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Land, Governance and Tenure in Ethiopia: A Journey Through Time

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Abstract

Ethiopia has undergone major political transformations in the last three decades and with this different land policies and tenure systems. The evolution of each land policy had different socio-economic impacts on the country. In the feudal period, i.e. before 1975 land ownership was vested in the emperor. The Dergue regime took over power from the monarchy in 1974 and nationalized all land. The current government, which replaced the Dergue government, has maintained the land ownership form with devolution of powers to the regions. Tenure in urban areas is through the leasehold system brought about by Proclamation No. 721 of 2011. The objective of the paper is bringing out the characteristics of the different governments and their socio-economic impacts and to highlight the effects of changing governments over time. The objectives are set out in the framework of land, governance and tenure. It highlights the economic performance of the country in general and the well being of the ordinary folk in these three periods of governance. The research was basically conducted through desk research and very little primary data was used. The findings reflect that in the pre-1975 period, the king owned most of the land. The majority was landless and very poor. In the Dergue period, although land belonged to the government, the tiller was empowered. The post socialist era received a sympathetic ear with the investors. Investment is being attracted at an unprecedented scale. The gap between the rich and the poor in urban areas is widening.

Key Words: Land Policy and Tenure System, Leasehold System, Governance, Ethiopia

INTRODUCTION

Ethiopia is the second most populous country in Africa and according to the Central Statistical Agency of Ethiopia (2012) the population has reached 84 million people. The population growth rate stands at 3.1 % and the total area of the country is 1101000 sqkm. The mainstay of the

economy of this country is agriculture and it accounts for half of the GDP and takes care of 85% of the total employment (CIA World Factbook, 2012). Land is a perishable resource and as it stands, the arable land in Ethiopia may not be able to cope with the land pressures being exerted upon it. Good land tenure systems and improved governance can help solve problems which may emanate from the land pressures threatening to engulf the country. The two (good governance and improved tenure) cannot be divorced from each other as tenure problems cannot be solved without good governance. In the developing world and especially in Africa, there could be very attractive blue prints on paper pertaining to good governance and land tenure but hardly anything is implemented. Government policies are not followed and governance issues are sometimes ignored. The Ethiopian case has been different as a lot of effort is being made by the government both in the rural and urban areas to see to it that the people are empowered through various legislation and actual activity on the ground. It is on the above assertions that this study has undertaken a journey through time to find out how land, governance and tenure have evolved in the last three decades in Ethiopia and the subsequent repercussions on the common man.

The paper is divided into three different sections. The first section looks at the tenure types that have existed in the different regime periods from the imperial period to the current time through the review of different literature. The types of governance systems as well as the tenure types that have taken place during this time are discussed highlighting on the major aspects of the policy of the time. The second part of the paper summarizes the key similarities or differences of the different tenure regimes. The advantages of one system against the other are clearly spelt out and the third section gives an overview of the discussion and it maps out the direction the country is taking.

BACKGROUND

Ethiopia has experienced three different governments from 1975 to date. Before 1975, there was the imperial regime where the feudal system was operating with the king being the supreme and owner of all land. He would give out land to his cronies at will and it was mostly the nobility, the church and the army which benefitted. The ordinary person was landless and was therefore classified as a peasant. The monarchy was overthrown by the Dergue regime in 1974 and it nationalized all land including that which was held by the private people. Access to land was through the permit system during this socialist era. The current government took over from the Dergue regime through a popular revolt by the people. The government did not change the tenure system which was being followed during the Dergue regime. The land still belonged to the government and the people of Ethiopia. There were some changes though brought by the new government in land ownership. One of the fundamental changes brought about by the government was the introduction of the leasehold system. A person could own a bundle of rights over property for an agreed period of time. The government also introduced the Land Certification Programme in the rural areas. The programme was about giving some form of title to the rural folk who were working or tilling their land. It was envisaged that this would improve the well being of the people as it was hoped that the certification programme would allow them to access credit from the banks.

IMPERIAL PERIOD (BEFORE 1975)

During the imperial regime i.e. prior to 1975, the communal system or rist system was one form of tenure system that was in existence among others. The other land tenure systems that were in operation during this period were the grant land or gult, the freehold system otherwise known as

the private or gebbertenure system and the someone which was land belonging to the church. State land was called Madeira or mengist. The different types of tenure systems during the Imperial period are detailed below:

RIST SYSTEM

In this type of tenure, land was owned communally by the people who could be of the same descent or clan. Both male and female members of the community were entitled to a portion of the land. Because of the communal ownership of the land, the land could not be sold to outsiders; it could not be mortgaged, bequeathed or transferred as a gift. No individual could claim permanent ownership of any piece of land. The system aimed at continuity of possession of land to the clan through their clan heads. (Yigremew, 2002)

GULT SYSTEM

The gult system was a type of a fief right that required the rist holding peasants to pay tribute and taxes in cash or kind or labor to land lords. Any piece of land upon which they resided had an 'owner' who could be an absent landlord. These landlords would receive land from the king in return for a favour. The landlords could have been distinguished soldiers of the army or close members of his government or the nobility

GERBER OR PRIVATE PROPERTY RIGHTS (FREEHOLD)

There is still some debate on what the Gerber system was all about. Different literature paint different pictures as to what this entailed. During the monarchy, there is evidence that there were some people who owned land and had free hold title of this land especially in the major cities or towns. The freeholders would then subdivide their property to give out to tenants. According to Dorham (1986), the period was characterized by tribute paying peasants. Gerber was largely created by way of land granting by the crown to give those members of the army who were loyal to the regime in the conquered areas. Under this system land was sold and exchanged. (Abuye, 2006)

SEMEONE

The Orthodox Church was very influential in the running of the country during the imperial period. It was the bishop of the Orthodox Church who would anoint a king and the church would be rewarded by vast lands throughout the country. The form of governance by the church was called Semeone and the peasants who would be residing on church lands would pay homage to the church rather than the king. It would be in the form of cash or labour on the church farms.

MENGEST

Mengest was land that belonged to the state and the king had direct jurisdiction over the state lands. The way it was governed is not similar to how crown lands or state lands in the former British colonies are run. There were governors or administrators to run the crown lands throughout the conquered territories.

SOCIO-ECONOMIC IMPACTS

There was no coherent pattern of social and economic development in the imperial period. The ordinary person remained poor and landless. The economic progress was sluggish. Agriculture

and industrial performance was poor. The emergence of the Ethiopian Airlines was the only exception in an era of bad economic governance. An attempt to register land met with fierce resistance from the land barons. After introducing land taxation in this period, it was discontinued in 1969. There was rising inflation, corruption and famine (Thomas and La Verle, 2002).

DERGUE PERIOD (1974-1991)

According to Abuye (2006), because of the discontent arising from the inequitable land distribution in the country, there was a popular uprising against the monarchy which ushered in a new era in the form of the Dergue Regime in 1975. The demand for land reform was the main economic issue during the 1974 February revolution. In order to address the glaring imbalances of land ownership in the country, the government nationalized all the land. This was brought about by proclamation No 31 of 1975. The proclamation was to provide for public ownership of rural lands. All rural land became the property of the state. Land was given to the tiller for free. Each family was given a maximum of 10 hectares. Soviet types of cooperatives were formed. The right to use land came through the permit system and use rights.(Abuye, 2006).

The allocation of land was done centrally and the ordinary people were not allowed to deal with land issues. It was not allowed to sale or mortgage the land and neither was it allowed to lease nor bequeath it. The traditional institutions such as rist or gult were abolished during this period.

SOCIO-ECONOMIC IMPACTS

There was a radical reform on land but the government was cautious on industry and commerce. The landless peasants were given land to till and were only allowed to work for themselves on the farms. All banks and insurance companies were nationalized in 1975. Very few investors came to Ethiopia but most were actually finding their way out of the country because of the inhospitable investment climate emanating from the Dergue regime land policy. The 1986 famine took its toll on the government as it was regarded as being unsympathetic to the plight of the poor by the international community. People were forcibly uprooted from their villages to other areas to avoid the famine. The GDP fell by 5% and inflation soared due to the falling of the coffee prices on the international market. The foreign exchange reserves of the country were reduced to an all time low (Thomas and La Verle, 2002).

POST SOCIALIST ERA TO PRESENT (1991 TO PRESENT)

The Dergue regime failed to function as a government for various reasons including the rampant corruption and total mismanagement. There was general discontent as the populace felt that they were being oppressed by the system. A popular revolt by the people eventually brought down the government in 1991. The new government did not change the major land policy of the Dergue regime but made some modifications, which made the land policy more hospitable. Article 40 of the 1995 Ethiopian Constitution states that, "the right to ownership of rural land and urban land as well as for all natural resources is exclusively vested in the state and the people of Ethiopia". The article specifies "right to obtain land without payment" for "Ethiopian peasants" for grazing, and cultivation purposes as well as a right to be "protected against eviction from the possessions 2003".

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The government adopted a number of other policies and programs to drive the country towards the market oriented economy. The policies have profoundly impacted on the course of urban development in the country (Abuye 2006:5).

Berhanu Nega et al (2003), Dessalign Rahmato (2004), Ege (1997), Kassa Belay and Manig (2004) have questioned if the 1995 constitution had any differences with that of the Dergue Regime. During the Dergue era, there was no leasing of land and hiring of labor. The current policy does not say anything about this. In the 1975 tenure system, the maximum size of land was 10 hectares but such provisions are absent from the current document. In the 1975 proclamation, there was no provision for the compensation of land acquired by the government for a public good but the current government compensates for acquired property although land is not part of the deal (Yigremew 2001,56). This and a number of other supporting proclamations have induced dramatic changes to the way the economy is running. To the serious investor a lease period of around 50 years is good enough to allow him to recoup all expenses and be able to make reasonable profits. In any case, there are good chances that the lease can even be renewed.

THE LAND CERTIFICATION PROGRAMME

The Land Certification Programme is one branch of the two pronged approach taken by the Ethiopian government to address problems affecting the rural folk in their endeavor to be formally recognized as land owners. It was part answer to the problem of tenure security in the rural areas. The programme was initiated with full backing from the government. The programme is said to have been the biggest of its kind in the region and perhaps in Africa in the last decade. The Land certification program of Ethiopia was carried out with the expectation that at the end of the exercise, people will be able to invest in land and that there will be gender equality as both man and woman would be able to work the land as equals. The other reasons forwarded were that after the exercise, there will be an improvement on governance, reduction on land conflicts and promotion of the use of rentals and user right transfers on land. The exercise was a step towards recognizing customary rights and recognizing the property rights of women and providing documentary evidence of who owns what and where. Though the exercise was rudimentary in the initial phases, it provided documentary evidence which could be upgraded to titles.

To improve on land administration and security of tenure, regional governments started to issue land certificates to individual farmers. Though the exercise was not so clear on property rights it showed the ownership of the land through a diagram and photos and names of both spouses could be inserted on the certificate. The programme started in Tigray in the late 1990's and spread to all other regions of Ethiopia. Most of the regions started this programme in 2003 and in a period of two years, they had completed the exercise. The certification programme in the other regions was an improvement of the one which had been implemented in Tigray in the 1990's. In Tigray, 88% of the rural households had received certificates during 1998 and 1999. In Amhara, 79% of the households had received the certificates two years after the programme started. More than 20 million certificates have been issued in a very short period of time in Ethiopia.

A survey on the certification programme was conducted by the Ethiopian Economic Association and the World Bank in 2006. Among the questionnaires administered, one questionnaire was seeking to find out the steps one had to undergo before a certificate was availed. A total of 2300 households in 15 kebeles were asked to fill in the questionnaire. The questionnaire was also looking for data on the composition of the key local bodies involved in the programme. This was in terms of the kebele (district) administration, social court and the Land Use Administration

Committee. One part of the questionnaire was to find out on the economic activities taking place within a given kebele. The outcome showed that 90% of the households depend on agriculture for a livelihood. The remaining 10% were self-employed. With the mean land area of 2075 per village, and three quarters of it being cultivated an individual will be entitled to 0.3 hectares.

According to Deinenger et al (2007) this was an attempt to draw upon formal mechanisms to enforce property rights including incentives for land related investments, enhanced gender equality and bargaining power by women, improved governance, reduced conflict potential and lower transaction costs for enhanced property deals.

THE NEW LAND LEASE POLICY (PROCLAMATION 721 OF 2011)

Article 40 of the constitution of the Federal Republic of Ethiopia stipulates that land is the property of the state and the peoples of Ethiopia and that its use should be subject to specific regulation of the law. The statement is clear in that the ultimate free holder of the land in Ethiopia is the government. With the leasehold system that is being practiced today, anyone else who intends to use the land would do so on leasehold for a given period of time. The duration of the leasehold is depended on the land use upon which this parcel of land will be put to use.

The recently promulgated land lease proclamation in Ethiopia is the Proclamation 721 of 2011. According to sub article 1 of article 36 of proclamation 721 of 2011 the Re-enactment of Urban Land lease Holding Proclamation No 272/2002 was repealed. According to sub article 2 of the proclamation, no customary practice in as long as it is inconsistent with this proclamation is applicable with respect to matters covered by this proclamation. The above has come out as a way of consolidating the various tenure systems that were being practiced in urban Ethiopia. In some smaller towns, the permit system was still being practiced whereupon the individual possessor of a land parcel had usufruct rights upon the land. The customary system and other land tenure systems were still to be found in rural Ethiopia.

Sub-article 4 of the same proclamation states that the urban land delivery system shall give priority to the interests of the public and urban centers to ensure rapid urban development and equitable benefits of citizens and thereby ensure the sustainability of the countries development. Public interests can be roads, schools or other services of mutual benefit to the residents of a given city. The article is full of ambiguity as it does not fully state what public interests constitute. The article mentions giving priority for the development of urban centers which is an all-encompassing statement which is too broad and leaves the property holder vulnerable to land acquisition by the government in the name of development. If the government intends to acquire land from individuals, it cannot be stopped by anyone or any law due to the provisions of the sub-article. It is the landholder who becomes the loser at the end of the day even if the landholder tries to seek recourse from the laws of the land. One would probably try to fight against the low compensation which is normally awarded by the government after the compulsory acquisition of the said property.

Article 5 of the new land lease proclamation prohibits owning land through other mechanisms other than the leasehold system. The previous permit system which operated in smaller towns is now defunct and the regional authorities were given a mandate to agree were this new proclamation could not be applied immediately for various reasons. A period of five years was set out as the maximum for which the new proclamation could not be applied. Upon expiration of the five years, the land proclamation would become a blanket legislation covering the whole country.

Once again, the other forms of tenure which were operating in Ethiopia albeit illegally have suffered a death knell. No one can come forward claiming free hold title from the Haile Sellasie era and the permit system will cease to operate as all the modalities get in place.

A controversial part of the new land lease proclamation has been article 6 which involves the conversion of old possessions into leasehold. Old possessions are properties that have been passed down from the previous owners to the beneficiaries through inheritance. According to interviews held by one local paper, the owners of the land are not happy with the turn of events. In essence, they cannot be able to realize profits from the sale of the land as compared to those who had disposed of their inherited property a year before. The government is now claiming its stake through the new leasehold system. The leasehold arrangement will be done between the government and the new owner of the property. The only benefit that can accrue to the seller will be the compensation paid for the improvements upon the land i.e. the structures, fences and servicing. However, it must be noted that very little of the servicing has been done on most of the plots that are being offered for sale in the old possessions. What was being sold in reality was the land as the structures could fetch very little on the open market.

The government will not compensate for the location of the property whether it is on prime land or not. Land cannot be bought or sold and it has no value let alone location value. The people whose properties were located at the centre of the town are now being disadvantaged. They would walk to work or open business within their premises. All facilities were within walking distance. These people may be relocated to a condominium which is 20km away from their source of livelihood. If locational value is not considered during acquisition, they would be worse off than they were.

Article 6 of the proclamation stipulates that those old possessions which will conform to the plans that are being implemented may be retained. It also states that compensation will be paid for loss of property on those properties which do not comply with the new arrangement. If it so happens that an old property gains an extra area during the land subdivision exercise, the plot holder who would have gained the extra piece of land will be required to pay for that piece of land according to the land lease rules. This sounds plausible but the question is how many of the old possessions would fit in the land uses as prescribed by the structure plan of the new development? Most of the original development was residential but the land use has been changed to commercial or industrial. Very few individuals would benefit from this.

Sub-article 3 of article 6 of the new land lease stipulates that if a property that is attached to an old possession is transferred to a third party, through any modality other than inheritance, the person to whom the property is transferred becomes the possessor through lease holding. Sub-article 4 regularizes properties conforming to the urban plans and parceling standards. The properties to be regularized become part of the development process. The taxation regime and all other costs to affect the new owners will also apply to the regularized properties. Article 7 of the new leasehold proclamation says that urban land shall be permitted to be held by leasehold if it conforms to urban planning guidelines or if it was acquired through the modality of tender or allotment.

