



## ARMY INSTITUTE OF MANAGEMENT & TECHNOLOGY

Plot No. M-1, Pocket P-5, Greater NOIDA, Gautam Budh Nagar (UP) - 201 306

Tele : 0120 - 2329503, Fax : 0120 - 2329512

e-mail : registrar@aimt.ac.in, journal@aimt.ac.in, website : www.aimt.ac.in



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## THE JOURNAL OF ARMY INSTITUTE OF MANAGEMENT & TECHNOLOGY

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A Sustainable Growth Story of Indian Banks

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The Impact of Corporate Social Responsibility on Workers and Trade Unions in Indonesia

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Microfinance Institutions in India: Issues and challenges

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Sustainable Agricultural Development : A Case Study of Public-Private Partnerships

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Impact Assessment of Perception of women after joining Self Help Group (SHG):

A Study of Mathura district (UP), India

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Glocalisation : Success Mantra of Globalization

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Technology and Stress (Techno-stress): A vicious circle of work-life imbalance among youth.

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Comparative Analysis of Non Fuel Retailing Practices of Oil Marketing Companies in India and World

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*Reviewed by : Prof. Yaseen Khan*

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## FROM THE EDITOR

Management as a distinct discipline is primarily focused at integration of interdisciplinary knowledge to address societal issues. Ancient Indian and Chinese literature has state craft as the main focus. Management of state entailed study of agrarian economy, welfare, legal systems, trade and war fare and so on.

Modern concept of management emerged from the West – post industrial revolution. Productivity, labor management, HR, marketing, finance etc. are the major areas of modern management studies. These areas are increasing with the growing complexities of societal inter play, business, technology and emergence of new challenges and opportunities.

During the last two decades many new areas emerged and vanished as bubbles. The dot com era, the financial markets and some high tech pursuits are amongst such bubbles. Today, societal growth and sustainability, luxury and inclusive distribution have captured our imagination. Growing disparities of incomes, super normal profits, excessive deterioration of environment have forced us on Corporate Social Responsibilities (CSR) activities and projects. The CSR projects are not philanthropic in nature. These are directed towards protecting the environment, sustaining the non renewable resources, distribution of wealth and an enlightened view of growth, profitability and business with a soul.

Since all big corporate organizations are expected to spend two percent of their profits on these projects, there is tremendous scope to create new knowledge in this field. This knowledge need to be for:

- Sustainable technologies
- Innovative project management
- Realistic and objective audit
- Identifying new organization structures and skills for such purpose
- Engagement of media
- Long term financial gain
- Subtle branding through CSR activities

The above list is not exhaustive. The basic concept of CSR is business beyond profits. There is definite need to address these management areas to evolve a discipline which integrates CSR as part of most business activities. In the line of creation of new knowledge, the major part of the present issue of the journal focuses upon contemporary issues in sustainability and CSR in both the national and international context.

Finally, we would like to express our sincere thanks to all authors for their valuable contribution and look forward to have more contribution in this new and socially relevant area.



**Dr. Ashok Pathak,**  
Editor-In-Chief

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# Corporate Governance and Corporate Social Responsibility: A Sustainable Growth Story of Indian Banks

Neeraj Saxena<sup>1</sup>  
Priyanka Garg<sup>2</sup>  
Bindu Tyagi<sup>3</sup>

## ABSTRACT

Corporate social responsibility is an important factor which is to be considered in the modern age, a vital strategy to serve the society in a perfect way. A company wants to earn a profit by implementing the profitability model but company's responsibility does not end here. Further company sees that which are the areas where it can serve the society in a better way. Other sectors like health, education and welfare where company can contribute for unprivileged people. It tries its level best to serve the society in this way.

**Key words:** Corporate, Commercial Bank, Development, Benefits, Regulator, Governance

## INTRODUCTION

Corporate governance are the policies and procedures which are followed by the companies for the overall growth of the parties which are concerned with the various activities of the companies. So, corporate governance and social responsibility go hand in hand. These two concepts are related to each other. In India Banks have established good norms for corporate social responsibility through corporate governance.

