-20 years of working experience, 3.3% had +30 years of working experience the majority had 21-30 years of working experience (43.3%).

Appendix#02

Figure #01



Figure#02



Figure#03

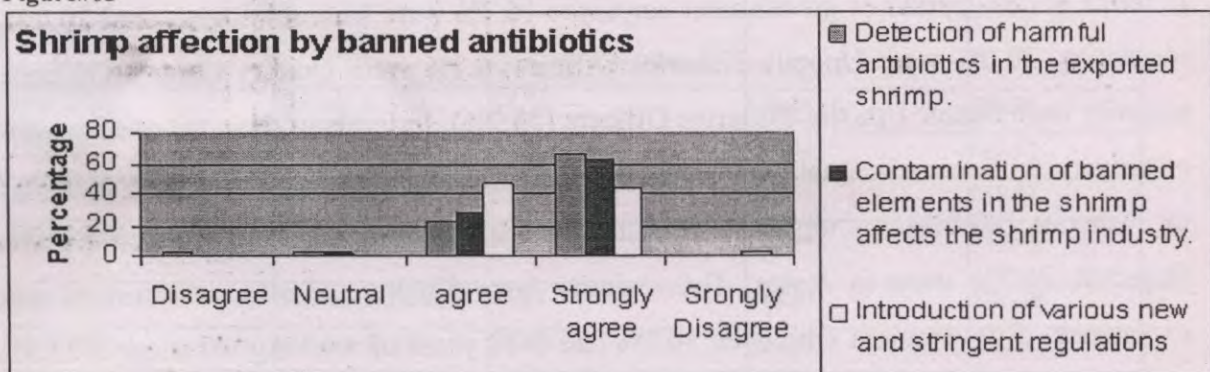
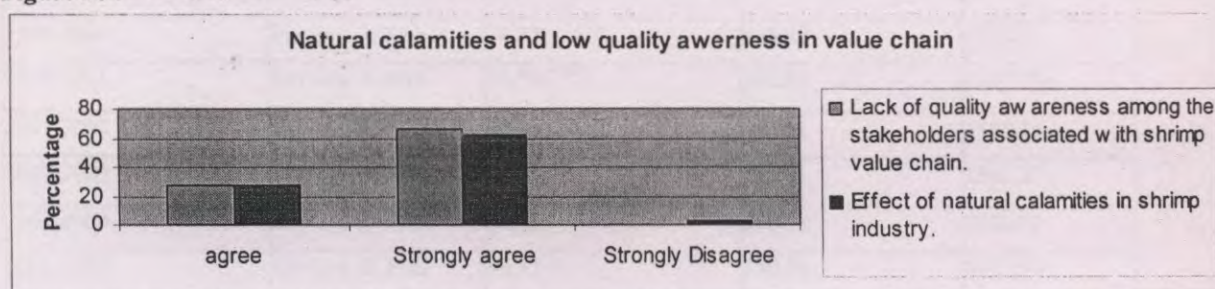