The new land lease proclamation has a provision whereupon Urban Land Tender plans have to be publicized. This entails publicizing annual plans of the local authority indicating quantity of urban land to be presented for tender and making the information easily accessible to the public. The proclamation is silent on how this information can be made accessible to the public. This can be a

loophole which can then be exploited by the local authorities. In developing countries as well as in Ethiopia, some developments or tender processes have taken place without the knowledge of the people. Local authorities have gone ahead to make plans without having adequately advertised them to the public.

According to article 13 of the proclamation, anyone requesting for urban land allotment must put up his or her request with an accompanying recommendation from the supervising authority from which the land is situated. To accompany the request and the recommendation, there must be a properly done project plan with the start and end dates clearly stipulated together with the budget for carrying out such a venture. In the 2002 land lease policy regime, people would hoard land for speculative purposes without putting it to good use. If the new land lease proclamation is properly policed, it may be difficult for people to hold onto land unnecessarily. It would have been more effective if the proof of funding for any project is thoroughly vetted. The process would weed out the pretenders who have held development in most towns at ransom by not developing their lands yet the investors are coming in looking for land and may not find suitable land due to the speculators.

ADMINISTRATION OF URBAN LAND LEASE HOLDING

Upon winning a tender for a parcel of land in the urban area, a conclusion of contract with the appropriate body which had floated the tender is made. There must be a proper plan which stipulates the construction start up time, completion time, and payment schedule of the lease price and grace periods i.e. the extra time awarded to the leaseholder to pay off the lease price. The rights and obligations on each parcel of land on the parties as well as all the other relevant details must be clearly spelt out. There must be awareness on the contents of the lease agreement especially to the lessee. The lease is signed and a lease holding certificate is issued out.

Whoever the investor is in this case is well protected in that they have something to show to the land courts should it happen that there possession of a particular piece of land is in question. The bundle of rights for this piece of land is clear as per the provision of the proclamation. This method of operation promotes more investment from the skeptics who would not otherwise invest in the developing world where they are not so sure of the policies which are continuously evolving with change of governments. The leasehold system which is operating today has therefore gained a distinction with the way the land was being administered during the Dergue era.

The new land lease proclamation just like its repealed predecessor, gives lease periods depending on the type of land uses upon which the land will be put. The land uses which attract a longer lease period are residential land uses which can go up to 99 years. The 99 year period also takes care of such landuses as science, technology, research and study, government offices, nonprofit making organizations and religious institutions. Industry has been allocated 60 years, commerce has 50 years and up to 50 years for other activities. The lease period for residential may also vary from one town to another with Addis Ababa giving the shortest lease periods due to the large number of investors it attracts as compared to the other towns. Towns of different grades have different lease periods but this does not deviate much from the above stated figures.

Upon expiration of its running time, leasehold can be renewed. This can be done through writing to the relevant offices within 10 to 2 years before expiration. The authorities should give a reply within one year after receiving the application. If they cannot respond to the application within the

period stipulated by the proclamation, then the application is deemed to have been accepted and the lessee can continue with his or her activities. The above provision has given the developer or lessee an advantage in that the bureaucratic bungling normally associated with government departments will not affect them. One other positive thing to have emanated from the new leasehold is the ability of one to transfer and pledge one's leasehold right. Leasehold may be used as collateral or capital contribution to the extent of the amount of money already paid by lessee. It must be remembered that land cannot be bought or sold in Ethiopia and it is therefore not part of the above said transaction. Land remains the property of the government and cannot be mortgaged. What will be mortgaged is the amount of money paid towards the lease or the properties upon the land and whatever agreement is reached, it must be within the confines of the money which one would have used in the lease hold payment.

According to sub-article 2 of article 24 of the new land lease proclamation, If the lessee wishes to transfer his leasehold right prior to commencement or half completion of construction, he shall be required to follow transparent procedures of sale to be supervised by the appropriate body. Sub-article 3 states that lessee can use his leasehold right as collateral prior to construction but the value may not exceed the balance of lease down payment. The above statement reinforces the already mentioned fact that land is not for mortgaging in Ethiopia as the lessee has no right to mortgage the land as he is not the freeholder.

Article 25 of the new land lease proclamation gives the grounds upon which a land lease can be terminated. According to the land lease proclamation, a leasehold agreement can be terminated by the appropriate body if the lessee is in violation of the land uses that would have been prescribed by the operative plan of the town. The lease agreement can also be terminated if the land is to be used for a public interest or if the lessee has failed to renew the leasehold agreement upon expiration of the previous one.

The lessee has a provision of a right to appeal to the appropriate body if they are aggrieved by the amount of compensation they would have received from the appropriate body.

SOCIO- ECONOMIC IMPACTS

According to the constitution of Ethiopia, it is the duty of the government to see to it that there are enough houses for the people. It should ensure the supply of clean water, adequate health and educational facilities as well food and social security. Women are supposed to participate in socio-economic development.

Article 41 of the constitution of Ethiopia says that every citizen has the right to freely engage in any economic activity. The government is obliged to formulate policies which ensure that Ethiopians benefit from the country's intellectual and material resources. It is therefore charged with the following responsibilities i.e. providing equal opportunities for the citizens, and promote the equitable distribution of the country's wealth, formulation and execution of development policies provided that regional governments are empowered based on the prevailing economic and socio-cultural conditions of a given region and averting disasters that may cause or result in material damage or loss of human life.

The current government has used the new land leasehold proclamation and a lot of supporting legislation to try to address the above socio economic impacts. There are a lot of proclamations that have been put in place and supporting programs to bolster the performance of the

government. Although some scholars argue that the common man has not really benefitted from the efforts of the present government and that the gap between the poor and the rich has widened, some also argue that it is a lull before a storm. A storm of high economic performance, a storm of high employment rates and a stride toward the emancipation of the ordinary folk.

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Dimensions of Supply Chain Management: A Literature Review

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Abstract

The concept of Supply Chain Management (SCM) has evolved over last 5 decades. Management's quest for the enhancement of efficiency and reduction of cost began before 1960s. It developed further with Enterprise Resource Planning (ERP) to integrate organizational functions and operations during 1960s to 1980s; and finally to integrate internal operations of an organization with its external business partners to make it fully integrated supply chain. The concept of SCM has become very popular with the industrial organizations across the world. It ignited research interest amongst researchers and literature available at present explains the concept of SCM from a number of perspectives. Present paper is a literature review and attempts to bring out various dimensions of SCM. Beginning with the definitional aspects of SCM, it presents the history and evolution of SCM, its role in improving organizational efficiency by integrating SCM with business strategy and the various stages of SCM implementation. Finally, it throws light on its status in India and lastly the issues and challenges associated with the implementation of SCM.

Keywords – Supply Chain Management (SCM), Enterprise Resource Planning (ERP), Supply Chain Integration

1. DEFINITIONAL ASPECTS OF SUPPLY CHAIN MANAGEMENT

The concept of Supply Chain Management (SCM) has been explained from a number of perspectives and the literature provides various definitions of SCM.

The supply-chain of an industrial organization consists of a network of a) Suppliers / vendors of the raw materials and other input components purchased from outside, b) Processing / production / manufacturing facilities used to convert them into finished products needed by customers, c) Distribution / marketing channels used to make the products reach the customers.

Supply Chain Management (SCM) is a set of practices and techniques to integrate the functioning of all the above 3 components for smooth and efficient flow of materials, information and money overcoming individual constraints. All the partners, internal and external, share the risks and prosperity through overall healthy growth while serving the customer's needs.

Supply Chain Management spans all movement and storage of raw materials, work-in-progress inventory, and finished goods from point of origin to point of consumption.¹

A supply chain is a network of facilities and distribution options that performs the function of procurement of materials, transformation of these materials into intermediate and finished products, and the distribution of these finished products to customers [1]. The *APICS Dictionary* describes the supply chain as: 1 the processes from the initial raw materials to the ultimate consumption of the finished product linking across supplier user companies; and 2 the functions within and outside a company that enable the value chain to make products and provide services to the customer [2]. Supply chains exist in both service and manufacturing organization, although the complexity of the chain may vary greatly from industry to industry and from firm to firm. Another source defines supply chain as, the network of entities through which material flows. Those entities may include suppliers, carriers, manufacturing sites, distribution centers, retailers, and customers [3]. According to the Supply Chain Council (1997), "The supply chain – a term increasingly used by logistics professionals – encompasses every effort involved in producing and delivering a final product, from the supplier's supplier to the customer's customer" [4].

The definitions described indicate that supply chain management is not a standalone process, and is much more than just driven from the supply side or the logistics pipeline.

2. EVOLUTION AND DEVELOPMENT OF SUPPLY CHAIN MANAGEMENT

The major phases through which the present SCM evolved are

2.1 Before 1960's: M.R.P.-I

Management of the manufacturing units started realizing that the materials cost approximately 60% to 70% of the total cost of a product. Therefore, they adapted Materials Requirement Planning (MRP-I) to procure and store input materials based on sales forecast / orders position, thus controlling inventory to the minimum possible levels. Many organizations, including in India, could achieve great reduction in inventory levels, reducing problems related to liquidity and other financial matters, and thus increasing the profitability.

2.2 1960's to 1980's: M.R.P. -I, II and E.R.P.

It was observed that controlling purely material procurement and storing cost were not sufficient to reduce product cost considering the increasing competition and rising customer demands.

¹ Available on http://www.en.wikipedia.org/wiki/Supply_chain_management

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Therefore, MRP-I graduated to Manufacturing Resource Planning (MRP-II), which identified additionally precise requirement of materials and process-stock at every stage of manufacture in direct relation to the customer-orders combining purchasing and manufacturing effectively. The advancements in information technology during the 1980s catalyzed the growth and development of Enterprise Resource Planning (ERP) that provided a dynamic online system to guide the managers for the integration of suppliers, purchasing, manufacturing and marketing across the entire organization (enterprise).

2.3 Post – 1980's: Supply Chain Management (SCM)

ERP was able to provide decision support system to managers integrating the activities within the organization / enterprise. The limitation of the ERP was that it could serve the internal clients only. Thus, need was felt to have a system, which comprises of both members within and outside the organization to work together and collaborate to provide best overall performance. Every organization or firm that contributes to the main enterprise is given the status of "Partners", who will share the risk as well as prosperity / profit / growth with the main enterprises. Thus, any order or changes in the customer's requirement is conveyed in "real time", "on-line" to all the partners involved so that they all know their role / action to be taken and work in collaboration, even though they may have conflicting business interest. This concept is termed "Supply Chain Management" which has gained immense popularity across the world.

Blaser & Westbrook (1995) examined several company practices of SCM and a literature review of SCM design and development issues, and have identified five strategic success factors, which are [5]:

- 1) ***Building customer-supplier relationship***: Good relationship management with suppliers and customers is a crucial element of supply chain management. Closer, trust based and long term relationships with supply chain partners is imperative in sustaining competitive advantage.
- 2) ***Implementing information and communication technology***: Supply chain members must share information in order to improve the efficiency and effectiveness of SCM.
- 3) ***Re-engineering material flows***: Towill et. al.(2000) opined that control of smooth material flow lies at the heart of best SCM designed and practices and re-engineering of material flows can improve supply chain performance [6]. Moreover, the efficient flow of material ensures products are delivered to customers on time. This implies that inventories of raw materials, work-in-process [WIP] and finished goods can be kept at the lowest level, which can reduced the inventory holding costs significantly [7].
- 4) ***Creating corporate cultures***: The single most important prerequisite for successful SCM is the change of corporate culture. Culture reflects the norms that characterized an organization and shape the expectations about what are appropriate behaviors and attitudes [8]. Change of corporate culture is necessary as the traditional culture only emphasizes organizational performance from the short-term view point, which contradicts the objective of SCM to achieve high performance and profitability consistently in a way that benefits all contributed in the supply chain [9]. Culture supporting behavior, openness, inquiry and experimentation are of great benefit to supply chain members [10].

5) Identifying performance measurements: There is a need to develop supply chain wide performance measures. Relevant performance measurement can encourage every firm in the supply chain and all employees in each firm to direct all of their efforts to increasing profitability in the supply chain [11]. Under the SCM philosophy, the performance matrices should be based on supply chain. Many companies lack performance measures for the complete supply chain and it is necessary to adopt channel-spanning performance measures as strategy to please customers and enhanced profitability [12].

3. HISTORY OF THE SUPPLY CHAIN INITIATIVE

The history of the supply chain initiative can be traced to early beginnings in the textile industry with the quick response program and later to efficient consumer response in the grocery industry. In 1985, Kurt Salmon Associates were commissioned to conduct a supply chain analysis. The results of the study showed the delivery time for the apparel supply chain, from raw material to consumer, was 66 weeks long, 40 weeks of which were spent in warehouses or in transit. The long supply chain resulted in major losses to the industry due to financing the inventory and lack of the right product in the right place at the right time. The result of this study was the development of the quick response (QR) strategy. QR is a partnership where retailers and suppliers work together to respond more quickly to consumer needs by sharing information. "QR maximizes the profitability of inventory by placing the company's dollars where and when they are needed based on point of sale data plus sales history" [13]. QR incorporates marketing information on promotion, discounts, and forecasts into the manufacturing and distribution plan [14].

4. LINKING THE SUPPLY CHAIN TO THE BUSINESS STRATEGY

The supply chain strategy can be viewed as the pattern of decisions related to sourcing product, capacity planning, conversion of finished product, deployment of finished product, demand management and communication, and delivery. Linking supply chain strategy to the business strategy involves defining the key business processes involved in producing a company's product or service. Nowadays competition among companies is becoming keen and no longer between companies and companies, but supply chains to supply chains [15].

Supply chain management is a strategy through which such integration can be achieved [16]. The six major dimensions of SCM include a) Partnership, b) Information technology, c) Operational flexibility, d) Performance measurement, e) Management commitment, and f) Demand characterization [17]. Better managing the supply chain also involves managing the marketing link to the supply chain and linking supply chain strategies to the overall company strategy [18].

5. ROLE OF SCM

Up to 1990s, General Motors of USA was the top automobile manufacturer in the world with the highest sales, profits and growth for over 50 years. However, by adapting SCM practices more successfully, Toyota of Japan could overtake General Motors to become the largest automobile maker in the world now, even though Toyota started its production only 30 years back. Toyota today is considered as the model for the best SCM practices in the world.

In India, Maruti Udyog Ltd. has retained its top position in the country by adopting SCM practices. Many small and medium scale industrial units in India are able to now become partners

and supply components/services to large Indian Firms and MNC's like Ford, G.M, Phillips, P&G, Walmart, and Merck etc.

Total Quality Management (TQM and Supply Chain Management (SCM) have both played an increasing role in strengthening organizational competitiveness [19]. In the continually changing the global market, quality products alone are no longer enough. New challengers now include a focus on supply to determine the right time and place for product delivery [20], [21]. International business competition is no longer limited to organizations but now includes the supply chains [22], [23]. Although both TQM and SCM are critical to organizational performance, they are rarely studied together [24], [25] and [26].

6. SCM IN DIFFERENT INDUSTRIES

The computer components manufacturer – Hewlett & Packard – systematically linked its distribution activities with its manufacturing activities in the computer terminal business in the early 1990s [27]. The appliance manufacturer, Whirlpool began its supply chain implementation with a team of executives in 1992 chartering this vision – “Winning companies will be those who come the closest to achieving an inter-enterprise pull system. They will be linked in a short cycle response mode to the customer” [28]. Wal-Mart began its own supply chain initiative by working directly with key manufacturers [29]. The manufacturers are responsible for managing Wal-Mart's warehouse inventory of their products, termed vendor-managed inventory (VMI). In return, Wal-Mart expects near 100 percent order fulfillment rates on those products. Within the medical products industry, three firms engaged in supply chain relationships in the early 1990s were West Corporation, Baxter and Becton Dickinson [30]. West supplies rubber stoppers to Becton Dickinson who supplies medical products to Baxter. A leader in the manufacturing and distribution of building products in North America, Georgia-Pacific began implementing supply chain management practices within the decentralized operations of their company [31]. Many other examples of companies implementing supply chain management concepts are available [32], [33] and [34]. The vast interest in the topic indicates the concept has become a key issue for a diverse group of companies who are taking steps to improve customer delivery and at the same time reduce overall costs.

7. SCM IN INDIA

Worldwide interest in supply chain management has increased steadily since the 1980s when organizations began to see the benefits of collaborative relationships. This management concept is, however, nascent in India [35]. Increasing uncertainty of supply networks, globalization of businesses, proliferation of product variety and shortening of product life cycles have forced Indian organizations to look beyond their four walls for collaboration with supply chain partners. Changes in the environment have been so dramatic and sudden that Indian organizations have realized the inappropriateness of competing effectively in isolation from their suppliers and other associates of supply chain. Rather, the need for adopting collaborative methodologies, at this stage, is more than ever before because of the recent economic deregulation and globalization of the Indian industry. The traditional “protective” economic, industrial and organizational boundaries have been demolished [36]. While emerging markets offer opportunities they also bring along new rivals. Information networks and technological convergence are re-defining the rules of economic and trading relationships within the country. Hence, it has become necessary for Indian organizations to look for methodologies and processes that produce maximum efficiency both within and beyond their operations [37]. For most Indian organizations, which

have hardly ever operated in an "open" economy, working along with the right business partners (suppliers, customers and service providers), fostering trust between them and designing the right system of gauging performance is altogether a new ball-game.