India is following a free market economy, capital market is working very well and it has touched new heights as far as growth of the economy is concerned. Now government and companies are working together to establish a good corporate governance system that leads to better corporate social responsibility. There are many potential benefits and advantages for India by improving corporate governance, including corporate social responsibility.

The most important advantage by enforcing code of conduct of corporate governance is likely to be understood at the national level with a global perception of good business procedures including enhanced ethical business practices. In turn this is a process of revitalization of Indian economy. If these code of corporate governance are fully implemented all the companies including private and public will be getting advantages in the global competitiveness.

Stock market in India is well developed. The market has good laws and regulation to govern the capital market. It provides a lot of protection for minority shareholders. There are a number of foreign Institutional Investors who are investing a lot of money in the market. These important rules and regulations give a growth to the entire economy. A lot of reforms has been done by SEBI for incentives to investors and a lot of things has been done for investor's protection. But here are still so many areas where market regulators have done a lot for the better governance of the company for the better governance of the companies and full protection of the stake holders.

As far as corporate governance is concerned the public sector is still facing a very gloomy state. The board of directors of the central bank, nationalized commercial banks, specialized financial institution do not appoint even efficient auditors, concerned ministry.

Even this job is done by concerned ministry. Moreover, the financial liberalization took place in India in 1991, has exposed many financial institutions to many challenges including sometimes serve credit risk and value fluctuations.

Indian stock market saw a rise in year 2008 when Indian BSE Index reached to all time high. But because of global meltdown share market fell drastically. Many investors lost their money and became bankrupt. Even small investors lost their money and lost their faith into the stock market.

After this meltdown RBI took strong actions and issued many new guidelines for banking business to all commercial bank, subprime arose was an important factor which impacted the banking system a lot. This study has the following objectives. First, to understand and identify the nature of corporate social responsibility reporting in India. Next to improve the corporate responsibilities in the banks.

The remaining part of this paper proceeds as follows. In section two a review of relevant literature in the field of corporate governance and corporate social responsibility is examined. In section three social responsibility is examined. In section four, research design is provided. In section five cases and results are discussed. In the last four cases and results are discussed. In the last a summary of the findings and important areas for further research is provided.

## LITERATURE REVIEW

We have a number of perspectives on corporate governance and corporate social responsibility frameworks for the explanations of corporate social responsibility disclosure in the report of various banks in India. Anderson discussed the utmost pressures which US based Multinational corporation faced from global competition and regulation specially in the EU and Japan. Anderson offered many principles for developing sustainability risk governance system and found their considerable advantage including decreasing risk cost, increasing competitive advantage, improved image of the community. And enhanced profitability and stock performance. Wattrick and Coehran depicted the evolution of the corporate

social performance model by paying attention on three challenges to the concept of corporate social responsibility, economic responsibility, public responsibility and social commitment. They also paid attention for social issues governance as dimension of corporate social performance. The corporate social performance model is valuable as it provides the beginnings of a paradigm for the field. It is of interest in our study to see whether corporate social responsibility disclosures made in Indian banking sector focus on economic responsibility. Public responsibility or social responsiveness. Further research of a similar nature might be able to find where India lies in terms of Cochrane's evolutionary model Wood defined corporate social performance and formulated a model to build a coherent integrative framework for business and society research. Principles of social responsibility are framed at the institutional organizational and individual levels. Processes of social responsiveness and shown to be environmental assessment, stake holders governance and outcomes of corporate social performance are posed as social impact, programs and policies. Following Wood, we expect that firm in the banking sector might make corporate social responsibility disclosures in broadly similar areas, that is, environmental, stake holders, social impact programs and policies. Batra, Kaur and Dangwal argue that in order to achieve high standards of corporate governance internal pressures such as peers and market competition should be more effective than enforcement by regulating agencies.