Figure #04



Figure# 05

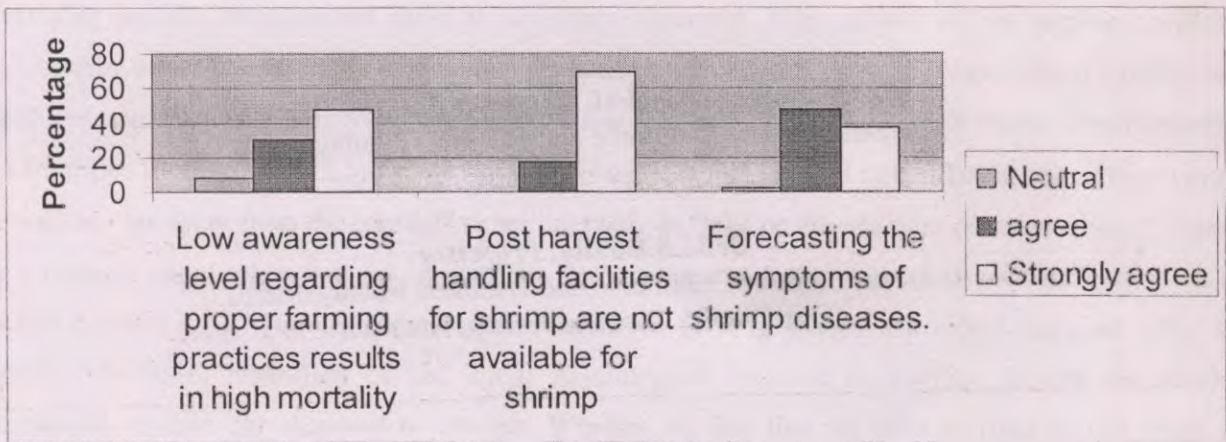
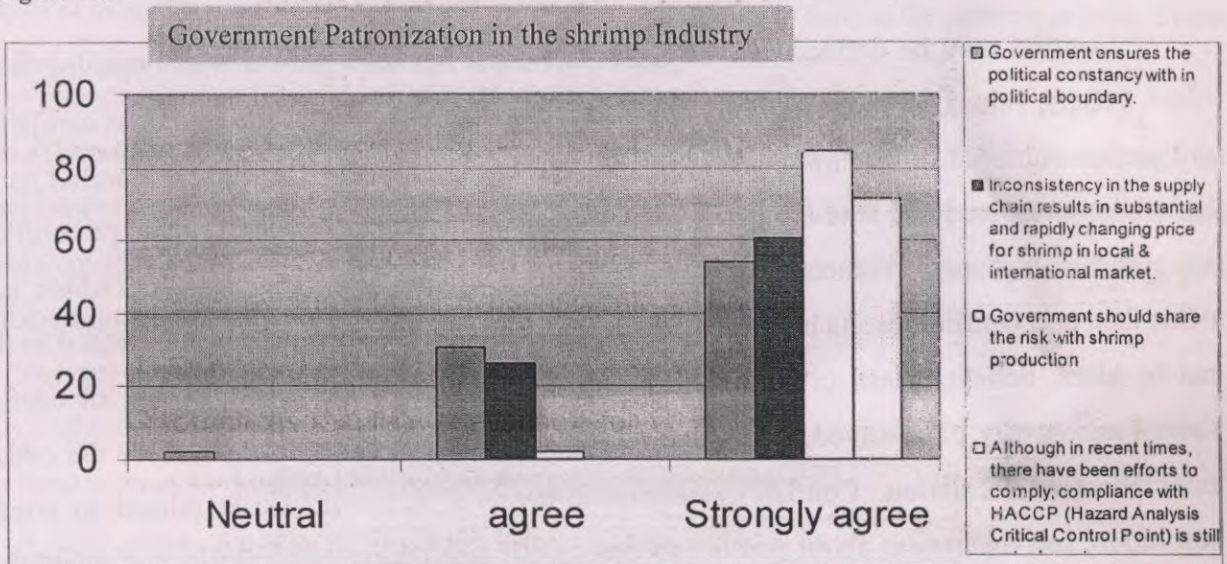
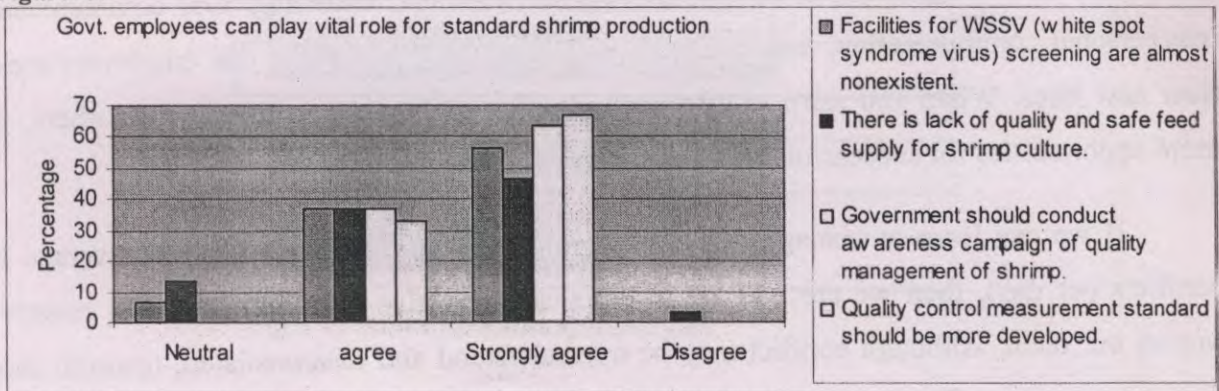


Figure #06



Figure#07



Understanding and Management of Conflict in Organizations

Shivani Nischal, *Research Fellow*,
Department of Commerce and Business Management,
Guru Nanak Dev University, Amritsar

Dr.G.S.Bhalla, *Professor*,
Department of Commerce and Business Management,
Guru Nanak Dev University, Amritsar.