The Indian industry spends an exceptionally high amount of 14 percent of its gross domestic product (GDP) on logistics. Close to 22 percent of the aggregate sales, amounting to over US\$25 billion is tied up in inventories in the supply chain network countrywide. All the factors related to infrastructure stated above have adversely affected the supply chain network in the country – both in terms of lead-time and costs [38].

Organizations across the globe are re-organizing and streamlining their supply chains to meet the emerging challenges emanating from the rising expectations of the customers [39]. In the wake of these, Indian firms need to prepare for enhancing competitiveness through SCM.

8. KEY ISSUES AND CHALLENGES

Some of the issues and challenges are grouped into strategic, tactical, and operational levels of activities as follows:

1) Strategic: a) Strategic network optimizations, including the number, location and size of warehousing, distribution centers, and facilities., b) Strategic partnership with suppliers, distributors, and customers, c) Product life cycle management, d) Information Technology infrastructure, to support supply chain operations, e) Where-to-make and what-to-make or buy decisions, f) Aligning overall organizational strategy with supply strategy.

2) Tactical: a) Sourcing contracts and other purchasing decisions, b) Production decisions including contracting, scheduling and planning process definition, c) Inventory decisions, including quantity, location, and quality of inventory, d) Transportation strategy, including frequency, routes and contracting, e) Benchmarking of all operations against competitors and implementation of best practices throughout the enterprise, f) Milestone payments, g) Focus on customer demand

3) Operational: a) Daily production and distribution planning, b) Production scheduling for each manufacturing facility in the supply chain (minute by minute), c) Demand planning and forecasting, coordinating the demand forecast of all customers and sharing the forecast with all suppliers, d) Sourcing planning, e) Inbound operations, f) Production operations, g) Outbound operations, h) Order promising, accounting for all constraints in the supply chain, including all suppliers, manufacturing facilities, distribution centers, and other customers.

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Examining OCTAPACE Culture in Banking Sector and its Impact on Organizational Effectiveness

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Abstract

The scandals and stories of corruptions in the recent times have thronged the global industrial environment creating the need for ethical and empowered organization culture and corporate governance. Tall claims and promise fall flat if the organization do not have an open, coordinative and a responsive organization culture to create an effective work environment. Past research studies reveal that the congenial OCTAPACE culture is extremely important for promoting the above. It enhances the organization effectiveness and increases the human productivity. In this context, the present paper is an endeavor to identify the major factors responsible for promoting organizational effectiveness among the employees and the prevailing OCTAPACE culture with special reference to Banking sector. 80 responses to a 4 point scale questionnaire based on the OCTAPACE profile developed by Udai Pareek were obtained from 4 Banks operating in Vadodara. The present paper emphasis that if organizational OCTAPACE profile is high, it would positively contribute to organizational effectiveness.

Keywords: Organization culture, Organizational Climate, Organizational effectiveness, Human resource management, Human Capital, Bank, OCTAPACE

1 INTRODUCTION

The strife of sustainability in rapidly changing environment embarks corporate development and organizational restructuring as a requisite to increase the efficiency and effectiveness of personnel. Corporate development depends on the speed of the organizational behavior and organizational behavior is affected by the behavior of the individual employees and their groups and structure. Organizational restructuring in its true sense, needs to put the people into their new roles which would impose new responsibilities and relationships on them, forcing new attitudes and behaviors to emerge as peoples' organization.

The manifestation of the behavioral pattern of the employee in a given atmosphere defines as Organizational climate. Organizational climate consist of a system of shared actions, values and believes that develops within an organization and guides the behaviors of individuals. It is a two way system which not only develops from the employee behavioral pattern but also guide them. The two most important survival questions are of prime importance for our consideration today. They are (I) the question of external adaptation; what precisely needs to be accomplished and how it can be done? (II) The question of internal integration; how do members resolve the daily problems associated with living and working together?

The answers to both the questions lie in effective management of human resources at every level. The effective management of human resource is the key strategic issue for organization to face challenges of competition. The Human Capital has become an ongoing area of investment. As a matter of fact no organization can assemble growth, potentialities and capabilities of its manpower overnight. The scarcity of people with energy, enthusiasm and potential, such as knowledge, skills, attitude, aptitude, experience, motivation, physical and intellectual, strength, and capability for growth has led to the retention and development of the existing employee. According to Mufeed and Rao (2003), today's business organizations live in an age of paradoxes fraught with uncertainties, complexities and chaos due to which survival has become very difficult and has prompted them to adopt new strategies for HRD for both managerial and non-managerial staff to combat with an ever increasing competitiveness besides maintaining a high level of efficiency and productivity in their work force.

A slight carelessness in managing manpower makes them less productive first, then zero productive and then counter productive asset, by being capable of instigation others also not to work or produce. Thus, a careless handling turns the performing human resource or asset into a non-performing asset first and a "counter productive" liability latter. This sensitive and qualitative effect and its bearing on the quality of services in industry need to be carefully remembered by the authorities to manage manpower in Industry.

Organizational Culture is the expression of the organization itself. It can be defined as cumulative, crystallized and quasi-stable shared life, shared style of people as reflected in the presence of some states of life over others, in the response predispositions towards several significant issues and phenomena (attitudes), in the organized ways of filling time in relation to certain affairs (rituals), and in the ways of promoting desired and preventing undesirable behavior (sanctions).

The most important aspect of organizational culture is the values it practices. Eight values may be examined to develop the profile of an organizational culture that is called OCTAPACE and its Instrument developed by Prof T.V Rao and they are OPENNESS, CONFRONTATION, TRUST, AUTHENTICITY, PROACTIVELY, AUTONOMY, COLLABORATION, AND EXPERIMENTATION

2 LITERATURE REVIEW

The supremacy of human element and urgency of creating a learning organization through development of organizational capabilities all the times, make out a strong case for the evaluation of HRD climate in organizations. Various studies reveal that the HRD climate contributes to the organization's overall health and self-reviewing capabilities which in turn increase the capabilities of individual, dyads, team and the entire organizations. Bhardwaj, and Mishra (2002), conducted a

study with a sample of 107 senior, middle and lower level managers of private sector organization which is one of India's largest multi-business companies. Thus, on the whole, the existence of good HRD climate in the organization covered under study. The managers in general showed a favorable attitude towards HRD policies and practices of the organization. They were satisfied with the developmental policies of top management as well as happy with the prevailing HRD climate in the organization. Abraham (1989) surveyed the HRD practices of 68 Indian organizations and measured various elements of the HRD profile of these organizations including performance management practices, training, career planning, promotions, rewards etc., and the HRD climate. Abraham (1989) constructed an index of growth of the company profitability as a measure of organizational performance. He found that the perception of the HRD climate of the company was more important than the HRD practice itself. His study also indicates that HRD culture is a powerful intervening variable in translating HRD practices into profit. Yurko (1982), when examining the problems and opportunities of a Mining Machinery division (Pittsburg, Pennsylvania) with more than 2500 employees, finds that the HRD programs in the organization respond to the problems and opportunities caused by the organization's growth, technological advancements and the productivity challenge faced by it. Crego and Kazemek (1983) point out that joint venture of Laventhol and Horwath with Consult Ltd., a leader in the Human Resources consulting field, in order to provide its clients with services in organization development, productivity improvement, management/technical services and training in the current Human Resources revolution, evidenced both employee and management job satisfaction centers around the concept that Human Resources and a firm's Human Resources management and development practices are major factors in its productivity, progress and profits. HRD climate can be grouped into three broad categories as discussed earlier, viz. 1. General climate, 2. OCTAPACE culture and 3. HRD mechanisms. These elements can prove important instruments for organizational dynamics, growth and effectiveness, if implemented effectively by the top management of organization irrespective of their size, nature of ownership and control. Change brought in a systematic manner by using General Climate along with OCTOPACE Culture & introduction of HRD mechanisms would result in a strategic fit between: a, employee and the organizations and b) Organization & its business environment.

A successful and effective organization is driven by proactive management approaches and efficient HR strategies. This leads to well developed HRD atmosphere, creating an OCTAPACE culture and facilitating in meeting challenges and leading to organizational effectiveness. Various studies reveal that this HRD climate and culture contributes to the organization's overall health and self-reviewing capabilities which in turn increase the capabilities of individual, dyads, team and the entire organizations. An expected natural outcome is the emergence of OCTAPACE culture characterized by Openness, Confrontation, Trust, Authenticity, Pro-action, Autonomy, Collaboration and Experimentation (Udai Pareek, 1994). A culture as such had an effect on the three major indices of the organizational effectiveness (employee attitude, operational performances, financial performances) Quinn and Rohrbaugh's (1983) competing values framework (CVF) as an organizing taxonomy to meta-analytically test hypotheses about the relationship between **culture** types and 3 major indices of **organizational effectiveness**.

A further detailed study has also seen the relationship between the operational effectiveness and the OCTAPACE culture. Nakajima (1986) describes TPM concept under OCTAPACE culture aiming at maximizing the equipment effectiveness and thus the overall effectiveness and also promoting autonomous group activities. Abraham (1989) surveyed 68 organization in India for all the elements that constituted HRD mechanism in the organization and related it to the organization performance in terms of profitability a revealing finding was that to infuse

performance of the employee the HRD climate was required more than the HRD system. So the making of the HRD culture in the organization paved and saw the growth of OCTAPACE values. Riyaz Rainayee(2002) in a study on HRD Climate in Commercial banks found that the overall level of OCTAPAC values in the banks was perceived at a moderate level. The study created a link that a better OCTAPACE rating leads to an HRD climate which in turn enhances the organizational effectiveness. Pooja Purang (2007) made a comparative analysis of the HRD climate of Public, Private and multinational organization found that employee perception was significantly better in MNC than the public sector organization Solkhe and Chaudhary(2011) in their research linked Job satisfaction of the employee with an overall high ratings of General Climate, HRD mechanism and OCTAPACE culture. Job satisfaction creates better organization effectiveness by defining the employee attitude one of the framework for organization effectiveness. Quinn and Rohrbaugh's (1983) CVF framework. The dynamics of organizational citizenship, learned optimism, and organizational ethos when represented through OCTAPACE by Niranjana and Patanayak (2005) found that manufacturing sector was higher in culture while the service sector was high in the organizational citizenship and learned optimism. Thus, linking it to our study of OCTAPACE culture in banking sector which is a labour sensitive service and an effective performance of a banking organization need a high OCTAPACE rating and a negative HRD culture will destroy its fragile framework. Thus, the Indian banking sector gives a totally different picture than its western counterpart. On one hand technology is becoming part and parcel of its service but the human element cannot be forgone as it seeks its nearness with its customer (the service seeker). As employees become the touch point with customer the OCTAPACE values help in creating a conducive atmosphere.

3 OCTAPACE CULTURE

The essence of the HRD climate can be well gauged from the amount of importance that is given to the development of OCTAPACE culture in the organization. The term has been coined by Professor T.V. Rao of IIMA. The OCTAPACE items characterized by the occurrence of openness, confrontation, trust, authenticity, pro-activity, autonomy, collaboration and experimentation are valued and promoted in the organizations. The literature available on HRD climate is an evidence of the fact that a very meager amount of research has so far been carried out especially on the critical dimensions of HRD climate. Empirical studies conducted by (Kumar and Patnaik, 2002; Rohmetra, 1998; Kumar, 1997; Mishra, Dhar and Dhar, 1999; Bhardwaj, 2002; Alphonsa, 2000; Rao and Abraham, 1999) indicate that the culture of OCTAPACE values is imbibed in the culture of the many organizations to a good or moderate degree. These values help in fostering a climate of continuous development of human resources. Eight OCTAPAC values to develop the profile of an organizational culture as discussed as under;

The OCTAPACE profile is a 40-item instrument that gives the profile of organization's ethos in eight values. These values are openness, confrontation, trust, authenticity, pro-action, autonomy, collaboration and experimentation. The instrument contains two parts. In part I, values are stated in items 1 to 24 (three statements of each of the eight values), and the respondent is required to check (on a 4-point scale) how much each item is valued in his organization. Part 2 contains sixteen statements on beliefs, two each for eight values, and the respondent checks (on a 4-point scale) how widely each of them is shared in the organization. In addition to checking the items on the extent of their importance or sharing in the organization, the respondent can also check how much they should be valued, or how much the beliefs are useful. Thus present as well as desired and ideal profiles can be obtained.

4 THE STUDY AREA: PRIVATE AND PUBLIC BANKS AT VADODARA

4.1 Indian Banking Scenario

Banking in India originated in the last decades of the 18th century. The oldest bank in existence in India is the State Bank of India, a government-owned bank that traces its origins back to June 1806 and that is the largest commercial bank in the country. Central banking is the responsibility of the Reserve Bank of India, which in 1935 formally took over these responsibilities from the then Imperial Bank of India, relegating it to commercial banking functions. After India's independence in 1947, the Reserve Bank was nationalized and given broader powers. In 1969 the government nationalized the 14 largest commercial banks; the government nationalized the six next largest in 1980. Currently, India has 88 scheduled commercial banks (SCBs) - 27 public sector banks (that is with the Government of India holding a stake), 31 private banks (these do not have government stake; they may be publicly listed and traded on stock exchanges) and 38 foreign banks. They have a combined network of over 53,000 branches and 17,000 ATMs. According to a report by ICRA Limited, a rating agency, the public sector banks hold over 75 percent of total assets of the banking industry, with the private and foreign banks holding 18.2% and 6.5% respectively. Organizational Structure of Banks in India In India banks are classified in various categories according to different criteria.

4.2 Need for the study

OCTAPACE acquires special meaning in banking industry due to a variety of factors. Banking is a labor-intensive industry. So, the quality of banking services and the objectives in achieving the socio-economic goals are highly dependent on the employees who deliver the services. Also client development involves total involvement of the employees in the process of rendering service. Thus, the task of OCTAPACE will always be central and neglect of HRD function is likely to destroy the fabric of banking itself.

It has to be recognized that 80% of what one bank does can be done equally well by any other bank because virtually all banks have access to similar information, resources and technology. The only basis left upon which the banks can compete is the other 20% which is the people factor-how well a bank utilizes its Human Resources compared to its competitors and this is possible when there is strong, open culture is prevailing. According to Schneider and Bowen (1985) reported in a study of various banks that when the banks had sufficient emphasis on the development of people over performance of their tasks, customers reported receiving higher levels of service. Customer perceptions and attitudes were affected by what employees experienced. Organization practices that are both service related and Human Resources related seem to provide cues to customers to evaluate banks' service (Schneider, 1991).

5 RESEARCH WORK

To find out the OCTAPACE profile in four banks at Vadodara, the instrument designed by Prof. Uday Pareek on OCTAPACE containing 40 was administered. Equal amount of sample on random sampling basis were selected for the study, and a total of 80 responses received were analyzed using SPSS software.

The current study had the following objectives:

- 1) To study OCTAPACE profile in the (i) Nationalized Bank& (ii) Private Bank,
- 2) To reveal major factors contributing to Organization culture.
- 3) To critically evaluate the perceptions held by managers as well as non-managerial staff with regard to OCTOPACE Culture in sample study organizations,
- 4) To evaluate OCTAPACE profile and its overall effectiveness on banks.

5.1 Research Findings

The reliability conducted Corbach Alpha method revealed .814 accuracy, which indicates, greater effectively to go for further analysis. It shows the authenticity of the work done by the researcher.

With high significance at .000 this test was reliable to go in for Factor analysis

The table shows the distribution of OCTAPACE elements in three factors for the Bank under study.

This table indicates the classification of the group are been done by the different factors if the OCTAPACE Where the group A is having the 1,2,5,7 and 8 group together.(i.e Openness, Confrontation, pro-action, collaboration and the experimenting factor.)

Table: 1 Reliability test

	Cronbach's Alpha Based on Standardized Items	N of Items
.818	.814	40

Factor Analysis: Test used to find out factors in the study KMO and Bartlett's Test

Table: 2 KMO Test of Sampling Adequacy

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.739
Bartlett's Test of Sphericity	Approx. Chi-Square	85.938
	Df	76
	Sig.	.000

Table 3: Factor Analysis test : 3 Factors

A = Achieving factor; B = Believing factor; C = Authentic factor

	Factors		
	A	B	C
1. Openness	.765	.236	.002
2. Confrontation	.726	.160	.038
3. Trust	.492	.726	-.037
4. Authenticity	.183	.067	.945
5. Proaction	.729	-.085	.177
6. Autonomy	.023	.899	.119
7. Collaboration	.638	.152	.332
8. Experimenting	.772	.264	.191

This table shows over all correlation between all banking in sample survey. According to this there is a high degree of relation 0.84 between the pro-action and the collaboration of work. This means that the industry is proactive in their work and employees are supportive enough to collaborate their work and share it among each.