## RESEARCH DESIGN

We have conducted exploratory research and we have included three case studies related to corporate social responsibility in banking sector in India, we have studied the annual report to ascertain that whether these reports reflect a particular social responsibility perspective or not we have classified the disclosure into various social responsibility categories. These are six categories: environment, energy, human resources, product and safety, community involvement and other, for any social responsibility research number of words used to showcase a particular issue. Our study is exploratory and limited to those of India's banks. Practical examples, of ethical practices in corporate social responsibility as a protection of consumers. Protection of creditors, establishment of rights of shareholders and enforcement of law and order situations are important indicators of corporate governance of any country mainly in developing countries such as India, we searched for some issues. Such as microfinance financing of industries associated with child labour and employment of woman and minority group as these are all issues commonly affecting developing nations.

## CASES AND FINDINGS OF INDIAN BANKS

### IDBI BANK

IDBI Bank Ltd. is today one of India's largest commercial Banks. For over 40 years, IDBI Bank has essayed a key nation-building role, first as the apex Development Financial Institution (DFI) (July 1, 1964 to September 30, 2004) in the realm of industry and thereafter as a full-service commercial Bank (October 1, 2004

onwards). As a DFI, the erstwhile IDBI stretched its canvas beyond mere project financing to cover an array of services that contributed towards balanced geographical spread of industries, development of identified backward areas, emergence of a new spirit of enterprise and evolution of a deep and vibrant capital market. On October 1, 2004, the erstwhile IDBI Bank converted into a Banking company (as Industrial Development Bank of India Limited) to undertake the entire gamut of Banking activities while continuing to play its secular DFI role. Post the mergers of the erstwhile IDBI Bank with its parent company (IDBI Ltd.) on April 2, 2005 (appointed date: October 1, 2004) and the subsequent merger of the erstwhile United Western Bank Ltd. with IDBI Bank on October 3, 2006, the tech-savvy, new generation Bank with majority Government shareholding today touches the lives of millions of Indians through an array of corporate, retail, SME and Agri products and services. Headquartered in Mumbai, IDBI Bank today rides on the back of a robust business strategy, a highly competent and dedicated workforce and a state-of-the-art information technology platform, to structure and deliver personalised and innovative Banking services and customised financial solutions to its clients across various delivery channels. As on March 31, 2012, IDBI Bank has a balance sheet of Rs. 2.91 lakh crore and business size (deposits plus advances) of Rs. 3.92 lakh crore. As an Universal Bank, IDBI Bank, besides its core banking and project finance domain, has an established presence in associated financial sector businesses like Capital Market, Investment Banking and Mutual Fund Business. Going forward, IDBI Bank is strongly committed to work towards emerging as the 'Bank of choice' and 'the most valued financial conglomerate', besides generating wealth and value to all its stakeholders.

### Glorious History

Information on the Constitution of IDBI Bank Industrial Development Bank of India Industrial Development bank of India (IDBI) was constituted under Industrial Development bank of India Act, 1964 as a Development Financial Institution and came into being as on July 01, 1964 vide GoI notification dated June 22, 1964. It was regarded as a Public Financial Institution in terms of the provisions of Section 4A of the Companies Act, 1956. It continued to serve as a DFI for 40 years till the year 2004 when it was transformed into a Bank. In response to the felt need and on commercial prudence, it was decided to transform IDBI into a Bank. For the purpose, Industrial Development bank (transfer of undertaking and Repeal) Act, 2003 [Repeal Act] was passed repealing the Industrial Development Bank of India Act, 1964. In terms of the provisions of the Repeal Act, a new company under the name of Industrial Development Bank of India Limited (IDBI Ltd.) was incorporated as a Govt. Company under the Companies Act, 1956 on September 27, 2004. Thereafter, the undertaking of IDBI was transferred to and vested in IDBI Ltd. with effect from the effective date of October 01, 2004. In terms of the provisions of the Repeal Act, IDBI Ltd. has been functioning as a Bank in addition to its earlier role of a Financial Institution.