An Introduction

Conflict may be defined as a struggle or contest between people with opposing needs, ideas, beliefs, values, or goals. Conflict in teams is inevitable; however, the results of conflict are not predetermined. Conflict might escalate and lead to nonproductive results, or conflict can be beneficially resolved and lead to quality final products. Therefore, learning to manage conflict is integral to a high-performance team. Although very few people go looking for conflict, more often than not, conflict results because of miscommunication between people with regard to their needs, ideas, beliefs, goals, or values. Conflict management is the principle that all conflicts cannot necessarily be resolved, but learning how to manage conflicts can decrease the odds of nonproductive escalation. Conflict management involves acquiring skills related to conflict resolution, self-awareness about conflict modes, conflict communication skills, and establishing a structure for management of conflict in your environment. Listening, oral communication, interpersonal communication, and teamwork rank near the top of skills that employers seek in their new hires. When you learn to effectively manage and resolve conflicts with others, then more opportunities for successful team memberships are available to you.

If we can learn to manage this highly probable event called conflict (we average five conflicts per day), then we are less apt to practice destructive behaviors that will negatively impact our team. Although conflict may be misunderstood and unappreciated, research shows that unresolved conflict can lead to aggression. Most of us use conflict skills that we observed growing up, unless we have made a conscious effort to change our conflict management style. Some of us observed good conflict management, while others observed faulty conflict

management. Most of us have several reasons to improve our conflict-management skills. So developing conflict management skills is necessary, foremost. Most people do not resolve conflicts because they either have a faulty skill set and/or because they do not know the organization's policy on conflict management. All team members need to know their conflict styles, conflict intervention methods, and strategies for conflict skill improvement. Physiologically we respond to conflict in one of two ways—we want to “get away from the conflict” or we are ready to “take on anyone who comes our way.” Think for a moment about when you are in conflict. Do you want to leave or do you want to fight when a conflict presents itself? Neither physiological response is good or bad—it's personal response. What is important to learn, regardless of our initial physiological response to conflict, is that we should intentionally choose our response to conflict. Whether we feel like we want to fight or flee when a conflict arises, we can deliberately choose a conflict mode. By consciously choosing a conflict mode instead of to conflict, we are more likely to productively contribute to solving the problem at hand. Below are five conflict response modes that can be used in conflict.

The Thomas-Kilmann Conflict Mode Instrument (TKI) is a widely used assessment for determining conflict modes. The assessment takes less than fifteen minutes to complete and yields conflict scores in the areas of avoiding, competing, compromising, accommodating, and collaborating.

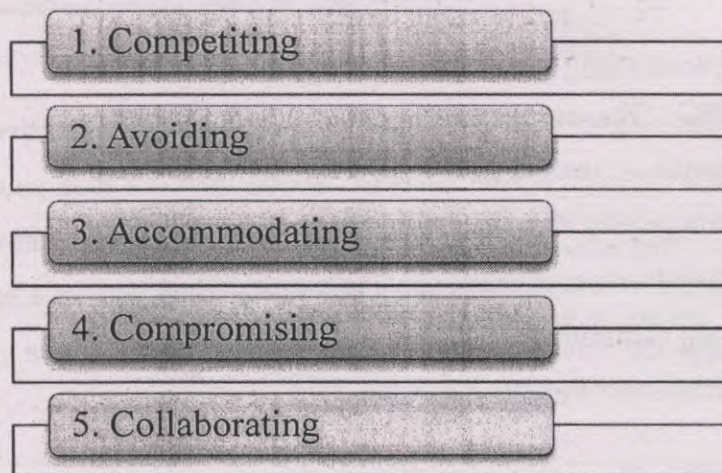


Fig 1 Conflict Resolution Strategies

The description of various Conflict Resolving Strategies are as follows:

- 1) **COMPETING:** The competing conflict mode is high assertiveness and low cooperation. Times when the competing mode is appropriate are when quick action needs to be taken, when unpopular decisions need to be made, when vital issues must be handled, or when one is protecting self-interest.
- 2) **AVOIDING:** The avoiding mode is low assertiveness and low cooperation. Many times people will avoid conflicts out of fear of engaging in a conflict or because they do not have confidence in their conflict management skills. Times when the avoiding mode is appropriate are when you have issues of low importance, to reduce tensions, to buy some time, or when you are in a position of lower power.
- 3) **ACCOMMODATING:** The accommodating mode is low assertiveness and high cooperation. Times when the accommodating mode is appropriate are to show reasonableness, develop performance, create goodwill, or keep peace. Some people use the accommodating mode when the issue or outcome is of low importance to them. The accommodating mode can be problematic when one uses the mode to “keep a tally” or to be a martyr. For example, if you keep a list of the number of times you have accommodated someone and then you expect that person to realize, without your communicating to the person, that she/he should now accommodate you.
- 4) **COMPROMISING:** The compromising mode is moderate assertiveness and moderate cooperation. Some people define compromise as “giving up more than you want,” while others see compromise as both parties winning. Times when the compromising mode is appropriate are when you are dealing with issues of moderate importance, when you have equal power status, or when you have a strong commitment for resolution. Compromising mode can also be used as a temporary solution when there are time constraints.
- 5) **COLLABORATING:** The collaborating mode is high assertiveness and high cooperation. Collaboration has been described as “putting an idea on top of an idea ...in order to achieve the best solution to a conflict.” The best solution is defined as a creative solution to the conflict that would not have been generated by a single individual. With such a positive outcome for collaboration, some people will profess that the collaboration mode is always the best conflict

mode to use. However, collaborating takes a great deal of time and energy. Therefore, the collaborating mode should be used when the conflict warrants time and energy. For example, if your team is establishing initial parameters for how to work effectively together, then using the collaborating mode could be quite useful. On the other hand, if your team is in conflict about where to go to lunch today, the time and energy necessary to collaboratively resolve the conflict is probably not beneficial. Times when the collaborative mode is appropriate are when the conflict is important to the people who are constructing an integrative solution, when the issues are too important to compromise, when merging perspectives, when gaining commitment, when improving relationships, or when learning.

Fig II. Choosing the best Conflict Resolution Style

<p>High</p>	<p>Use Force:</p> <ul style="list-style-type: none"> • When you are sure that you are right. • When an emergency situation exists (Do or die) • When stakes are high and issues are important • When you are stronger: never start a battle you can't win • To gain status or demonstrate position power. 		<p>Use Collaboration (Confrontation):</p> <ul style="list-style-type: none"> • When you both get at least what you want and maybe more. • To reduce overall project costs • To gain commitment and create a common power base • When there is enough time and skills are complementary • When you want to preclude later use of other methods • To maintain future relationships • When there is mutual trust, respect and Confidence
<p>Concern for Oneself</p>	<p>Use Compromise:</p> <ul style="list-style-type: none"> • For temporary solutions • For backup if collaboration fails <p>When you can't win or don't have enough time</p> <ul style="list-style-type: none"> • when others are as strong as you are <ul style="list-style-type: none"> • To maintain your relationship with your opponent • When you're not sure you are right. 		
<p>Low</p>	<p>Use Avoidance (Withdrawal):</p> <ul style="list-style-type: none"> • When you can't win or the stakes are low • When the stakes are high, but you aren't ready yet • To gain status or demonstrate 		<p>Use Accommodation (Smoothing):</p> <ul style="list-style-type: none"> • To reach an overreaching goal. • To create obligation for a trade-off at a later date • When stakes are low and liability is limited

	position power • To gain time • To discourage your opponent • To maintain neutrality or reputation • When you think the problem will go away by itself		• To maintain harmony, peace, and goodwill • When any solution will be adequate • When you'll lose anyway • To gain time
	Low	Concern for the Other	High

Factors Affecting Conflict Modes: Some factors that can impact how we respond to conflict are listed below with explanations:

1. **Gender:** Some of us were socialized to use particular conflict modes because of our gender. For example, some males, because they are male were taught that they should “always stand up to someone, and, if you have to fight, then fight.” If one was socialized this way he will be more likely to use assertive conflict modes versus using cooperative modes.
2. **Self-concept:** How we think and feel about ourselves affect how we approach conflict. We think our thoughts, feelings, and opinions are worth being heard by the person with whom we are in conflict.
3. **Expectations:** we believe the other person or our team wants to resolve the conflict.
4. **Situations:** Where is the conflict occurring, do we know the person we are in conflict with, etc are the major factors impacting various conflict modes.
5. **Position/Power:** Describes our power status relationship, (that is, equal, more, or less) with the person with whom we are in conflict.
6. **Practice:** Practice involves being able to use all five conflict modes effectively, being able to determine what conflict mode would be most effective to resolve the conflict, and the ability to change modes as necessary while engaged in conflict.
7. **Determining the best mode:** Through knowledge about conflict and through practice we develop a “conflict management understanding” and can, with ease and limited energy, determine what conflict mode to use with the particular person with whom we are in conflict.

8. **Communication skills:** The essence of conflict resolution and conflict management is the ability to communicate effectively. People who have and use effective communication will resolve their conflicts with greater ease and success.

9. **Life experiences:** As mentioned earlier, we often practice the conflict modes we saw our primary caretaker(s) use unless we have made a conscious choice as adults to change or adapt our conflict styles. Some of us had great role models teach us to manage our conflicts and others had less-than-great role models. Our life experiences, both personal and professional, have taught us to frame conflicts as either something positive that can be worked through or something negative to be avoided and ignored at all cost.

Discerning how we manage our conflict, why we manage conflict the way we do, and thinking about the value of engaging in conflict with others is very much important. With better understanding we can make informed choices about how we engage in conflict and when we will engage in conflict. The next section provides points for us to consider when determining if we will enter into a conflict situation or not. There are times when we have a choice to engage in or avoid a conflict. The following six variables should be considered when you decide whether to engage in a conflict.

1. How invested in the relationship are you?

The importance of the working/personal relationship often dictates whether you will engage in a conflict. If you value the person and/or the relationship, going through the process of conflict resolution is important.

2. How important is the issue to you?

Even if the relationship is not of great value to you, one must often engage in conflict if the issue is important to you. For example, if the issue is a belief, value, or regulation that you believe in or are hired to enforce, then engaging in the conflict is necessary. If the relationship and the issue are both important to you, there is an even more compelling reason to engage in the conflict.

3. Do you have the energy for the conflict?

Many of us say, "There is not time to do all that I want to do in a day." Often the issue is not how much time is available but how much energy we have for what we need to do. Even in a track meet, runners are given recovery time before they have to run another race. Energy, not time, is being managed in these situations.

4. Are you aware of the potential consequences?

Prior to engaging in a conflict, thinking about anticipated consequences from engaging in the conflict is wise. For example, there may be a risk for your safety, a risk for job loss, or an opportunity for a better working relationship. Many times people will engage in conflict and then be shocked by the outcome or consequence of engaging in the conflict. Thoughtful reflection about the consequences, both positive and negative, is useful before engaging in or avoiding a conflict.

5. Are you ready for the consequences?

After analyzing potential consequences, determine whether you are prepared for the consequences of engaging in the conflict. For example, one employee anticipated a job loss if she continued to engage in the conflict she was having with her boss over a particular issue. After careful consideration, the employee thought and believed strongly enough about the issue that she did engage in the conflict with her boss. Her annual contract was not renewed for the upcoming year. Because this individual had thought through the consequences of engaging in the conflict, she was prepared to be without a job for a while and was able to financially and emotionally plan for this outcome. Most consequences of engaging in conflict are not this severe, but this example illustrates the value of thinking through consequences.

6. What are the consequences if you do not engage in the conflict?

To avoid losing a sense of self, there are times when you must engage in conflict. Most people have core values, ideas, beliefs, or morals. If a person is going to sacrifice one of their core beliefs by avoiding a conflict, personal loss of respect must be considered. In such cases, even if a person is not excited about confronting the conflict, one must carefully consider the consequences of evading the conflict. When the personal consequences of turning away from the conflict outweigh all other factors, then a person usually must take part in the conflict.

Improvement in the Skills of Conflict Management skills

Applying the preceding information about the five different modes of conflict management, factors affecting models of conflict management, and processes for selecting one or more approaches to conflict involves both self-awareness and an awareness of the others

involved in the conflict. In terms of self-awareness, reflecting on the following questions would provide useful information in selecting how to approach a conflict situation.