Table 4: Over all Correlation Test of all the Banks

	Openness	Confrontation	Trust	Authenticity	Proaction	Autonomy	Collaboration	Experimenting
Openness	1							
Confrontation	0.69	1.00						
Trust	0.74	0.79	1.00					
Authenticity	0.59	0.75	0.67	1.00				
Proaction	0.70	0.83	0.70	0.74	1.00			
Autonomy	0.60	0.77	0.80	0.72	0.75	1.00		
Collaboration	0.76	0.82	0.73	0.78	0.84	0.80	1.00	
Experimenting	0.80	0.83	0.80	0.74	0.78	0.72	0.81	1.00

Bank A r value	.8390 Trust
Significance	.002
Bank C r value	.959 Con
Significance	.00
Bank D r value	.74 cor
Significance	.01

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Table 5: Individual Bank wise OCTAPACE correlations

Bank A r value	.839(**) openness and Trust	.727(*) Confrontation and Trust	.805(**) Autonomy and Trust	.811(**) Experimenting and Trust
Significance	.002	.017	.005	.004
Bank C r value	.959(**)Authenticity and Confrontation	879(*) proaction and Confrontation	.908(*) Collaboration and Openness	
Significance	.003	.021	.012	
Bank D r value	.749(*) collaboration and confrontation			
Significance	.013			

While applying correlation within the Industry, the studied revealed facts which were important to understand OCTAPACE in Banks. **Bank A** (Private Bank) study indicated all the factors been very strong however each elements of OCTAPACE had a strong correlation with T i.e Trust. This clearly shows that there is a huge degree of trust among the employee and this is only because of the practice is being flowed by company of giving credit of work that has been performed by employee. Another reason of high Trust element is that the employees' are been empowered in taking decision, that why the freedom they get from their organization are making them belong to the organization. The last but not the least is the correlation between the trust and the experiment. The reason is only out of box thinking and its reward system in this organization culture. The Group valued is A and B

Bank B (Private Bank) studied revealed no correlation among the OCTAPACE element. Research to this bank led to an understanding that it need to lay emphasis on designing strong HR practices and clarity in job design. No Group value.

HYPOTHESIS TESTING

Paper hypothesizes that if organizational OCTAPACE profile is high, it would positively contribute to overall effectiveness in all the banks.

Bank C an oldest nationalized bank had an ability to change in accordance with competitive world that's why a strong correlation between the confrontation and the pro-action is revealed. It is continuously updating practices to cope up with other bank especially private sector banks. They have accepted the openness toward their old working system and started working collectively with the effort of young and experienced people. The Group valued is A and C

Bank D (Nationalized Bank) has the highest number of experienced employees. Because of this they are very familiar with the working environment so as a result they never shy away from problem; in fact they go very deep into the problems. Thus the studied emphasized a strong correlation between collaboration and confrontation. The Group valued is A

ANOVA Model		Sum of Squares	Mean Square	F	Sig.
1	Regression	4.097	.512	738.887	.000(a)
	Residual	.018	.001		
	Total	4.115			

If the significance value of the F statistic is small (smaller than say 0.05) then the independent variables do a good job explaining the variation in the dependent variable. Therefore, it can be stated here that OCTAPACE profile is contributing positive to overall effectiveness in the organization. Strong culture enhance employees' and organizational effectiveness because they perceive that their actions are freely chosen and have right to believe their organization is theirs.

6. FINDINGS

There is a difference in cultural values between the nationalized bank and private banks. Private Banks culture seems to be highly competitive and progressive whereas nationalized banks believe in sustainable culture. Private Banks promote and imbibe culture among the employees to feel free to discuss their ideas, activities and feelings about the area of their operations related to their job description. The management encourages their subordinates to confront problems bravely without searching escape routes. The rigorous training in developing confrontation abilities and approaches has lead to a creative problem solving culture. These efforts to develop people oriented perspective and accountability has helped Bank for better management and utilization of human resources.

Three Banks' management has exhibited a very high level of authenticity implying that what it says, it means and what it means, it says. Accepting people at their face value and trusting their words and approach in the true spirit promotes authenticity. The culture of pro-activity resolving issues is been promoted. The management involves people to anticipate the problems and arrangements for their resolutions well in advance so that the necessary systemic and process changes are made without compromising quality and quantity. The 5-sc adopted by 2 banks under study has shown good result in OCTAPACE values. This also has made the organization to be better efficient in their dealings.

7. CONCLUSION:

Culture gives an organization a sense of identity – 'who we are', 'what we stand for', 'what we do'. Organizational culture/ethos is the underlying spirit or character of an organization and it is made up of its beliefs, customs or practices. The influence of organizations in shaping the attitudes, values, motivation, and performance of people is being increasingly realized. Culture comprises the symbolic side of an organization, and it shapes the human thought and behaviour in the system. It is the social force that controls the patterns of organizational behavior by shaping members' cognition and perceptions of meanings and realities (Ott 1989). This leads to an effective, sustainable and progressive organization.

Finally OCTAPACE 8 value elements of openness, confrontation, trust, authenticity, proaction, autonomy, collaboration and experimentation has a respective opposite poles of eight values too as mentioned by Pareek (2002)) -closed, avoidance, suspicion, manipulation, inertia, role boundness, conflict and safe playing. A single opposite pole means deterioration of the organizational culture and thus the emphasis remains in making OCTAPACE a combined value element.

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Micro Finance and Financial Sustainability: A Review

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Abstract

The paper is an attempt to delineate theme wise trend of articles in leading Indian journals. All the issues during the period 2002 to 2011 from select journals have been scanned. Linda Mayoux's (1997 and 2002) contribution (virtual spiral) has been used for the classification of the papers reviewed. In this paper the focus is only on Financial self-sustainability paradigm. Contributions of academicians and practitioners related to Institutional sustainability or the notion that Microfinance Institutions need to be financially self-sufficient (free of subsidies) finds mention.

Key words: Microfinance, Financial self-sustainability

INTRODUCTION

Throughout the world, poor people are excluded from formal financial systems. Exclusion ranges from partial exclusion in developed countries to full or nearly full exclusion in lesser developed countries. Due to lack of access to formal financial services, the poor have developed a wide variety of informal, community-based financial arrangements to meet their financial needs. Microfinance is the term that has come to refer to informal and formal arrangements offering financial services to the poor.

The rise of the microfinance industry represents a remarkable accomplishment taken within historical context. It has overturned established ideas of the poor as consumers of financial services, shattered stereotypes of the poor as not bankable, a variety of lending methodologies demonstrating that it is possible to provide cost-effective financial services to the poor, and mobilized millions of dollars of "social investment" for the poor (Mutua, et al. (1996)).

Scholarly interest in microfinance has lagged behind industry development, but it is now growing rapidly. Before 1997, academic journals published only an occasional article on microfinance, but since that time, academic journals have published hundreds of peer-reviewed articles on the topic.

The purpose of this paper, therefore, is to introduce microfinance to the academic finance community and to provide an outline for future research. Toward these goals, this paper provides a review of over 90 articles that address at least one component of microfinance.

From a preliminary analysis it appeared that the maximum papers related to microfinance were published in EPW, and IBA publication. For the study all the issues during the period 2002 to 2011 have been scanned.

Table 2.1 Showing list of Indian journals

Name of Journal	2003	2004	2005	2006	2007	2008	2009	2010	2011
Economic & Political Weekly	3	1	12	5	8	5	5	7	8
Indian Bankers	-	-	-	-	3	4	4	7	3
Yojana	-	-	-	-	-	06	-	-	-
Indian Journal of Finance	-	-	-	-	-	-	-	3	6

The Indian journal with the most articles in Table I is Economic and Political Weekly (EPW), which has published 54 articles on microfinance during the period 2002 to 2011. This is followed in order by The Indian Banker (IB) with 21 articles during the period 2007 to 2011, followed by Yojana and Indian Journal of Finance with 6 and 9 articles each.

Linda Mayoux's (1997 and 2002) contribution (virtual spiral) has been used for the classification of the paper review. She has identified three contrasting 'paradigms' with different underlying aims and understandings and different policy prescriptions and priorities in relation to both micro-finance itself and to gender policy. They are: 1) Financial self-sustainability paradigm, 2) Poverty alleviation paradigm, and 3) feminist empowerment paradigm. But majority of microfinance programmes cannot be clearly classified under any of the above mentioned three paradigms. Programmes following the same model of micro-finance provision may have very different gender policies and/or emphases and strategies for poverty alleviation. Even within many donor agencies, there is considerable disagreement. The people involved in micro finance, who believe in financial self-sustainability, those concerned with human development have generally more sympathy for the poverty alleviation paradigm, emphasizing participation and integrated development and gender lobbies who favour at least some elements of the feminist empowerment.

In order to present a coherent and succinct review of the broad microfinance literature, we divide our review into three areas of microfinance that, in our judgment, currently define the field. Within each area, we identify key topics, focusing on issues important to a finance audience, and we discuss the relevant articles in each section. In this paper we have focused only on Financial self-sustainability paradigm, we address institutional sustainability, or the notion that MFIs need to be financially self-sufficient (free of subsidies).

FINANCIAL SELF-SUSTAINABILITY PARADIGM

In **Financial self-sustainability paradigm** the main consideration in programme design is provision of financially self-sustainable micro-finance services to large numbers of poor people, particularly micro- and small entrepreneurs. The focus is on setting of interest rate "right" to cover costs, to separate micro-finance from other interventions to enable separate accounting, to expand programmes so as to capture economies of scale, to use groups to decrease costs of delivery. Gender lobbies have been able to argue for targeting women on the grounds of high female repayment rates and contribution of women's economic activity to economic growth. In this paradigm, it is assumed that increasing women's access to micro-finance services will in itself lead to individual economic empowerment, well-being and social and political empowerment. In order to have proper understanding of the literature review, **Financial self-sustainability paradigm** is further classified into Models of microfinance, Outreach and profitability, Microfinance and financial inclusion, Microfinance Regulation and Commercialization.

Models of microfinance

Frances Sinha (2005) in his paper "Access, Use and Contribution of Microfinance in India" mentioned that there is a diversity of approaches in India to microfinance involving banks, government agencies and NGOs. On the basis of different ways to working with groups, the models of microfinance delivery may be classified as the SHG model, Grameen replication model and the individual banking approach. There are informal sources also available like chit funds, moneylenders, pawnbrokers, friends and relatives. He concluded that performance of the SHG model is exceptional in providing a saving based mechanism for internal group credit.

Malcom Harper, Andreas Berkhof, R V Ramakrishna (2005) in their paper "SHG-Bank linkage a tool for reforms in Cooperatives?" examines the spread of the Co-operative-SHG linkage across states, the relationship between commercial success of cooperative banks and the impact of such linkages. There are number of factors like type of membership offered to SHG, financial products available, restrictions on the use of savings and choice of SHIP can impact an SHG linkage involving Cooperatives.

Based on the observations of the failure of development policy and administration, with a weak role played by the State in supporting the institutions of development, Shah (1996) emphasized the importance of developing NGOs as change agents. Government of India (1985a, 1985b) also realized its failure in properly implementing development projects and decided to involve NGOs during the Seventh Five-Year Plan, in executing development projects. The NGO's strength lies in target group approach, flexibility, experimentation, innovation, grassroots presence and motivation.

P Satish (2005) in his article titled "Mainstreaming of Indian Microfinance" discussed about failure of formal sector to provide financial services to the poor and underprivileged sections of the society. He discussed about an ambitious credit scheme IRDP and pointed out that only 10% of borrowers have been found to be still associated with the banks after their loan repayments. He discussed about five methodologies of microfinance: Grameen and solidarity model, The group approach, Individual credit, Community banking, and Credit unions and Cooperatives. He further discussed about microfinance outside SHG-Bank linkage like NGO-MFIs, NBFCs and MFIs, Mutual Benefit MFIs and for profit MFIs. He further pointed out that SHG system is more

economical and sustainable for India. It allows people to save and borrow according to their own requirement. The mainstreaming of microfinance is evidenced by on-lending and funding by a number of organizations like RMK, SIDBI with its SIDBI Foundation for Micro-credit, HUDCO, HDFC, FWWB and new generation private sector banks like ICICI, HDFC, with SHG and other linkages.

Jairam Ramesh (2007) in his paper "Self-help Groups Revolution: What next?" mentioned that SHGs got a distinctive identity from 1992 onwards with the help of RBI and NABARD. He highlighted that AP, Karnataka, Kerala and Tamil Nadu account for almost 54% of the SHGs and 75% of the bank credit. Today, over half of the SHGs are promoted by the state governments, less than one third by the NGOs and the balance by banks. The path breaking work being carried out by NGOs like SEWA, the Dhan Foundation, Myrada, BAIF and Pradan. The SHG network in AP has gone beyond credit and assumed responsibilities like marketing of commodities; for distribution of old-age pension; a community based food security system; dairy interventions with livestock being purchased through SHG-Bank linkages. SHG institutions can play a supporting role in social mobilization and in social audit. He concluded his paper by saying that Panchayats are institutions of representation and SHGs are institutions of participation. These are the two pillars on which India's globalization strategy should rest.

H S Shylendra (2008) in his article "Role of SHGs" discussed about relevance of SHGs as under: 1) A SHG working on the principle of solidarity that helps the poor to come together to pool their savings and access credit facilities. SHG by tapping social capital like trust and reciprocity helps in replacing physical collateral. 2) The second major role is seen in terms of their potential to empower the women members. While discussing impact of SHGs on poverty and women's empowerment he reported that the members of the SHGs have been able to reduce their dependence on moneylender very significantly. Further members are making use of SHG loans for diverse purposes. Though use of loan for consumption purpose still remains a major item of utilization, members are increasingly using the SHG loans for social and productive needs. Health education and housing are some of the areas where members have begun to increasingly channelise their loans. The SHGs are largely concentrated in southern region of the country which is the first constraint and the second is the continued restrictive loan policies of the commercial banks.

S K Chugh (2008) in the article "Human Welfare and Research Initiative" discussed about Lupin Human Welfare and Research Foundation an NGO's effort towards improving the economic status of the people through interventions in natural resource management, health and hygiene, education, social infrastructure, rural industries development and women empowerment. The Foundation approached organizations like RMK for financial support to women SHGs on low interest rates and other bank.

Various studies by Rajasekhar (2000), Kumaran (2001), Hashemi (1996), Lathif (2001), Kaldhar (1997), NABARD (2002) highlight that SHGs have inculcated savings habits in poor.

Outreach and Profitability

Sayantan Bera (2008) in the article "Programme Design and Impact Assessment: 'Success' of microfinance in perspective" make an attempts to take stock of the ongoing innovations in designing flexible and tailor-made financial products, the ingenious use of a variety of incentive mechanisms and the evolution and acceptance of microfinance from a focused credit intervention

approach towards a broader paradigm of livelihood finance. Formal banks have always been reluctant to serve the poor, especially the asset poor, who cannot offer any collateral. In an effort to reverse this trend, subsidized credit programmes were attempted, like IRDP. Banks were given heavy subsidies, not only to keep interest rates low, but to compensate for the high transaction costs and inherent risks of such operations. There is shift from micro credit to microfinance a broader term encompassing, in addition to lending, efforts in savings mobilization, insurance provisioning, and in some cases assisting in distributing and marketing clients' output. The transition reflects a change of outlook resulting from a growing realization that low income households can benefit more through a broader set of financial and non-financial services than just credit. Evidence from microfinance clients around the world indicates that access to financial services help the poor to increase their household incomes, purchase assets and make them less vulnerable to emergencies. Such access is claimed to translate into better nutrition and improved health and literacy status at the household level. Further access to finance is also claimed to have made women clients more confident in the household decision making process.

According to Ghate et al. (1992) one way of expanding the successful operation of microfinance institutions in the informal sector is through strengthened linkages with their formal sector counterparts. A mutually beneficial partnership should be based on comparative strengths of each sector. Informal sector microfinance institutions have comparative advantage in terms of small transaction costs achieved through adaptability and flexibility of operations. They are better equipped to deal with credit assessment of the urban poor and hence to absorb the transaction costs associated with loan processing. On the other hand, formal sector institutions have access to broader resource-base and high leverage through deposit mobilization (Christen et al. 1994).

Anil Khandewal(2007) in his article "Microfinance Development strategy for India" said that microfinance is claimed to be a powerful tool, which can be used effectively to address poverty, empower the socially marginalized poor and strengthen the social fabric. He also discussed about failure of banks in providing loans to the poor. He observed that banks and other formal credit disbursement institutions are exposed to credit risk, high transaction and service costs, absence of land tenure for financing housing, irregular flow of income due to seasonality, lack of tangible proof for assessment of income and unacceptable collaterals such as crops, utensils and jewellery. He concluded by saying that the organizational structures, procedures, products and methods used by our banks are not suited to microfinance, and changing them would be time consuming and expensive.

Pradeep Srivastava(2005) in his article "Microfinance in India Odysseus or Interloper?" discussed that SHG-Bank linkage model of microfinance is favoured in India as it builds upon the existing institutional infrastructure with civil society participation, regulatory issues have been minor and well dealt with under the leadership of NABARD.