### Merger of IDBI Bank Ltd. with IDBI Ltd.

Towards achieving the faster inorganic growth of the Bank, IDBI Bank Ltd., a wholly owned subsidiary of IDBI Ltd. was amalgamated with IDBI Ltd. in terms of the provisions of Section

<sup>1</sup>Associate Professor, Gitarattan International Business School, Delhi E-mail: neeraj\_saxena20@yahoo.com

<sup>2</sup>Asst. Professor, Gitarattan International Business School, Delhi

<sup>3</sup>Research Scholar, Mewar University

44A of the Banking Regulation Act, 1949 providing for voluntary amalgamation of two banking companies. The merger became effective from April 02, 2005.

#### Merger of United Western Bank With IDBI Ltd.

The United Western bank Ltd. (UWB), a Satara based private sector bank was placed under moratorium by RBI. Upon IDBI Ltd. showing interest to take over the said bank towards its further inorganic growth, RBI and Govt. of India amalgamated UWB with IDBI Ltd. in terms of the provisions of Section 45 of the Banking Regulation Act, 1949. The merger came into effect on October 03, 2006.

#### Change of Name of IDBI Ltd. to IDBI Bank Ltd.

In order that the name of the Bank truly reflects the functions it is carrying on, the name of the Bank was changed to IDBI Bank Limited and the new name became effective from May 07, 2008 upon issue of the Fresh Certificate of Incorporation by Registrar of Companies, Maharashtra. The Bank has been accordingly functioning in its present name of IDBI Bank Limited.

IDBI Bank operates 'ethically and fairly within the governance framework provided by the regulators', and that it believes 'in integrity transparency and accountability.' IDBI Bank includes a separate section in its 2010 Annual Report entitled 'Corporate Leadership and Social Responsibility'. Disclosures included in this section and other disclosures in the nature of social responsibility reporting are summarized as follows.

**Corporate Leadership and Social Responsibility** : 'In line with the directives and guidelines of the Government and the IDBI Bank, our corporate leaders of tomorrow need to initiate and maintain a strong and effective corporate structure. We are very sensitive to the society that we operate within. We have a deep commitment, loyalty and a high sense of responsibility to our nation and its people. Our ethics are clear: not to earn excessive profits, but to operate in a rational and sensitive way. We confirm to all of the stringent regulations issued by the Government and the IDBI Bank. As part of our corporate social responsibility, we contribute greatly to the nourishment of the country's arts, crafts, culture and sports. We share all sorts of values and sentiments, irrespective of caste, creed or colour. Moreover, we uphold the concept of avoiding gender bias. We have established for women a fair and just share in matters of delegated power, promotion and placement, commensurate with their male counterparts.

As part of its strong commitment to upholding corporate social responsibility, the Bank distributed, like before, IDBI Bank Shishu Sahittaya Award among the budding child competitors. In 2006, the Bank had set up a 500-bed cancer hospital in the capital. The Ahsania Mission will get from the Bank another Rs. 4.00 million in the next two years.' Given these important statements we continued our content analysis searching for corroborating disclosures. We found a number, which are summarised as follows :

a. The IDBI Bank reports that it assisted in bringing a wide spectrum of people into the mainstream banking economy. Its customers are engaged in 'trade, commerce, industry and technology and include major business leaders, small and medium traders, marginal farmers, destitute women and unemployed youths.' The Bank reports that even hill-tribes and ethnic minorities have access to its institutional loan facilities.