1. Am I in conflict?
2. With whom am I in conflict?
3. Why am I motivated to resolve the conflict?
4. What conflict mode am I going to use to manage this conflict?

Since conflict involves at least two people, improving awareness of the other party involved in a conflict might also be useful in choosing how to approach a conflict situation. Reflecting on the following questions might improve awareness of the other party involved in a conflict.

1. What is the nature of the conflict, that is, what is the conflict about?
2. What might motivate the other person(s) involved to resolve the conflict?
3. What conflict modes is the other person using?
4. How might I Intervene to resolve/manage the conflict?

Learning more about conflict allows greater intentionality in selecting a conflict response. Most people have set reactions to conflicts. By learning more about principles of conflict, conflict modes, and reflection on the above questions, we can be more intentional in deciding on a conflict response. Greater intentionality will likely lead to more effective conflict management. The following examples provide additional suggestions that individuals might use to improve their conflict management skills.

Individual Reflection Exercise:

In addition to reflecting on the preceding questions, Karl Smith suggests that the following exercise might provide individuals with valuable information about their perspectives on conflict.

Exercise: Write the word **conflict** in the center of a blank piece of paper and draw a circle around it. Quickly jot down all the words and phrases you associate with the word **conflict** by arranging them around your circle. Review your list of associations and categorize them as positive, negative, or neutral. Count the total number of positive, negative, and neutral associations, and calculate the percentages that are positive, negative, and neutral. Did you have more than 90% positive? Did you have more than 90% negative?

What do your associations with the word **conflict** indicate about your views about conflict and your approach to conflict?

Learning About Your Conflict Modes

Review brief descriptions of the five modes and choose your primary conflict mode. Supplementing individual reflection on conflict modes, you might find out more about your modes of conflict using instruments that are available. Karl Smith provides a copy of a questionnaire based on the Blake and Mouton conflict model. Completing the questionnaire, scoring your responses, and reflecting on your answers might provide valuable information about your approaches to conflict. The TKI is a more recent instrument that is based on the Blake and Mouton conflict model and provides information about your conflict modes in terms of the modes. Taking the TKI assessment would provide information about your primary conflict modes. Equipped with this information, additional individual reflection would help you to determine your current level of comfort with your conflict resolution styles. Then, you might decide whether you want to make changes.

Creating an Individual Conflict Management Plan

Create a conflict management plan. A conflict management plan is a thought and behavior process one can follow when in conflict. A person creates a list of steps she/he can follow when a conflict comes up so that the person can productively manage/solve the conflict. These steps have thought or behaviors that can be realistically done. The literature shows that, if we can identify we are in conflict and can then implement a conflict management plan, our opportunity for resolution of the conflict increases significantly. We identify we are in conflict by identifying our physiological responses when in conflict and by identifying thoughts and feelings we are having that trigger us to realize that we are experiencing a conflict. There are three steps to making a conflict plan. First, write down what physiological responses you have when you know

you are in conflict (e.g., my palms are sweaty, my heart is racing). Second, write down what thoughts you typically have when in a conflict (e.g., “I want to hurt him”; “I want to just get away from her”). Finally, list 4–8 steps you can follow to help manage your thoughts and emotions in a productive way to manage/solve your conflict (e.g., 1. I will take a deep breath; 2. I will think about how I want to respond, etc.). Refer to Algert and Watson to learn more about creating a conflict management plan.

Listening

Improving listening skills is one approach to improving conflict management skills. Eugene Raudsepp states that “Studies show, however, that only about 10% of us listen properly.” Read the article by Raudsepp, take the listening quiz, and develop an action plan for improving your listening skills.

Applying the preceding information about the five different modes of conflict management, factors affecting models of conflict management, and processes for selecting one or more approaches to conflict within the context of a student team involves increasing the awareness of each of the team members about the way the other team members view conflict and how the other team members approach conflict. There are two basic types of team activities.

- In the first type of team activity, individual team members learn more about their perspectives and approaches to conflict through either individual reflection or appropriate instruments. Then, the individuals share with their team members what they have learned.
- In the second type, the team engages in an activity that simulates a hopefully low level of conflict. Then, the team reflects about its actions, learns from its experiences, and develops ways to address conflict more constructively in the future.

The following examples provide suggestions for possible team activities.