Bibhudutt Padhi (2003) in his article "Mainstreaming Microfinance: Bridging NGO-Banker divide" recommends the development of a symbiotic relationship between NGOs and banks, with the NGOs efficiently utilizing their strengths in social engineering and banks focusing on pure financial intermediation. Such a strategic partnership will help achieve the otherwise elusive targets of outreach to the poor. He further discussed about competitive advantage of NGOs. NGOs are positioned at the community level to educate local institutions and people to be able to make more effective use of the opportunities and proper use of finance. Social intermediation activities refer to interacting closely with people at the grass roots, these activities are more appropriate for NGOs due to its classic characteristics.

Vijay Mahajan (2005) in his article "From Microcredit to Livelihood Finance" discussed about five fatal assumptions of microcredit like credit is the main financial service needed by the poor; credit can automatically translate into successful micro-enterprise promotion; the poorest all wish to be self-employed can be helped by microcredit; those slightly above the poverty line do not need microcredit, and giving it to them amounts to mistargeting; and microcredit institutions can all become financially self-sustaining.

Tara S Nair (2005) in her paper "The Transforming world of Indian Microfinance" reported that transformation and downscaling are relatively new in India, the drivers being the MFIs need for capital to expand outreach and leverage funds available with commercial banks. In terms of transformation NBFCs, Mutual Benefit Trusts and Cooperatives are some of the legal formats favoured by MFIs. In terms of downscaling ICICI Bank is the first commercial bank to move into the microcredit market. As the banks take initiative in asset building through microcredit, the intermediary layer of MFIs will have to perform the role of sales agents.

M S Sriram (2003) in his paper "Microfinance and the state, Exploring areas and structures of collaboration" attempts to review the performance of formal institutional channels and the emergence of new forms of collaboration in the delivery of microfinance services. He discussed about existing structures of financial intermediation such as commercial banks, RRBs, Cooperatives, the SHG-bank linkage programme and state promoted scheme.

S K Bagchi (2007) in his article "Increase Outreach, Not Risk Business facilitators and Business Correspondents" discuss about the scheme of financial inclusion by extension of banking services through the medium of approved business facilitators and business correspondents is innovative, going by the socio-economic pattern of our country, style of living, savings habits and precautionary sentiments and culture of the people.

Nachiket Mor (2007) Executive Director of ICICI Bank opined that banks need to stop sending government and funding agencies the signal that microfinance is not a commercially viable system. As a result of banks entering the game, the sector has changed rapidly. Padmaja Reddy, the CEO of one of ICICI Bank's major MFI partners, Spandana was of the view that there is no dearth of funds today, as banks are looking into MFIs favorably, unlike a few years ago. And with banks entering the sector, interest rates have also dropped.

Savita Shankar (2007) indicated that the key drivers of direct transaction costs are field worker compensation and number of groups handled per field worker. Collection activity is the single largest contributor.

Microfinance and Financial Inclusion

Nachiket Mor and Bindu Ananth (2007) in their article "Inclusive Financial Systems: Some design principles and a case study" pointed that finance can help individuals to smooth their income, insure themselves against risks and broaden investment opportunities. They further pointed out the views of Morduch and Rutherford (2003) that credit providers must ensure that the point at which financial service is accessed must be no more than an hour walk from the place of residence of the client and must have hours of operation which allow this access that is convenient to the client and does not result in a loss of wage owing to travel. Further by quoting ICICI Bank case study, the authors opined that the design followed by bank is maximizing financial inclusion.

P M Mathew (2008) in his article "Microfinance and Financial Inclusion" has brought out negative side of microfinance. He stated that microfinance has had more of a bandwagon effect than contributing to the dynamics of the economy. Large employment oriented rural programmes still suffers from inadequacy of backward and forward linkages. He concluded the article by saying that PSBs would rather think of the potential inherent in the "bottom of pyramid". They should better think beyond the community services banking they are used to. The objectives of financial inclusion can be to some extent achieved through such initiatives.

Microfinance Regulation

K G Karmakar (2011) in the article "Emerging trends in microfinance" said that role of NABARD in the growth of microfinance model has been multidimensional like policy formulation, financial innovations, technological interventions, and institutional strengthening. He has also discussed about number of innovative projects in microfinance funded by NABARD such as SHG-Post office programme, social security system for SHG members, financial assistance for developing software for NGOs to MYRADA, Grain Banks and SHGs.

Nilakantha Rath (2008) in his paper "On the Microfinance Regulation Bill 2007" mentioned that the said Bill which aims to regulate trusts and societies that help or promote SHGs, is totally unnecessary since it does not address the needs of the SHGs. Further according to RBI and state government, there can be only one Cooperative Credit Society in a village. So, SHGs would not have been permitted to register as credit cooperatives. These create difficulty for SHGs. SHGs could not put money in the bank in the name of SHG. There were cases where individual promoter misappropriates money of SHG.

B Yerram Raju(2008) in his article "Microfinance Development and Regulation" discussed about content of the Microfinance Sector Development and Regulation Bill, 2007. He highlighted different models of microfinance:1) SHGs promoted and financed by banks, 2) SHGs promoted by NGOs/Government Organization and finance by banks 3) SHGs promoted by and financed through NGOs by raising bank loans 4) The federated SHG approach 5) SHGs promoted by NGOs, Societies/other organizations, and financed by MFIs 6) SHGs promoted and financed by MFIs 7) Individuals directly financed by MFIs 8) The Urban Corporation Banking model 9) The Multi State Cooperative Solidarity group model 10) The NBFC approach. Growth under the MFI model has been greatly facilitated by the sharp increase in bank credit to MFIs. A wide range of banks are now financing the sector, the private sector banks lending mostly to MFIs, and the public sector banks through their wide network of rural bank branches, mostly to SHGs. The private sector banks are financing MFIs both because they regard it as good business, and because of priority sector obligations. More and more public sector banks are viewing SHG financing as profitable, and undertaking it less and less because of moral persuasion from government and NABARD. It is established that the outreach to the neglected sectors of population pursuing limited economic agenda, like the women, small and marginal farmers, tenant farmers, non-farm micro enterprises would be possible only through MFIs.

H S Shylendra(2007) in his paper "Microfinance Bill: Missing the forest for the trees" discussed about the assessment of the Bill. He claimed that the Bill has a very broad title in reality it focuses only on a narrow set of institutions acting as MFIs. There is a view that responsibility of regulation given to the NABARD is not a sound idea as NABARD has many limitations. Further, SHGs may become subservient to MFIs. Doubts have been raised over the ability of NGOs to ensure safety of the deposits of the poor. There is a criticism from the women that women's being

the major stakeholders of microfinance, the bill has not made any attempt to give adequate representation to women. The bill may be seen as an attempt to recognize the role of NGOs in financial intermediation, but for overall development the role of formal financial institutions is equally important in attaining financial inclusion. The bill seems to have given enough scope to MFIs to target mainly the economically better-off among the eligible groups and exclude the core poor. The bill is institution-focused in nature and leaves out a certain set of MFIs like NBFCs and not for profit companies. Further, it has brought cooperatives into the fold of regulation by wrongly assuming that they lack any legal framework.

Savita Shankar and Mukul Asher (2008) in their article "The Microfinance Bill" discussed about challenges and roads of growth for microfinance sector like 1) there is scope for substantially improving the quality and efficiency of service delivery 2) the microfinance sector has begun to offer insurance, pensions and remittance products to the MFIs require professional management 3) there is disproportionate reliance on group lending requires individual-based lending options to cater to the growing urban segment. The Bill has at least following positive features – 1) The Bill permits MFIs to accept savings from members. 2) Provides for mandatory registration and periodic report. 3) The bill does not introduce interest rate cap.

R Devaprakash (2007) in his article "The Microfinance Bill an Enabling provision for Banks" discussed about various features of Microfinance Bill in detail. As per the article India is one of the few countries to regulate microfinance. The proposed bill will help the mainstream institutions like banks, by imposing discipline on MFIs in terms of transparency, governance, financial system, and accountability. MFIs have taken a beating recently in these areas. This will also put a stop to unethical profiteering to plough back such reserves towards the welfare of the clients. As per the 59th round of National Sample Survey, only 27% of the farmers get the formal credit. Over 22% still depend on informal market. Over 51% have not even tasted credit in one form or other. It is believed that regulation will help microfinance to expand.

N D George (2008) in the article "Microfinance issues and strategies" discussed about the major issues related to Indian microfinance and has put forward suggestions for addressing them. He emphasis on substantial scaling up of microfinance which includes credit, savings and insurance. He also suggested for encouragement of growth of MFIs with appropriate regulation. There is also a need to shift the focus from the quantity of credit to the quality of credit. Further SHG formation and group lending should be promoted rather than individual lending.

Commercialization

M S Sriram (2008) in his article "Commercialization of Microfinance" stated that microfinance has attracted the attention of several private equity players and more and more funds are being pumped into the sector. The investment to the microfinance sector is most welcome but we should see why all the investments are coming in only to companies that are following a single methodology of microfinance delivery. The focus of microfinance has shifted from players who were basically from the developmental field to players from the private sector, the question is would there be greater pressures on continuing the delivery of greater profits?

Anu Muhammad (2009) in his article "Grameen and Microcredit: A tale of corporate success" made an attempt to understand the nature and extent of the corporate success of Grameen Bank and Microcredit enterprise as well as to examine its claim regarding poverty reduction and women empowerment. Muhammad Yuns deserves the highest credit for formalizing and popularizing

microcredit, once marginalized but definitely a high potential form of the "finance industry". The second Microcredit Summit, 2006 assembled many big corporate companies. Barclays launched Ghanaian Microfinance, tapping into one of Africa's most ancient forms of banking; J P Morgan launched a microfinance unit as part of its emerging market strategy.

The Financial Times in an investigative report focused on "commercialization" of microcredit revealed that the Citigroups of the world are not the only commercial players; Sequoia Capital has also taken an \$ 11 million share in SKS microfinance. The article further highlighted that in many studies, it is found that the actual utilization of the loans has not been in the same areas as those they were approved for. Further, the availability of NGO money has encouraged many rich clients to enter the microcredit market. In many cases, rich clients used poorer women as proxy members. The article also criticized Muhammad Yunus on the ground of Joint Ventures and other business linked with the Grameen network as these enterprises (Grameen Phone, Grameen Danone Food, G Veolia) fail on social objectives (health, education, poverty or environment), community ownership(needs to be owned by the poor or disadvantaged) and non-profit distribution to investors. The author pointed out that the increasing commercialization of microfinance, the polarization of microfinance agencies, the coercive nature of extraction are all an obvious outcome of the process itself. The Grameen Bank itself gave birth to highly profitable business and Yunus turned into one of the world's leading businessmen, and become an advocate for foreign corporate investment in Bangladesh.

Udaia Kumar of Share Microfin in an interview with Microfinance Insights supported private equity investments in Indian MFIs. He said that with the private equity fund MFIs can run a viable program where MFIs cover all costs, make reasonable profits, service all investors, and also pay the right price to banks they borrow money from. Everybody is in a win-win situation. If MFIs are able to use this model, then they will be able to channel bigger money into the sector and they will also be able to increase their scale. They will be able to get into the capital markets, offer IPOs and so on. He was of the view that no conflict exist between MFIs social mission and private investment.

Vijay Mahajan of BASIX in an interview with Microfinance Insights concerned about the impact of extreme profit seeking investors on the mission of MFIs. He says, "Such investors might say that reaching the poor is not their problem and that they are just investing in a company which is doing microcredit as a commercial service. To such investors I would say, please stay out of this field. The sector has not been built by commercial investors; it has been built by the sweat equity of development workers, by funding from public and philanthropic institutions and accumulation of capital of the poor themselves."

Debnarayan Sarkar(2009) in the article "Indian Microfinance: Lessons from Bangladesh" traces the fundamental differences in the provision of microcredit between Indian mainstream banks and the Grameen Bank. The key issue for Indian banks is why more than ¾ th of old credit linked SHGs, financed in earlier years by a mainstream bank, are not receiving further microcredit from the same source, although more than 95% of such loans are repaid in time? The Grameen Bank has introduced a range of attractive new savings products which the SHG programme under the SHG-Bank linkage model of India is lacking. Further Grameen Bank has trying to undertake a process of transformation of the lives of individual members by building social capital.

Tara Nair (2010) in her article "Commercial microfinance and social responsibility: A critique", throw light on transformation process and social responsibility of MFIs. She had further discussed

about self regulation practices adopted by Alpha Micro Finance Consultants and Micro Finance Institutions Network to avoid problems associated with over lending and delinquency.

Prabhu Ghate responded by his article "Waking up from the Nightmare" to the excellent article by M S Sriram "Microfinance A Fairy Tale Turns into a Nightmare" and the editorial "Modern Sahukars" in the in the EPW issue of (23 October 2010). He had discussed about issues related to MFIs like quest for numbers, drive for profits, and lack of comprehensive regulating instrument. He has given possible solutions for the same issues.

Conclusion

The above review paper provides following concluding highlights:

- There is consistency in articles on models of microfinance throughout the period under review.
- Articles on outreach increased considerably after the year of micro credit, 2005.
- Articles on technology started very late in the year 2008.
- Much talked topic on regulation in microfinance started just before AP crises of 2006.

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Branding As Strategy for Marketing Public Transit – Bus Rapid Transit System (BRTS)

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Abstract

The emergence of new Bus Rapid Transit System (BRTS) in recent years has prompted transit agencies across the globe to establish new and unique identity programs that communicate various benefits of improved bus services. These identities and brands, however, rely largely on perception and emotional reaction, which are difficult to quantify. This lack of "hard data" makes the efficacy of identity systems and expenditures on them difficult to assess. This paper examines the typical constructs used to establish BRT identity: visual identifiers, nominal identifiers, color palette and so on. The study also focuses on how these constructs can be deployed consistently across a range of media, and on doing so how the BRTS identity helps to further build and reinforce a positive perception of BRTS service and, by extension, creates a positive public image for public transit in general. BRT identity must be flexible in design to accommodate future needs, plans for expansion, and technological evolution.

Key Words:-Public Transport, BRTS, Branding, Imaging, Brand Imaging Of BRTS.

1.0 INTRODUCTION

Public transit is experiencing a renaissance of sorts in the urban areas, fueled by interest in and mandates for curbing urban sprawl, reducing traffic congestion, lessening automobile dependency, and a desire to better protect the natural environment from automobile pollution. Transit officials are working to capitalize on these changes in public consciousness, and many hope to increase the demand for public transit by improving the quality and quantity of service and, in particular, by implementing new bus rapid transit systems (BRTS), which offer passengers faster, more convenient, and more comfortable travel through service enhancements.

BRTS emulates service quality offered by light rail transit (LRT) at a fraction of the infrastructural cost, and can later be useful as a means to phase in fixed transit infrastructure, such

as light rail or heavy rail. A Transit Cooperative Research Program Report (TCRP 2003, p. 1) defines BRT in the following manner:

"BRT is a flexible, rubber-tired rapid-transit mode that combines stations, vehicles, services, running ways, and intelligent transportation system (ITS) elements into an integrated system with a strong positive identity that evokes a unique image. BRT applications are designed to be appropriate to the market they serve and their physical surroundings, and they can be incrementally implemented in a variety of environments."

Additionally, qualitative evaluation and critical assessment of both transit identity programs and BRT identity programs are conspicuously absent from the literature. The emergence of BRT provides a unique opportunity to change negative perceptions regarding public transit but this task is challenging without reliable, quantifiable methods that measure perception of transit-related identity.

Some transit systems are working hard to satisfy today's riders and attract new ones tomorrow. More than ever, they rely on marketing strategies to understand and engage current and potential customers. Transit marketers contributed to record-breaking national ridership through their efforts in research, service planning, customer relations, promotion and community partnerships. These also include promotional tools like branding and positioning, targeted marketing, special events, customer information, fare incentives, partnerships and research.

2.0 BRANDING OF SERVICES / PRODUCTS

Branding can be seen as a set of activities which:

- *defines* a consistent product or service based on identified customer needs;
- *associates* appropriate values and imagery with the organization, product or service;
- *communicates* consistently through naming, design, advertising and promotions.

In the area of fast-moving consumer goods where branding reaches its full potential, the brand is established through continuous and extensive advertising, promotion, packaging and design. Effective brands enhance relationships with all stakeholders: customers, employees, investors, and suppliers. A brand is often associated with a logo but it should not be limited to the graphic design or expression in different forms of mass communication. The strength of a brand is first and foremost determined by the way in which the organization and its representatives act in their relationship with customers.

To understand it better, image and identity can be analyzed as two complementary components of a brand. The brand image is the way the brand is perceived, while the brand identity is the way the brand would like to be perceived. Branding a product or service creates an identifiable, marketable and common theme that extends across the product and all related touch points, such as opportunities the customer has to interact with the brand.

2.1 Structure of a brand: mcgrory compares the structure of a brand to an onion:

"The thing first observed about a brand is the surface (1D), which gives the first impression of the essence of the service. With an onion, we would obtain a sensual impression of its freshness,

taste, and smell. The comparable qualities in the public transport brand would include modernity recognisability and odors. After the first impression come actual operations and the operating environment inclusive of user interfaces (2D and 3D). The overall perception of the service is further influenced by the fourth platform (4D), which communicates the values and philosophy behind operations and serves as a link between the past, present and future."