- b. Under a section entitled 'Employee relations' the IDBI Bank reveals that it has been providing financial assistance to distressed employees. 'During 2010, a sum of Rs. 3.22 million was given to employees concerned and their spouses for medical treatment. A total number of 356 children of the employees were granted scholarship of Rs. 1.63 million in recognition of their outstanding results in S.S.C. and H.S.C. examinations. The Bank also discloses various contributions it has made to sporting organisations.
- c. The Bank has been active in supporting the Small/Medium Enterprise sector of the economy for many years and provides disclosures about its individual and collaborative efforts in this area. 'Beyond conventional banking, IDBI Bank, since 2001, has also been participating in several SME programmes through its own efforts and in collaboration with different national and international agencies. These are aimed at reinforcing efforts of the Government to meet strategic objectives of alleviating poverty of the rural poor, supporting small and micro enterprises/entrepreneurs, increasing output, easing unemployment problem and strengthening the rural financial market. So far, the beneficiaries under the 14 programmes implemented by the SME & Micro Credit Division include 506247 persons of different sectors.'
- d. The IDBI Bank is also active in supporting India's Agricultural sector and reports its activities in the 2010 annual report. 'The Bank kept financing one of the country's priority sectors – agriculture. Since 2001, it started accommodating millions of the rural poor with the mainstream development activities in areas of livestock, fishery, poultry, nursery as well as many off-farm projects and their likes in line with the government policies. Poverty alleviation through income generating activities is one of the strategic priorities that the Bank has kept pursuing to make the institutional help available to marginal farmers, small entrepreneurs, distressed and destitute women as well as unemployed youths. 'So far a number of targeted programmes with loan limits from Rs. 5000 to Rs. 50000 have been continued. In 2010, the Bank implemented 54 programmes among 3097759 borrowers, totalling Rs. 25.21 billion.'
- e. Finally, we reviewed the composition of the Board of Directors and noted that of a board comprising eight members, none were women. In the case of IDBI Bank the corporate social responsibility disclosures were clustered around the issues of community involvement and responsiveness; economic support for disadvantaged sectors specifically agriculture, and the SME sector including micro financing; and support for working women. Environmental matters and issues related to sustainability were not mentioned. Issues related to child labour, an area where India have experienced criticism at an international level, were not reported.

#### ICICI BANK LTD.

ICICI Bank is India's second-largest bank with total assets of Rs. 4,736.47 billion (US\$ 93 billion) at March 31, 2012 and profit after tax Rs. 64.65 billion (US\$ 1,271 million) for the year ended

March 31, 2012. The Bank has a network of 3,121 branches and 10,486 ATMs in India, and has a presence in 19 countries, including India. ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialised subsidiaries in the areas of investment banking, life and non-life insurance, venture capital and asset management.

The Bank currently has subsidiaries in the United Kingdom, Russia and Canada, branches in United States, Singapore, Bahrain, Hong Kong, Sri Lanka, Qatar and Dubai International Finance Centre and representative offices in United Arab Emirates, China, South Africa, Bangladesh, Thailand, Malaysia and Indonesia. Our UK subsidiary has established branches in Belgium and Germany. ICICI Bank's equity shares are listed in India on Bombay Stock Exchange and the National Stock Exchange of India Limited and its American Depository Receipts (ADRs) are listed on the New York Stock Exchange (NYSE).

Similar to the IDBI Bank, ICICI includes in its annual report, separate sections addressing Corporate Social Responsibility, SME-Financing and Agri-Financing.

- a. **Corporate Social Responsibility** : Under this section the Bank discloses its donations to various charitable, sporting and educational organizations. It also provides details of educational scholarships it has provided to talented but distressed students. 'Besides, financial support were given to the children of our employees who obtained GPA-5.00 in S.S.C and H.S.C examinations of 2007 to encourage them and others.' The Bank 'distributed educational materials to poor students.'; and Books ... 'have been distributed to educational institutes of remote areas of the country on occasion.'
- b. **SME-Financing and Agri-Financing** : The ICICI Bank discloses that it has diversified into the SME and Agro-sector on a priority basis. Specific mention is made of various projects within the agriculture industry made as part of boosting its activities in this sector. For example: 'We have extended credit facility to fisheries project as a part of our agro financing, which received satisfactory response from the target group.' 'We have a separate SME wing to meet the demand of the small and medium entrepreneurs. Under this wing, we could disburse nearly Rs. 2500.00 crore up to 2010. We are considering to extend credit facility under SME financing to cover a large number of potential borrowers to create new entrepreneurs.'
- In regards to the ICICI's support of the agricultural industry, it also disclosed information about credit facilities it had extended to help people living in the northern part of the country. The Bank provided flexible terms in regard to finance supporting the cultivation of maize.
- c. **Other contribution**: The annual report contains information about various other contributions the ICICI Bank has made to destitute groups within society. These contributions occur through a foundation set up for such purposes, the NCC Foundation. With a view to assist destitute people in treatment, the Bank, through the Foundation, extended subsidy to a City Hospital. Moreover, the Bank has distributed blankets to the destitute people of northern part of the country to help them in coping with severe cold wave.