Collaborating with Different Individual Conflict Modes

Ask each member to complete the exercise on the preceding page in which she/he identifies their primary mode of conflict management. Then, ask each individual team member to share her/his

own primary mode of conflict management and to provide examples that illustrate that mode. Next, ask the team to identify potential strengths for the combination of different styles and potential problems that might arise with the combination of conflict management modes. Finally, ask the team to develop strategies to minimize potential problems and build on their strengths.

Developing a Positive Team Perspective about Conflict

Start with the individual reflection exercise on the preceding page in which each member writes the word conflict and associates different words or phrases with conflict. Then, ask each member to share the insights she/he learned through the individual reflection. Next, ask the team to take all of the positive associations with conflict and combine them together to construct positive ways in which the team might view conflict. Finally, ask the team to take all of the negative associations with conflict and devise ways in which negative associates might be eliminated or minimized.

Developing a Consensus Decision

These types of exercises can stimulate team development in several ways. One of the ways is to provoke a low level of conflict within the team and to learn from its experience. After completing the exercise, the team can debrief its performance. The team might address several questions. What were the positive aspects in the way we handled conflict? How did our various modes of conflict management help our performance? How did our various modes of conflict management hinder our performance? How might we improve the ways in which we managed conflict within our team?

Intrateam Communication

Improving intrateam communication can reduce the likelihood of conflict and increase the chances for faster, more effective management of conflict when it occurs. The Foundation Coalition has prepared a summary on Effective Interpersonal/Intrateam Communication that may provide helpful information and activities.

Conclusion:

The above Information provides the theoretical information about various situations and factors generating conflict and various approaches towards conflict management such as avoiding, competing, compromising, accommodating, and collaborating. The study outlines the theoretical

framework of understanding conflict and managing the same. The study also stressed upon various factors generating as well as influencing conflict modes. An understanding of the conflict provides a greater role in improving the skills of the person towards management of the conflict. At last, the study further provides suggestions for possible team activities for the proper management of conflict.

References

1. Algert, N.E. (1996) "Conflict in the workplace" in Proceedings: Women in Engineering Advocates Network, Denver, CO., 123-127.
2. Algert, N.E., and Watson, K. (2002) Conflict management: introductions for individuals and organizations. Bryan, TX: (979)775-5335 or e-mail cccr@bigfoot.com.
3. Blake, R.R., and Mouton, J.S. (1964). The managerial grid. Houston: Gulf Publishing Co.
4. Consulting Psychologists Press (CPP). Thomas-Kilmann Conflict Mode Instrument. Palo Alto, CA: (800)624-1765 or available on the World Wide Web at <http://www.cpp-db.com>.
5. C.R. Mitchell, *The Structure of International Conflict* (London: Macmillan, 1981).
6. C.F. Fink, "Some Conceptual Difficulties in the Theory of Social Conflict", *Journal of Conflict Resolution*, 12 (4, 1968), 412-460.
7. For the support of this conception, see: R.W. Mack, "The Components of Social Conflict", *Social Problems*, 12 (4, 1965), 388-397.
8. Johnson, D.W., Johnson, R.T., and Holubec, E.J. (1986) *Circles of learning: cooperation in the classroom* (rev. ed.), Edina, MN: Interaction Book Co.
9. Katzenbach, J.R., and Smith, D.K. (1992) *Wisdom of teams*, Harvard Business School Press.
10. Lambert, J., and Myers, S. (1999) *50 Activities for conflict resolution*. Amherst, MA: HR Development Press.
11. Johnson, D.W., and Johnson, F.P. (2000) *Joining together: group theory and group skills* (7th ed.), Boston, Allyn and Bacon.
12. L. Rico "Organizational Conflict: A Framework for Reappraisal", *Industrial Management Review*, 5 (Fall, 1964), 67.
13. Moore, C., "How Mediation Works" in *The Mediation Process: Practical Strategies for Resolving Conflict*.