1 D	2 D	3 D	4 D
Factors identifiable at first glance	Printed material and emblematic symbolism	Physical world: equipment and tools	Values communicated to users
<i>Color</i>	<i>Shape</i>	<i>Shape</i>	<i>Mission</i>
<i>Material</i>	<i>Pattern</i>	<i>Function</i>	<i>Tradition</i>
<i>Texture</i>	<i>Graphics</i>	<i>Service content</i>	<i>Spiritual</i>
<i>Surface</i>	<i>Outline</i>	<i>Ergonomics</i>	<i>Cultural</i>
<i>Odors</i>	<i>Logo</i>	<i>Touch</i>	<i>Emotional</i>

Like the onion, the first impression of BRTS comes from the physical contact surface—sensation, user experience. Advertising, communication and all graphic design play key roles as differentiating factors close to the surface. The third element to be experienced by the customer is ease of use, efficiency and enjoyability of travel. The fourth factors to impact on the overall experience and continued use of service are abstract values. The combined effects of all the aforementioned factors give rise to the brand, i.e. The perception of the service.

2.2 How to develop a strong brand?

A strong brand is characterized by clarity, consistency and leadership. A clear message well understood and remembered with a uniform identity helps companies build a good relationship with its customers, ensuring loyalty even in difficult times. Developing a strong brand requires the organization to identify:

- **Vision:** what are the role and the position of public transport in the greater context of the urban mobility?
- **Mission:** what is the organization going to do to achieve its vision?
- **Values:** what are the core principles of the organization that the brand will use to guide it in its mission?
- **Brand Personality:** which human features the brand seeks to project?

Successful branding is not based solely on communication measures. Rather, customers must experience it in every personal contact with the organization. For this reason, the brand must be clearly defined and communicated across all services and over a long period of time. The key concepts and the image of the brand must be carried by all pillars of all the marketing activities.

And so the brand must comprise both visible and invisible elements that must be integrated in all embodiments of the company and its services.

This means that the deployment of all marketing instruments as product, price and distribution as well as communication must be uniform and homogenous. This is applicable for the corporate design of vehicles, tickets or uniform, which must be in accordance with the message of the brand. Both vis-à-vis customers and amongst each other, the employees must behave in a way that is typical of the company and in tune with the image of the brand. Brand building must therefore include extensive communication actions; advanced training program to ensure that every staff member feels as spokesman of the brand identity and understands the meaning and the stakes. Brand building must also be systematically continued in the field of hard policies to avoid inconsistency between the brand attributes and the transport services.

2.3 Need of branding for Public Transport

The Public Transport market does not differ from a free market to the extent that the majority of the customers freely decide to use or not public transport. As a result, public transport organizations need to focus on customers and enhance their relationship with their clients, in the same way as companies providing consumer goods or pure commercial services. This requires engagement in modern marketing in all fronts where branding plays a decisive role to attract and retain customers. Apart from the unquestionable value it creates, effective branding is essential for growth and indeed survival of public transport.

2.4 Creating a Brand for Public Transport through Research

When a company has elaborated its new corporate identity, it is important to implement it with a systematic approach to achieve satisfactory implementation and optimize resources. To be successful, branding must be implemented both with internal and external actions and extensive communication with personalized letters, internal magazines, intranet, video, press conferences, etc.

An urban public transport operator may choose the scope of implementation of a three-stage process to meet development needs. Whatever the scope, the consecutive stages facilitate the honing and internalization of values and vision on the one hand and their concretization on the basis of user data obtained on the other.

The **first stage** consists of a *status quo analysis* of the relevant city's public transport brand. Media analysis is one of the methods available for this purpose that can be utilized in the brand development study.

The **second stage** involves the *collection of user data*, i.e. Determination of the needs and desires of passengers. It is essential that goals and hopes are discussed and communicated at this point also through illustrations, in a concrete manner.

The **third stage** is, *putting to use the data obtained*, whether in procurement of a new information system, competitive tendering of new fleet vehicles or design of a new public transport logo. These examples are also constituent elements of the brand and the principle of user-focus must permeate the operating environment as extensively as possible. The user data

obtained at the previous stage may be informally reviewed in planning as initial data. User-focus in turn may be tested by e.g. Putting together imaginary travel experiences or scenarios.

3.0 **BRANDING / IMAGING FOR A BRT SYSTEM**

A brand is often associated with a logo but it should not be limited to the graphic design or expression in different forms of mass communication.

3.1 Benefits of branding: Branding a BRT system creates an identifiable, marketable and common theme that extends across the system and all related touch points, such as opportunities the customer has to interact with the brand. Branding gives a BRT system a distinct identity, which results in clear and positive public recognition and improved acceptance. In addition to creating or enhancing positive public acceptance, creating a relevant and compelling brand for a BRT system can deliver the following additional benefits:

- ***Clearly differentiated transit service:*** Branding can create a premium, higher-quality rapid transit feel for a BRT service, distinguishing it from standard or more conventional services.
- ***Enhanced outreach efforts:*** A common brand proposition among the various components of a BRT system will simplify marketing efforts and will allow a transit agency to more effectively reach its target customers.
- ***Increased customer loyalty:*** A consistent brand identity will help customers navigate the system by making the BRT system easily identifiable and distinguishing it from other services. Consistent delivery of the brand promise will create loyal customers.
- ***Improved employee satisfaction and retention:*** A consistent and compelling brand creates pride and a sense of contribution for employees.
- ***Increased brand value,*** as measured by added revenue and increased market share.
- ***Potential for attracting development activity:*** An attractive and compelling brand can help attract new economic development or intensify existing land uses around the BRT corridor.

Some industry studies among recently deployed BRT services have suggested that branding and imaging alone can contribute to 10 to 20 percent ridership increases. In addition, branding and imaging have been identified by the U.S. Federal Transit Administration as an element of BRT service that, absent a dedicated roadway, helps define candidate BRT projects as eligible for funding under the Small Starts Program. Thus, from both a planning and a policy perspective, branding should be an important consideration from the beginning of a BRT project's development.

3.2 **Developing Branding Strategy**

There are three steps in developing a branding strategy:

Who: identifying and characterizing the target audience

What: determining the "brand promise" to be made to the audience

How: determining how all the audience "touch points" will communicate the brand

Successful branding strategies begin with a clearly identified target audience. Research to generate both demographic and psychographic insights into the target audience can be useful at this stage. The following information about the target audience will be critical to developing and implementing a branding strategy:

- Demographic information such as age, income levels, education levels and residence
- Data on origins and destinations for both work and non-work purposes
- The audience's current perceptions about transit and potential barriers to its use
- The audience's current perceptions about the benefits provided by the competition
- The target audience's expectations, including the mandatory elements
- The most effective communication tactics to reach the target audience

Once the target audience has been identified and characterized, the next step is to determine how to make BRT relevant and compelling to this group. Establish the brand promise based on the wants, needs and expectations of the audience. The brand promise should be engaging and relevant and clearly communicate the benefits of using the service. For example, the brand promise could emphasize the BRT as a premium service distinct from other public transportation offerings, its environmental benefits, its speed and frequency, or its passenger amenities. The brand message also should explain the brand architecture, or the fit and role of BRT service within the overall system. The brand promise is not a tagline or advertising copy, but serves as the strategic platform for all tactical marketing elements.

4.0 STRATEGIES

The physical elements of the overall BRT system have a major impact on the brand or image includes the following:

- Rapid transit vehicles
- Station design and configuration
- Running way, including grade separation, exclusive lane or mixed traffic
- Fare collection, off-board or onboard the vehicle
- Traffic signal prioritization
- Level boarding
- Advanced ITS features

When transit customers board a bus or train, they are not just participating in a transaction they are making transit an integral part of their lives. Transit systems have responded with a customer-centered approach to marketing that moves beyond the conventional "product, pricing, promotion and placement" approach to product marketing. The full scope of transit marketing involves a broad range of actions to identify and meet customer needs. These include service planning and promotion, setting of fare structures and levels, public information and education, and management of community and customer relations.

4.1 Branding & positioning Every transit system works to develop a positive *brand*, which is the sum of the perceptions and experiences of its customers. As such, a transit system's brand plays a large role in influencing the attitudes and travel decisions of both riders and non-riders.

Brand creation or enhancement. The goal is to improve the competitive position of transit services, relative to car travel, as perceived by current and potential customers. The brands should incorporate a unique "identity" for stations and fleet, distinctive vehicle interiors, and special customer information and also efforts to build a strong public appreciation of the service's distinct benefits.

Positioning campaigns. Marketing tools should be used more subtly to position transit as an attractive and beneficial public service. A common positioning strategy is the development of messaging campaigns to strengthen the public perception of transit as a smart and sensitive way to get around.

4.2 Targeted marketing While branding and positioning strategies target a wide public audience, more selective approaches can bring other benefits. Targeted marketing campaigns let transit systems offer customized information to specific audiences like commuters, students, festival patrons, families on weekend outings, or tourists. "Individualized marketing" is an emerging form of targeted marketing. It uses one-on-one consultation to identify and overcome obstacles that prevent individuals from taking transit more often. This technique has had good results in several international applications.

4.3 Special events: Transit marketers know that special events can encourage non-users to try transit, and create opportunities for free media exposure. A special event revolving around a major public concern like air quality can boost visibility and ridership while also benefiting a transit system's brand and competitive position. Examples of special events include the free transit service on smog days offered by Transit Windsor (Ont.) In 2003, and the 2-for-1 fares offered by OC Transpo (Ottawa, Ont.) And Société de transport de l'Outaouais (Gatineau, Que.) On 'Clean Air Day' each June. Celebrating a 'Car-Free-Day' can be taken up as a special event at city level.

4.4 Customer information Transit marketers know that potential customers can be discouraged when information is hard to find or understand. As a result, they have made rider guides and schedules easier to read and interpret, and expanded customer information onto the Internet with cutting-edge technologies like web-based trip planners. New operational and communications technologies have led to real-time arrival displays and multipurpose video displays at passenger terminals and bus stops. Such tools offer more than information - they send the message that transit systems are modern, sophisticated and eager to help customers get the most out of their travel experience.

4.5 Fare incentives Transit fares are another opportunity to extend conventional marketing strategies. For example, a number of transit systems sell transit passes to employees at participating workplaces through payroll deduction programs. These passes often include a discount, and some take the form of "permanent" pass cards that are more convenient than monthly paper passes.

High-tech "smart cards" also offer the possibility of integrating the fare systems of neighboring transit systems and promoting cross-boundary transit use — which are two key objectives of the

Greater Toronto Area Farecard to be launched in 2007.^d In Gatineau (Que.), the Société de transport de l'Outaouais uses data from smart card usage to better understand passenger habits and preferences, and to develop services that better meet customer needs.

4.6 Community partnerships Transit marketers can extend their reach by partnering with agencies that share objectives or customers. These "win-win" arrangements can heighten exposure, reduce costs, deliver added value to customers and even serve a greater social purpose. Edmonton Transit is one system that sees local partnerships as a way to make more of its resources, build relationships with key customer groups, and improve the image and perceived value of public transit. The agency has struck successful local partnerships with charitable causes like the United Way and Edmonton's Food Bank, as well as with environmental and business groups like the Sierra Club Canada and Chamber of Commerce, and government agencies.

Other transit systems have partnered with the local tourism industry to mutual advantage. For example, the Société de transport de l'Outaouais (Gatineau, Que.) Has created a special bus route linking numerous hotels to local attractions, and participating hotels offer free bus tickets to interested hotel guests.

4.7 Market research

Successful marketing strategies require a solid understanding of current and potential customers — who they are, what they value, and what they need. Several types of research which can help transit systems acquire this information are:

- Telephone surveys.
- Online surveys.
- Intercept surveys.
- Focus groups.
- Independent evaluators.

5.0 CONSTRAINTS AND CHALLENGES

Transit marketers face several unique challenges and constraints, in the development and implementation of marketing and branding strategies, which are not shared by their colleagues in more conventional areas of product marketing. Some of them are:

5.1 Diverse customer needs. The transit market includes a variety of groups including students, seniors and commuters. Each of these groups has different interests and lifestyles; each travels for different purposes; each chooses transit for different reasons; each responds to different messages; and each is best reached in different ways. This diversity requires marketers to think and work in multiple, parallel channels.

5.2 Selling social benefits. Traditional marketing works by emphasizing a product's direct benefits to consumers. However, transit provides several vital community benefits (social, economic and environmental) that can also be used to attract riders. Finding strategies to carry these social marketing messages effectively, however, requires creativity.

5.3 Service development constraints. Transit systems are constrained in their ability to add or modify services in support of marketing objectives. Municipal budgets are limited, the logistics of route and schedule changes can be complex, and transit systems must mind their social objectives as well as their business goals. These factors can make it difficult for transit systems to respond quickly to new market opportunities.

5.4 Limited resources. While effective marketing need not be expensive, it must compete for resources with the day-to-day operating needs of transit systems. By definition, marketing opportunities are almost limitless. It is a constant challenge to identify innovative, cost-effective strategies and delivery mechanisms that make the best use of available funds.

5.5 Organizational culture: Many transit operators are used to judging performance in terms of safety, reliability, and financial return. Moving beyond an operations-centric view to include less familiar marketing criteria and performance measures, including brand recognition and customer interface, may take some transit operators more time or require the assistance of a professional marketing firm.

5.6 Cost and capacity: A professional market research program and marketing strategy can be expensive to develop and be beyond the capacity of in-house communications and/or marketing staff. The cost of designing and constructing any 'branded' bus stations and shelters can also add additional expense, as can the addition of passenger amenities and features such as real time "next bus departure" information signs at bus stops, system-specific transit priority measures such as queue-jump lanes, and web-based trip planning systems for passengers to develop an optimized itinerary.

6.0 CONCLUSION

The main objective of branding BRTS is to change the perception of the bus by implementing services with a new look in order to attract more patronage. A unique branding image can be applied to the vehicle livery, route and service design, stops, shelters and other bus priority infrastructure, and for quality information to promote the services. Branded bus services are applicable for local internal CBD shuttles, radial suburban routes to the CBD and cross-town or orbital routes. It is evidenced that the branding of the vehicle livery and bus stops with a unique color scheme and logo encourages higher patronage is inconclusive because the popularity of branded bus services may result from the higher service frequencies along direct legible routes. The bus routes that have a distinctive brand have a much higher awareness by the general public and are more legible for new users to understand than the rest of the bus network.

High quality branded bus routes having a distinctive color scheme for the vehicle livery, signage and information, a very legible route with services operating at least every 10 minutes and bus priority measures wherever possible to improve the quality of the services have a higher and dedicated patronage of commuters.

When establishing BRT identity programs, transit officials have the opportunity to dispel a negative perception held by some that buses are categorically inferior to rail transit and automobiles. The effective development of an identity and branding program can overcome the notion of buses as noisy, polluting, slow, and inconvenient. Identity development is vital to the success of new BRT service because it can simultaneously combat misperceptions and communicate specific service characteristics - speedy, quiet, and environmentally responsible

buses that provide greater passenger comfort than traditional buses - that may make BRT more appealing to riders.

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Business Process Outsourcing Opportunities in Gujarat: A Study of Service Provider's Perspective

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Abstract

The emergence of the information and high-tech economy has resulted in the expansion of the service sector and redefined notions of time, space, distances, boundaries and borders on the global stage. It has changed the global economic, social, cultural and political environment and the nature of global interaction. In recent years, outsourcing is becoming an accepted universal business practices, however, new communications technology and overinvestment in telecommunications infrastructure has made the long-distance transfer of information realizable and extremely cheap. Outsourcing has significant impacts on the shift of services, production, capital, and technology all over the world. Businesses are facing continual change, and reducing cost is no longer the only reason to consider outsourcing. Outsourcing is a convenient tool, and when exploited reasonably it can become a key enabler for change, irrespective of whether the change is radical or incremental. Therefore the use of outsourcing has been intensified in the last many years due to certain changes in the conditions of making business. The study tries to look into BPO opportunities in a state of Gujarat from service provider's perspectives.

Keywords: Outsourcing, Business Process Outsourcing (BPO), Service providers, Business Processes, Information and Communication Technology (ICT), Business Services

“Do what you do best, Outsource the rest.” - Peter Drucker

1. Introduction

In today's global economy, the greatest challenge for most of the organizations is survival. The veracity of the statement by Peter Drucker can only be tested with time but initial signals can be clearly seen today.

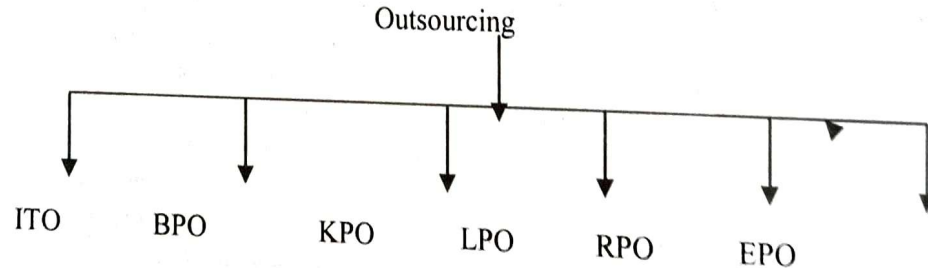
Outsourcing is not a new idea (Winkleman *et al.* 1993; Huff, 1991). Outsourcing has been a dynamic force in the facility professional's world for nearly two decades. It has been utilized, to some degree, by nearly all of the Fortune 500 companies and has become an alternative to the Fortune 1000 companies against costly resources and cash infusions. In the ever changing and competitive marketplaces that businesses must survive in today, outsourcing allows corporate officers and shareholders choices that do not strip out critical cash reserves and human resources.