- d. ICICI has a directorate numbering 14 people. Of these, three are women. Corporate social responsibility disclosures were also focused on supporting economically disadvantaged sectors specifically agriculture and small business. ICICI is also a strong supporter of disadvantaged constituents within its national community with a strong focus on programs providing assistance for destitute and underprivileged people. No mention in the annual report was made of environmental or sustainability issues, or of matters relating to the financing of industries utilizing child labour.

#### HDFC BANK LTD.

The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalisation of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995.

HDFC is India's premier housing finance company and enjoys an impeccable track record in India as well as in international markets. Since its inception in 1977, the Corporation has maintained a consistent and healthy growth in its operations to remain the market leader in mortgages. Its outstanding loan portfolio covers well over a million dwelling units. HDFC has developed significant expertise in retail mortgage loans to different market segments and also has a large corporate client base for its housing related credit facilities. With its experience in the financial markets, strong market reputation, large shareholder base and unique consumer franchise, HDFC was ideally positioned to promote a bank in the Indian environment.

HDFC Bank recognizes the importance of good corporate governance, which is generally accepted as a key factor in attaining fairness for all stakeholders and achieving organizational efficiency. This Corporate Governance Policy, therefore, is established to provide a direction and framework for managing and monitoring the bank in accordance with the principles of good corporate governance.

Our bank has won the 'Best Corporate Social Responsibility Practice' award at 'The Business for Social Responsibility Awards 2007' function held on Friday, January 18, 2008, presented by the Bombay Stock Exchange and Nasscom Foundation. Our country Head-HR, Mandeep Maitra, received the award on behalf of our bank from Mr. Ketan Sheth, Chairman and MD of IT People at a function held in Mumbai.

The 'Business for Social Responsibility Awards 2007' recognises best practices in business for social responsibility and is judged by an independent jury comprising leaders in Corporate HR, Corporate Communications and Marketing as also NGO representatives. Our bank won in the category 'Best Corporate Social Responsibility Practice'. Other categories being, 'Organisation that Offers the Best Return to Investors,' 'Organisation that Offers the Best Return to Consumers' and 'Organisation that Offers the Best Return to Channel Partners / Ancillary Development.'

There were over 200 entries in the four categories. Twenty-six corporate houses were short-listed in the CSR category.

Other winners in this category are Dr. Reddy's Laboratories, Designmate, Mahindra & Mahindra, SKS Microfinance, Yes bank and Financial Technologies.

## FINDINGS

We found evidence of economic and public responsibility and social responsiveness emerging in the corporate social responsibility disclosures contained with the annual reports of India's banks. The focus was on social impacts, programs and policies. We found no evidence of environmental disclosures. There was no direct evidence that corporate social responsibility disclosures are occur in response to peer and/or regulatory pressure. If this was occurring, the pressure is arguably weak, as in one of the cases examined no disclosure at all occurred. More likely, the disclosures are an attempt by the firms to convey their corporate conscience. We searched for evidence of the inclusion of women within the boards of directors of the firms as an indicator of a firm's attitude towards corporate social responsibility to women. We found evidence of the inclusion of women at this level of corporate management within two firms – one being a long established bank. In the newest bank examine (IDBI Bank), women were not represented at all on the board of directors.

## SUMMARY AND POTENTIAL FUTURE RESEARCH

Adequate corporate social responsibility disclosure has important implications for the credibility of the capital markets in transition economies. We see a role for the corporate regulators to promote the improvement of such disclosure in the annual reports of Indian firms. Mandating of corporate social responsibility disclosure would provide better transparency of corporate activity. This, in turn, will promote ethical business processes, which can have an important role to play in the mitigation of social obligations.