14. On the distinction between destructive and constructive conflicts see: M. Deutsch, "Conflicts: Productive and Destructive", *Journal of Social Issues*, 25 (1, 1969), 7-42.
15. On the constructive or desirable features of organizational conflict, see: H. Assael, "Constructive Role of Interorganizational Conflict", *Administrative Science Quarterly*, 14 (4,1969), 499-505; J. Kelly, "Make Conflict Work for You", *Harvard Business Review*, 48 (July-August, 1970), 103-113; and J.A. Litterer, "Conflict in Organization: A Re-examination", *Academy of Management Journal*, 9 (September, 1966), 178-186.
16. On this conception of organization see: D. Katz and R.L. Kahn, *The Social Psychology of Organizations* (2nd ed.; New York: Wiley, 1976) and K.E. Boulding, "Organizations and Conflict", *Journal of Conflict Resolution*, 1 (2, 1957), 122-134.
17. R.L. Pondy, "Organizational Conflict: Concepts and Models", *Administrative Science Quarterly*, 12 (2, 1967), 296-320.
18. Raudsepp, E. (2002) "Hone Listening Skills To Boost Your Career," available on the World Wide Web at <http://www.careerjournal.com/myc/climbingladder/20021224-raudsepp.html>, accessed on 28 January 2003.
19. Smith, K.A. (2000) Project management and teamwork. New York: McGraw-Hill BEST series.
20. See, for instance, K. Singer, "The Meaning of Conflict", *Australian Journal of Philosophy*, 27 (3, 1949), 141-157.
21. This is the approach adopted in J. Kelly, *Organizational Behaviour*. (Homewood, III.:Dorsey Press, 1969).
22. This is adapted from J. Galtung, "Conflict as a Way of Life" in *Progress in Mental Health*, ed. by H. Freeman (London: Churchill, 1969) and elaborated in Mitchell, *op. cit.*
23. This view is supported by S.M. Schmidt and T.A. Kochan, "Conflict: Towards Conceptual Clarity", *Administrative Science Quarterly*, 17 (3,1972), 359-370.
24. This is the distinction between "conflicts of interest" and "conflicts of value". See: V. Aubert, "Competition and Dissensus", *Journal of Conflict Resolution*, 7 (1,1963), 26-42.

Websites Referred:

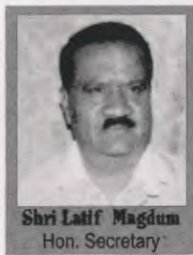
www.tayloronline.com
 www.jstor.org
 www.ssrn.com
 www.emeraldinsight.com
 www.sagepublications.com
 www.google.co.in
 www.google scholar.com

MAHARASHTRA COSMOPOLITAN EDUCATION SOCIETY, PUNE

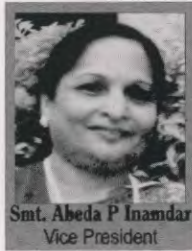
Governing Board



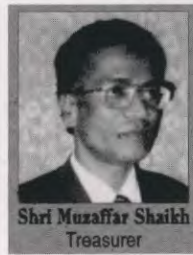
Shri P. A. Inamdar
President



Shri Latif Magdum
Hon. Secretary



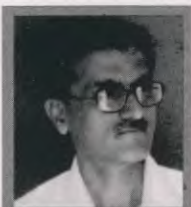
Smt. Abeda P Inamdar
Vice President



Shri Muzaffar Shaikh
Treasurer



Shri Haji A. Qadeer Qureishi
Joint Secretary



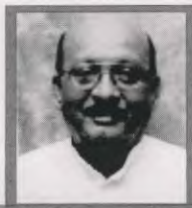
Shri Irfan Jan Mohd. Shaikh
Joint Secretary



Shri S. A Inamdar
Member



Shri Iqbal Malani
Member



Shri Majeed Usman Dawood
Member



Shri Shaikh Abbas Ismail
Member



Shri Baig Abdul Haque
Member



Haji Ahmed Abdul Kader Memon
Special Invitee

Some Institutions of Higher Education governed by M.C.E. Society, Pune.

1. M.A. Rangoonwala College of Dental Sciences and Research, Pune
2. Allana College of Pharmacy, Pune
3. Allana College of Architechure, Pune
4. Allana Institute of Management Sciences, Pune
5. PAI International Centre for Management Excellence, Pune
6. Allana Institute of Information Technology, Pune
7. M.A. Rangoonwala Institute of Hotel Management and Research, Pune
8. A.K.K. New Law Academy, Pune
9. H.G.M. Azam College of Education for Girls, Pune
10. Abeda Inamdar Senior College of Arts, Science and Commerce, Pune
11. Junior College of Education English Medium, Pune
12. Junior College of Education, Urdu Medium, Pune
13. Junior College of Education, Marathi Medium, Pune
14. School of Art, Pune
15. Abeda Inamdar Junior College Pune