It is increasingly realized by major global corporations that concentration on core activities (King *et al.*, 2001) and elimination of other (non-core) activities (Handy, 1984; Kanter, 1989; Peters and Waterman, 1982; Prahalad and Hamel, 1990) are necessary for survival and growth (Greaver, 1999). The idea of focusing on core competencies has long been recognized in the literature as strategic critical success factor in the long-term survival of any firm (Prahalad and Hamel, 1990).

The two main actors of outsourcing processes are the "outsourced" and the "outsourcer" (Saunders and Gebelt, 1997). The first, i.e. the "customer", outsources his processes, while the second, the enterprise, delivers outsourced services (the terms supplier or vendor are also used). The process owner is the organizational interface of the two enterprises during all the outsourcing activities (Valentini, 1999).

Outsourcing is mainly categorized as shown in Figure 1.

Figure: 1 shows the major classification of outsourcing based on function as under:



1.1 Information Technology and Outsourcing

In a world where information technology (IT) has become the backbone of businesses worldwide, outsourcing is the process through which one company hands over part of its work to another company, making it responsible for the design and implementation of the business process under strict guidelines regarding requirements and specifications from the outsourcing company.²

1.2 Outsourcing and BPO

Outsourcing and BPO in general are also mixed up frequently. In fact, the term BPO is a term that evolved and changed considerably over the years. In outsourcing, the buyer tells the supplier what is to be achieved and the supplier achieves it in the most optimal manner possible. BPO goes a

² Bendor-Samuel, P. (1998), "The brave new world of outsourcing", <http://www.outsourcingjournal.com/issues/may1998/html/Everest.html>, retrieved Aug. 30, 2005

step further in that the supplier creatively examines the process and re-engineers the way in which it is carried out.

Business process outsourcing (BPO) is becoming a widely accepted management practice throughout the world, as organizations in different industries outsource more of their processes to world-class service providers to increase performance, shareholder value, and profitability (PriceWaterhouseCoopers, 1999). BPO involves management responsibility for a complete business process or activity (Michell and Fitzgerald, 1997).

1.3 Outsourcing and Indian scenario

India is uniquely placed to offer a wide range of quality, cost-effective outsourced services, such as IT (Information Technology) and IT-enabled services including finance and accounting, human resources, customer care and many more.

The top players in India's Outsourcing story include Wipro Spectramind, IBM Daksh, Progeon, Convergys, Genpact, 24/7 customer care and ICICI One source.

2.0 LITERATURE REVIEW

Since the research study was concentrated on identifying opportunities in business process outsourcing (BPO) in Gujarat, previous studies related to outsourcing and BPO were reviewed. In fact, the importance of going for outsourcing by various companies has been widely discussed by various researchers.

The evolving literature on outsourcing has been concerned with 'make or buy' or 'do or buy', or 'in source-out source' decisions in relation to the behavior of enterprises (Loh and Venkatraman, 1992; Elfing and Baven, 1994; Venkatraman and Loh, 1994; Alpar and Saharia, 1995; Coase, 1937; Williamson, 1979; Carlson, 1989; Hart, 1995) and transaction cost economics (Williamson, 1985; Benko, 1993; Boon and Verberk, 1991; Grover *et al.*, 1994; 1996; Nam *et al.*, 1996; Lacity and Hirschheim, 1993). Williamson (1975) positions the sourcing choice between carrying out activities in-house, or under hierarchical governance, and outsourcing them and placing them under market governance, as being determined by the relative costs of production and transactions.

Outsourcing is a widely accepted business tool for achieving business goals. Commons (1931), Coase (1937) and Williamson (1975) explained that companies outsource when costs of in-house activities are higher than buying products and services on market.

2.1 Research gap

The literature covered the studies of the performance of the organizations that have opted outsourcing as a resort for cost reduction, better quality service, improving core areas etc. The role of service provider professionals is vital in the process as they are the ones who are involved in. Ironically, studies exploring the outsourcing opportunities are difficult to find. Moreover studies done in the Indian organizations were hard to find. Therefore this study is relevant at this point of time when outsourcing would be almost a continuous phenomenon in every industry. The studies showing opportunities and scope of outsourcing industries in Gujarat are not available. Therefore this study tries to cover up this gap.

3.0 Introduction to the Research Problems/Objectives:

Globalization, competitive markets, and mergers and acquisitions are the primary stimuli for business-process outsourcing. The global market for business process outsourcing is one that is substantial and growing.

3.1 Management Decision Problem Defined

In the intensely competitive pressure is forcing organizations to look for ways to manage growth more cost effectively and efficiently, minimizing infrastructure and employees. As a result, organizations worldwide are trying to outsource those areas of business that can be effectively and efficiently managed outside the organization. By doing so, they gain a competitive advantage in terms of cost and productivity. Today, BPO addresses the enterprise's fundamental challenge: How does its management take a process important to the company's operation and make it more effective while simultaneously lowering the cost?

BPO enables companies to reduce cost, Start up operations with greater speed, Tap into alternative sources of revenue, Ensure uniformity of management practices across the globe and Have more consistent training practices.

3.2 Research Objectives:

1. The objective of the research study is very specific and it is to identify business process outsourcing opportunities in Gujarat.
2. To study the work processes of BPO companies in state.
3. To explore the factors affecting the growth of outsourcing industry in the state.
4. To study the trends of Outsourcing Industry in the state.

3.3 Research Design

This study was undertaken to provide an insight into the ITES/BPO opportunities in Gujarat under the changing era of IT. Organizations use various strategies to retain their competitiveness by transferring the non -core activities to third parties at one end and third party serving quality service at the second end for better client satisfaction.

Research Design: 'Exploratory research design.'

Sampling design:

Population : BPO Service Providers

Sampling Frame: BPO service providers from Gujarat State.

Sampling unit : Representative of the company

3.4 Sample size: A pilot study of ten service providers was undertaken to cross check the information needed and the interview guides were prepared to ensure the suitability of the instrument.

In the survey 52 companies were surveyed. Most of which are member (regular/associate) companies of NASSCOM and are spread across different areas of operation like, IT enabled services, Software services, Product Development, Engineering, R&D etc. The present study was

conducted of IT/ITES service providing companies in the state of Gujarat. From the total sample, all were privately owned.

3.5 Sampling Technique: Convenience-sampling technique was used to draw samples for the collection of the desired data. Most of the companies who participated in the survey are located across the five main IT/ITES centers in Gujarat, namely Ahmedabad, Gandhinagar, Baroda, Surat and Rajkot.

3.6 Secondary Data Collection: It has been collected from the various web-sites, magazines and journals as well as previous outsourcing reports.

3.7 Primary Data Collection: It has been collected through cross-sectional surveys. A structured undisguised questionnaire was administered to the respondents.

3.8 Limitations of the study:

1. The sample size of 52 organizations is small due to which the findings of the study cannot be generalized. This limitation was due to time and resource constraints of the researcher.
2. The study was undertaken in the organizations of the state of Gujarat, therefore only the environment of one state was taken into consideration. If the findings have to generalize in other states/regions, the environment in those areas should be taken into consideration.
3. There is a lack of evenness in the data collected, as the organizations are from different service segments.

4.0 Data Analysis and interpretation:

1. Number of companies located geographically

Table 1: Number of companies located in various cities in the state of Gujarat.

Name of city	No. of companies engaged in
Ahmedabad	41
Gandhinagar	3
Baroda	5
Surat	2
Rajkot	1

2. Profile of the company

A profile of the respondents firms has been presented below:

Table: 2 showing service segment served by service providers in the state

Service segment	No. of companies engaged in
Call center (CC)	40
Human Resource (HR)	8
Back office (BO)	44
Medical Transcription (MT)	5
Any other (AO)	2

3. Clients to whom companies provide IT-ITES/BPO services

Business process services providing companies serving domestic as well as overseas companies in the areas of call centers and back office as a major. Generally companies serving to the different corporations located in U.S, U.K, Europe, New Zealand, Canada, Germany, Australia etc. Where the labor cost is almost 60 percent higher than country like India.

4. Challenges /difficulties during providing ITES services

Major challenges / difficulties faced while providing ITES services are pertaining to "availability of skilled manpower"; "high attrition rate"; and "infrastructure". Other challenges / difficulties are pertaining to technological change and service delivery. A list of these challenges / difficulties has been summarized in the following table:

Table: 3 Major challenges/difficulties in providing ITES services

Parameter	Scale value
Availability of skilled manpower	6.46
High attrition rate	5.75
Physical Infrastructure	5.28
Ease of starting operation	4.98
Technological changes	4.26
ITES-BPO Service delivery challenges	4.03

5. Most important factors for successful outsourcing

While trying to understand the most important factors for successful outsourcing the organizations were asked to rate the parameters from 1 to 13 where 1 meant most important while 13 meant the least. A list of factors responsible for successful outsourcing according to its importance has been given in the following table:

Table: 4 Most important factors for successful outsourcing

Parameter	Scale Value
Strategic vision -plan	11.26
Selection-Right vendor	10.82
Understanding firms goals -objectives	10.65
Properly structured contract	10.57
Access to outside expertise	9.53
Financial justification	9.28
Ongoing mgt. Of relationships	9.25
Attention to personnel issues	9.19
Mix of staff and outsourced operation	8.98
Open comm. Affected individual-groups	8.92
Cultural compatibility	7.82
Sr. Exe. Support and involvement	7.07

From the results it was found that strategic vision and plan, selection of right vendor, proper understanding of firms' goals and objectives, properly structured contract, were considered to be the most important factors for success. This implies that the organizations, which had, clear vision and plan selected the right vendor that suited there needs. Moreover, these organizations carefully entered into the contract and agreements with all the parties concerned.

6. Factors considered by organizations while outsourcing services

Some of the factors that the organizations consider while outsourcing the services are given in the following table:

Table: 5 Factors considered by organization while outsourcing its non-core services

Parameter	Scale Value
Data Management	6.34
Security	6.17
Motivation	5.76
Communication	5.5
Training-Judgment	5.34
People education	5.11

Whenever any firm goes for outsourcing it is concerned about the proper management of data and its security. This is very obvious finding, as the organizations, which outsource their activities, want to reduce cost and remain competitive.

7. Factors in selecting the service provider

Respondents revealed some of the interesting factors that they might consider while selecting the right service provider. Some of the very important factors are: proven competence; commitment to quality; cost and flexible contract terms. Other factors that these firms might consider are: reputation; geographic location; functionality and cultural fit.

A summary of these factors in the order of its importance along with its scale value has been presented in Table-6 given below:

Table: 6 Important factors consider by organization in selecting the right service provider

Parameter	Scale value
Proven competence	10.42
Commitment to quality	10.36
Cost	9.98
Flexible contract terms	9.0
Scope of resources	8.71
References/reputation	8.38
Geographic location	8.21
Functionality	8.17
Cultural fit	7.23
Range of products-services	6.71

It was found that the most important factors were proven competency, commitment to quality service, and cost of service, while selecting a service provider. This means that organizations were very cautious about the quality of services coupled with the low cost.

8. Benefits to clients as a result of your service

Outsourcing does provide certain benefits to the clients. Three major benefits that the client said they got are: improvement in quality; cost reduction and strengthening of the business continuity.

Table: 7 Major benefits to clients as a result of service rendered by service providers in the state

Parameter	Scale value
Improve quality	6.42
Lower ongoing cost	5.76
Strengthen business continuity	5.65
Faster reaction to market changes	5.5
Lower capital expenditure	5.48
Improve security	4.92

Other benefits include quick reaction to the changes in the market, lower capital expenditure and improvement in security.

As a result of service provided by existing service providers in the state to their clients, clients gain the benefits by improving quality level and lowering ongoing cost, which seek by every organization today for surviving in this competitive world. Simultaneously business continuity is also strengthening by faster reaction to market changes at a right time which ultimately lowers capital expenditure. Security of data is also improved.

9. Satisfaction Level of clients with services

It was found that the clients are very satisfied with the services rendered by the service providers. Out of the 52 respondents surveyed, 45 respondents reported that they are very satisfied with the services provided to them. Table-8 given below summarizes these frequencies as given below:

Table 8: Clients satisfaction level with services rendered by service provider

Satisfaction level		Frequency	Valid Percent
Valid	Very satisfied	45	86.5
	Satisfied	7	13.5
	Total	52	100.0

10. Criteria for ITES-BPO investment destinations

The respondents were also asked about the criteria that they consider while making a decision about the destination for ITES-BPO. The most important criterion that emerged is "availability of manpower at low cost. A summary of criteria with their relative importance has been presented in Table-9 below:

Table: 9 Important criteria for ITES-BPO investment destination

Parameter	Scale value
Manpower availability/cost	6.78
Physical infrastructure	6.03
Proactive Govt. policies	5.63
Ease of starting operation	5.28
Real Estate cost-availability	4.09
Origin of promoters	3.32

It was found that at the time of evaluating new ITES-BPO investment destinations outsourcing companies generally consider the availability of manpower and cost of it, physical infrastructure at the place, and proactive government policies of the state or nation.

11. Expected growth in Gujarat state

Industry sources expecting the growth of the industry will be 31 to 40 percent in the next one year in Gujarat state. This indicates the demand for service providers, which ultimately raise the demand for skilled workforce, infrastructural facility and many more.

Table: 10 Overall expected growth of industry in Gujarat state.

		Frequency	Percent
Valid	11-20%	2	3.8
	21-30%	8	15.4
	31-40%	30	57.7
	41%	12	23.1
Total		52	100.0

12. Potential of IT-ITES services in Gujarat state

The respondent firms were asked to elicit their response regarding the potential for ITES-BPO in Gujarat. It was revealed that "Back office operation"; "Outbound call center"; "Accounting solutions" and "Market research services" have large potential in Gujarat. Other service segment that might have more potential include: mortgage services; human resource solutions; inbound call center; and technical services. Table-11 given below provides a detailed summary of the same.

Table: 11 Potential of ITES-BPO services in Gujarat state

Service segment	Scale Value
Back office operations	8.38
Outbound call center	8.13
Accounting solutions	8.0
Market research services	7.01
Mortgage services	6.55
Human resource solutions	6.09
Inbound call center	5.30
Technical services	5.01

13 Supporting factors for growth of IT-ITES in State

The major factors for the growth potential in the Gujarat state are skilled and technically fit workforce because, being a service industry, ITES depends heavily on trained manpower for success.

Table: 12 Major supporting factors for growth of IT-ITES in Gujarat state

Parameter	Scale value
Skilled/technical workforce	6.71
Physical infrastructure	6.65
Government policies	6.40
Ease of starting operation	6.23
Law and order situation	6.03
Cost of living	5.71
Estate cost-availability	5.19

In fact, the key competitiveness of the Indian ITES industry comes from its ability to employ inexpensive and skilled manpower. A good physical infrastructure like consistent power supply, good network connectivity, road and transport facilities, real estate etc. which state have to best serve the ITES companies.

14. State promotional avenues compare to other states for growth

State governments promote the establishment of BPO services in the State. Different state governments including Government of Gujarat have initiated several promotional measures to encourage entrepreneurs to set up BPO services in Gujarat.

The respondents were asked to reveal their perception about the promotional measure initiated by the State government to promote BPO in Gujarat.

On the basis of their response, a summary has been created and presented in Table-13 given below:

Table: 13 Comparison of promotional avenues in Gujarat and other states

Parameters	Scale value
Safe environment	11.32
24/7 work culture and transportation network	11.32
Simplified labor laws to suit the industry	11.09
NASSCOM competencies program (NAC)	10.69
Tax exemption from stamp/ electricity duty	10.48
Training incentives	10.30
Techno parks	9.98
Investor friendly environment	9.94
Exemption from power cuts	9.88
Job training incentives	9.76
Air connectivity across the globe	9.63
Good network connectivity	9.42

15. A Factor analysis of promotional avenues offered by state government compared to other developing states in India

An attempt has been made to carry out a factor analysis of the promotional avenues offered by the State government in comparison with the incentives offered by other states in India. The state government has initiated various promotional measures for the promotion of "Business Process Outsourcing" in Gujarat State. A factor analysis has been done in order to find out the factor structure. The promotional measures get reduced to 3 factors that together explain a variance of about 77%. The details about the factor structure, communalities and factor loadings are given below:

Table 14 Factor analysis of promotional avenues offered by state government compared to other developing states in India

Communalities		
	Initial	Extraction
Tax exemption of stamp duty/ electricity duty	1.000	.826
Techno parks	1.000	.773
Investor friendly environment	1.000	.806
24/7 work culture and good transportation network	1.000	.434
Good network connectivity	1.000	.651
Simplified labour laws to suit the industry	1.000	.843
Air connectivity across the globe	1.000	.701
Safe Environment	1.000	.842
Exemption from power cuts	1.000	.833
Training incentives	1.000	.922
On the job training incentives	1.000	.705
NASSCOM assessment of competencies (NAC) certificate programme	1.000	.916
Extraction Method: Principal Component Analysis.		

The parameter 'safe working environment' was the most important parameter, which is also highlighted even in the Central government reports where Gujarat is rated as one of the safest states in the country. Safe working environment is very important for an industry like outsourcing, which works 24*7, and for 365 days.

Financial incentives: On the financial front too, Government of Gujarat has taken various initiatives. It offers financial incentives to the BPO companies and various agencies. It has provided Tax exemption from stamp/ electricity duty to the new companies.

Policy incentives: Policy initiatives set the pace for any industry. Industry-friendly policies not only instill confidence in the entrepreneurs, they ease the process of setting up businesses. Ahmedabad ranked third in policy initiative- survey by Netscribes.ⁱⁱ

In the principal component analysis it was seen that all the variables were found significant for analysis although the statement '24/7 work culture and good transportation network' showed low result, it was taken for analysis due to its importance in the study and its links with the other variables.

Table 14.1 Eigenvalues for promotional avenues offered by state government compared to other developing states in India
Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.209	51.744	51.744	6.209	51.744	51.744
2	1.831	15.262	67.006	1.831	15.262	67.006
3	1.211	10.093	77.099	1.211	10.093	77.099
4	.785	6.539	83.638			
5	.501	4.178	87.816			
6	.384	3.202	91.018			
7	.292	2.436	93.455			
8	.253	2.108	95.563			
9	.223	1.859	97.422			
10	.152	1.264	98.686			
11	.103	.862	99.547			
12	.054	.453	100.000			

Extraction Method: Principal Component Analysis.

A summary of data with verimax rotation has been presented in Table-14.2 below:

Table 14.2 Rotated component matrix Verimax with Kaiser Normalization for promotional avenues offered by state government compared to other developing states in India

Rotated Component Matrix ^a	Component		
	1	2	3
Tax exemption of stamp duty/ electricity duty			.838
Techno parks		.854	
Investor friendly environment			
24/7 work culture and good transportation network	.539		
Good network connectivity	.518	.559	
Simplified labour laws to suit the industry			.860
Air connectivity across the globe		.657	
Safe Environment	.875		
Exemption from power cuts	.871		
Training incentives	.919		
On the job training incentives	.810		
NASSCOM assessment of competencies (NAC-TEST) certificate programme	.795	.533	

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 7 iterations.

Using the principal component analysis, the eigen values were found which have been explained in the above table. The first three components explain 77.091% variance in the promotional avenues offered by state government compared to other developing states.

Subsequently, the factors were extracted using verimax rotation in order to get a finer factor structure. Based on the analysis, 3 factors could be identified. Then, all the variables were linked with these factors (components) to find out the factor structure.

16. A Factor analysis of IT-ITES services potential to grow in the Gujarat state in next five years

Table 15.1 Factor analysis of IT-ITES services potential for growth (Next 5 Years)

Communalities		
	Initial	Extraction
Inbound call centre	1.000	.704
Mortgage services	1.000	.720
Back office operations	1.000	.805
Outbound call centre (sales, cold calling)	1.000	.728
Market research services	1.000	.779
Accounting solutions	1.000	.677
Human resource solution	1.000	.849
Technical services	1.000	.897

Extraction Method: Principal Component Analysis.

In the principal component analysis it was seen that all the variables were found significant for analysis. Using the principal component analysis the eigenvalues were found which have been explained in the above table. The first three components explain 76.993% variance in the potential of IT-ITES services in next five years in Gujarat state.

Table 15.2 Eigen values for IT-ITES services potential for growth (Next 5 Years)

Initial Eigen values				Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.221	40.268	40.268	3.221	40.268	40.268	2.693	33.658	33.658
2	1.713	21.418	61.686	1.713	21.418	61.686	1.797	22.462	56.119
3	1.225	15.307	76.993	1.225	15.307	76.993	1.670	20.874	76.993
4	.544	6.803	83.796						
5	.440	5.498	89.294						
		5.203	94.587						

Using the principal component analysis, the eigen values were found which have been explained in the above table. The first three components explain 77.091% variance in the promotional avenues offered by state government compared to other developing states.

Subsequently, the factors were extracted using verimax rotation in order to get a finer factor structure. Based on the analysis, 3 factors could be identified. Then, all the variables were linked with these factors (components) to find out the factor structure.

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Inbound call centre	1.000	.704
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Market research services	1.000	.779
Accounting solutions	1.000	.677
Human resource solution	1.000	.849
Technical services	1.000	.897

Extraction Method: Principal Component Analysis.

In the principal component analysis it was seen that all the variables were found significant for analysis. Using the principal component analysis the eigenvalues were found which have been explained in the above table. The first three components explain 76.993% variance in the potential of IT-ITES services in next five years in Gujarat state.

Table 15.2 Eigen values for IT-ITES services potential for growth (Next 5 Years)

Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.221	40.268	40.268	3.221	40.268	40.268	2.693	33.658	33.658
2	1.713	21.418	61.686	1.713	21.418	61.686	1.797	22.462	56.119
3	1.225	15.307	76.993	1.225	15.307	76.993	1.670	20.874	76.993
4	.544	6.803	83.796						
5	.440	5.498	89.294						
6	.423	5.293	94.587						
7	.280	3.497	98.084						
8	.153	1.916	100.000						

Extraction Method: Principal Component Analysis.

Table 16.3 Rotated component matrix Verimax with Kaiser Normalization for IT-ITES services potential to grow in the Gujarat state in next five years

Rotated Component Matrix ^a	Component		
	1	2	3
	.724		
Inbound call centre	.843		
Mortgage services			
Back office operations			.887
Outbound call centre (sales, cold calling)	.788		
Market research services	.836		
Accounting solutions			.726
Human resource solution		.858	
Technical services		.919	
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.			
a. Rotation converged in 4 iterations.			

A rotated matrix Verimax with Kaiser Normalization was derived with Principal Component Analysis method and the following results were found:

In the rotated component matrix of statements the potential of IT-ITES services in next five years in Gujarat state, three significant views of were found. The first view believed that IT-ITES service cluster including inbound call centre, mortgage services, outbound call centre, market research service have scope of development.

Another set of respondents believed that IT-ITES service cluster including human resource solution and technical services have the scope of development.

The last set of respondents believed that IT-ITES service cluster including back office operations and accounting solutions have the scope of development.

Discussion of Results and Findings:

The main findings of the research work are as follows:

1. It was found from the study that maximum numbers of companies were situated in Tier-II citiesⁱⁱⁱ like Ahmedabad and Gandhinagar and emerging Tier -III^{iv} cities like Baroda, Surat and Rajkot because Ahmedabad is an education hub of Gujarat which provides qualified people to the industry.
2. Generally companies serving to the different corporations located in U.S, U.K, Europe, New Zealand, Canada, Germany, Australia etc. Where the labour cost is almost sixty percent higher than country like India.
3. The service providing companies are not much satisfied with the rewards they gain against their work because two third respondents are responded as just satisfied than very satisfied.

4. From the study it was found that with the expansion and development, companies having presence in the state serving the IT-ITES services across the territory short out the key issues/ challenges like availability of skilled manpower, high attrition rate and physical infrastructure and off course ease of starting operation, which is also one of the obstacle, faced by the ITES companies in today's competitive market followed by continuous change in technology and service delivery level.

The greatest challenge to face the burgeoning ITES-BPO sector will be adequate, relevant and employable manpower. It is believed that good employees (highest ranked by 6.46 scale value by respondents) make good organizations; therefore Leading players in this space today are grappling with the issue of hiring and then retaining skilled ITES-BPO workers.

5. The strategic vision and plan, selection of right vendor, proper understanding of firms' goals and objectives, properly structured contract, were considered to be the most important factors for success. This implies that the organizations, which had, clear vision and plan selected the right vendor that suited there needs. Moreover, these organizations carefully entered into the contract and agreements with all the parties concerned.

Organizations believed that the cultural compatibility and the support of senior executives did not matter much for the success of the organization.

6. Whenever any firm goes for outsourcing it is concerned about the proper management of data and its security. This is very obvious finding as the organizations which outsource their activities want to reduce cost and remain competitive. Therefore, the management and security of the data, especially from the competitors was the prime concern. This was followed by factors such as motivation, communication and training provided to the employees.

As the question of how organizations choose the service provider is critical it was decided to further probe the matter in depth. Therefore, other parameters were given to the outsourcing organizations and were asked to rate.

7. The most important factors were proven competency, commitment to quality service, and cost of service, while selecting a service provider. This means that organizations were very cautious about the quality of services coupled with the low cost. It is to be noted that organizations cost is not the most important factor while choosing the service provider. It has been superceded by the proven competence and quality. This means that many companies would not like to outsource their work to the newer or younger companies and major contracts would go to the established ones.

Organizations also valued flexibility in agreements while selecting the service provider. Flexible contracts arm companies to respond to the sudden business environmental changes and ensures and easy exit if the contract is not fruitful.

8. The services provided by existing service providers in the state to their clients, clients gain the benefits by improving quality level and lowering ongoing cost, which seek by every organization today for surviving in this competitive world. Simultaneously business continuity is also strengthening by faster reaction to market changes at a right time which ultimately lowers capital expenditure. Security of data is also improved.

9. It is clearly found that at the time of evaluating new ITES-BPO investment destinations outsourcing companies generally consider the availability of manpower and cost of it, physical infrastructure at the place, proactive government policies of the state or nation, ease of starting operation, real estate cost and availability and last but not least origin of service providers or promoters are very much crucial for any company.
10. Back office operations and call centers will have very good potential in the state. Apart from this less touched service areas such as accounting solutions, market research services, mortgage services, human resource solutions, inbound call center and technical services will have good potential in the state because of availability of very large skilled talent pool in particular kind of service segment.
11. The major factors for the growth potential in the Gujarat state are skilled and technically fit workforce because, being a service industry, ITES depends heavily on trained manpower for success. In fact, the key competitiveness of the Indian ITES industry comes from its ability to employ inexpensive and skilled manpower.

A good physical infrastructure like consistent power supply, good network connectivity, road and transport facilities, real estate etc. which state have to best serve the ITES companies. Favorable government policies, ease of starting operation because the single window clearing system for getting clearance from all the concerns, cost of living is also low compare to other Metros and Tier-II cities, law and order situation is also well managed in the state. Real estate plays a crucial role too, as ITES companies typically have to seat a large number of people who need access to comfortable and affordable housing at a reasonable rate.
12. The parameter 'safe working environment' was the most important parameter, which is also highlighted even in the Central government reports, where Gujarat is rated as one of the safest states in the country. Safe working environment is very important for an industry like outsourcing, which works 24*7, and for 365 days. Moreover, outsourcing industry has considerable number of female employees for whom safe working environment is essential. Respondents have also rated the 'Transportation network' at a high level. This is in line with the fact that that Gujarat is one of the states, which has developed roads and highways. This is especially true for the industrial towns where the BPOs are located.

Government of Gujarat has also taken initiatives to fulfill the scarcity of talent for BPOs by tying up with NASSCOM for developing English competencies by NASSCOM competency programme (NAC).

13. The promotional avenues offered by state government compare to other states in India, three significant views of were found. The first view believed that for keeping investor friendly environment in the state, 24/7 work culture and good transportation network, good network connectivity, safe environment, exemption from power cuts, air connectivity across the globe etc. can act as promotional avenues.

Another set of respondents believed that promotion of the techno parks in the state, tax exemption of stamp duty/ electricity duty, investor friendly environment, good network connectivity, air connectivity across the globe etc. will act as boosters to attract investors. Apart from that NASSCOM assessment of competencies (NAC-TEST) certificate programme also support this.

14. The potential of IT-ITES services in next five years in Gujarat state, three significant views of were found. The first view believed that IT-ITES service cluster including inbound call centre, mortgage services, outbound call centre, market research service have scope of development.

Another set of respondents believed that IT-ITES service cluster including human resource solution and technical services have the scope of development.

The last set of respondents believed that IT-ITES service cluster including back office operations and accounting solutions have the scope of development.

Conclusion

Increasingly competitive markets, where business cycles are demandingly short, especially in respect to time to solution, time to market, and time to profit, outsourcing has evolved from spot-contracting to relationships where service providers offer products and services that advance the company's strategic business goals and enhance the provider organization's position in the value chain. Outsourcing is a business tool and like all tools, must be used properly to achieve the desired results.

The study highlight that due to competitive advantages and economic pressures encourage companies located in the United States, Europe and U.K to look for partners in developing countries to get better and cost effective services. Which shows the better scope of development of IT-ITES sectors in the state and nation where the labour cost is almost 60 percent lower than developed countries.

The study concludes that Gujarat have great potential in IT-ITES service industry particularly service areas like back office operations, technical services and call centers. Consequently, outsourcing itself is caused by various environmental factors such as competition, cost considerations, better infrastructure, change in government policies; good human resource policies, foreign collaboration etc. were considered by company where it is operating, etc. Out of these factors, some of them were considered as opportunities while others as threats for their survival. Organizations considered cost and non-availability of competent manpower, upgradation of technology as major reasons for outsourcing. Apart from mentioned above ease of starting operation, security, data management, people education, communication skills etc. also play a major role in the success or failure of outsourcing.

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Endnotes:

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- ⁱ Government of India Report 2007
 - ⁱⁱ Source: Netscribes, respective state government websites i.e.: <http://dst.gujarat.gov.in/> retrieved on 12-11-2006.
 - ⁱⁱⁱ Tier-II and III cities according to NASSCOM strategic review 2007, retrieved on 12-10-2007.
 - ^{iv} Tier-II and III cities according to ValueNotes Research 2007 retrieved on 12-12-2007.
 - ^v Government of India Report 2007

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Management through Folk Wisdom , C.L.Dadhich, Diamond Pocket Books (P) Ltd., New Delhi, 2012. Pp.128. Rs. 100.00.

The folk tales have been an eternal part of every culture since ages. They have been passed from generation to generation, creating bondage of traditional values with present day generation. But the advent of new communication technologies like television and internet have resulted in widening of gap between generations or led to a breakdown in the system of informal communication or rather shrinkage of bond that was shared earlier between grand parents and their grandchildren. This slim volume under review is the outcome of the author's compilation of 54 short stories as told by his parents since childhood that emerge from all walks of life, seeking to draw lessons from them. What is particularly interesting about these stories is that it helps the present generation managers in understanding the complex moral values and tries to impart knowledge to this generation to help them improve their efficiency in decision making by sorting out life's many confusing problems. These folk tales praise qualities such as kindness, truth, honesty and hard work and can also be used as lessons of value to teach besides young managers even young children desirable behaviour. In fact these folk tales would help them to reflect their own experience and motivate them to live vicariously and overcome such feelings like jealousy, sadness, anger, fear etc. The author deserves to be lauded for his excellent job of producing these stories which would be useful to all those including students, corporate managers and teachers involved in the field of management education.

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(c) Books should be referred to as follows: Porter, Michael E., *Competitive Advantage*, The Free Press, 1985, p.6

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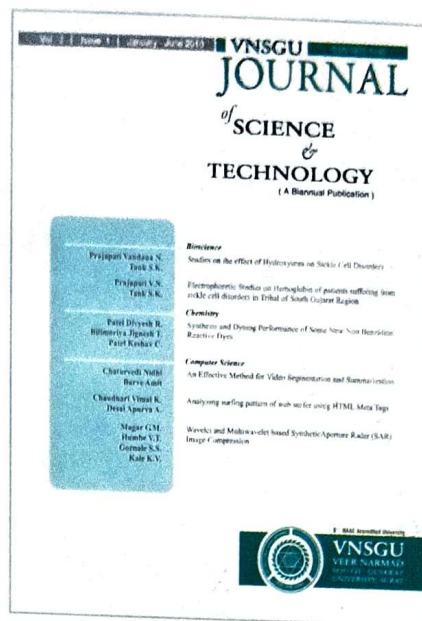
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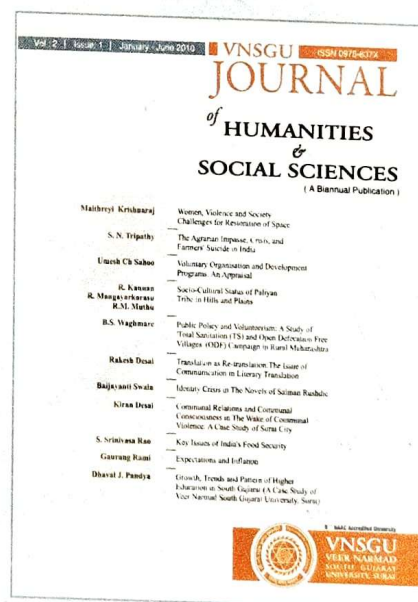
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