In this study we did not investigate the levels of institutional or large shareholdings in the cases examined. However, as Gunit Chaddha (2007) suggest, the role of large institutions in corporate governance is particularly important in transition economies. This is an area, which is likely to yield important information if examined in the context of the Indian banking sector. If corporate social responsibility disclosure is made obligatory there is a strong case for it to follow international benchmarks. This would include the triple-bottom-line reporting method, which is increasingly being accepted as a useful method of conveying information on a firm's social performance.

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# The Impact of Corporate Social Responsibility on Workers and Trade Unions in Indonesia

Ayudya FajriAnzas<sup>1</sup> Elizabeth Koesrini<sup>2</sup> Irwansyah<sup>3</sup>  
Khamid Istakhori<sup>4</sup> Muhammad Ridha<sup>5</sup> Ruth Indiah Rahayu<sup>6</sup>  
Tommy Ardian Pratama<sup>7</sup>

## ABSTRACT

*Though the concept of corporate social responsibility (CSR) has been evolving for decades, no single all-encompassing meaning has as yet been achieved. The worker and the trade union, both stakeholders in the company, are certainly affected by a company's CSR policy and its implementation. The focus of this chapter is on the implementation of CSR and its effect on workers and trade unions with the assumption that the content of a corporate CSR programme is everything that the company contributes towards the workers' welfare other than that which is already included in the labour laws or in the working agreement or collective labour agreement, reinforcing the belief that the leitmotiv of CSR programmes is to divert workers' demands or weaken, and gradually eliminate the trade union.*

*By investigating the CSR activities in four companies, this chapter shows that CSR is a subtle means by which the company management can showcase its concern for the workers' welfare and thereby arm itself with the tools to persuade the trade union to cooperate with the management. The CSR's effective influence varies from no impact or minimum impact to the busting of Unions, when the company's CSR plans fail. The result of this initial research shows that the formation and development of trade unions is necessary for the workers to avoid a violation of their rights, and to control the company's CSR implementation with a collective labour agreement*

## INTRODUCTION

The evolution of the concept of "Corporate Social Responsibility" (CSR) derives its present status from the 1980's -1990's dramatic global political and economic changes. These are associated with the rise of libertarian values in Western politics and the collapse of collectivist ideologies aided with the improvement in communications and electronics technology, which made the dissemination of information quick and easy. It led to a radical re-thinking of the respective roles of the state and businesses in the Western society. The dominant idea in political thought at the time was to shrink the role of the state and to place greater responsibility on individuals and the business houses. Though the rise in anti-corporate activism over environmental and human-rights issues registered a growth in this period, effective corporate lobbying undermined these attempts to regulate their activities at a global level. CSR, which promised protection from protests against the industries, it itself became an established industry in the marketplace. During this period, a plethora of voluntary initiatives and codes of conduct were developed by the individual companies as well as international organisations, and these became the initial guidelines for CSR implementations.<sup>1</sup>

This chapter uses the World Business Council for Sustainable Development's (WBCSD) concept of CSR-, and is essentially based on two elements that are frequently used in the definition of CSR3, making a clear distinction between a company's obligations and a company's CSR activities.

In the absence of a standard, universal set of guidelines and principles for the practice of CSR, many companies in Indonesia have made their own interpretation of the CSR concept, and thereby adopted a CSR concept, which is suitable for their own purpose and implemented it as a part of their business strategy. In CSR implementation, the scope of CSR coverage (i.e., responsibility) is identified as all corporate stakeholders. In 1971, the Committee for Economic Development (CED) introduced the three-tiered model of CSR, which is still considered valid in determining the stakeholder relationship with the company.<sup>1</sup> The CED's three-tiered model of CSR can be described as follows:

- The Inner Circle is the basic responsibility of a company to make efficient economic decisions related to a company's profit and growth. This circle includes shareholders, management and workers. In the managerial arrangement, the relationship with the stakeholders in this circle is managed through the financial and human resource management departments.
- The Intermediate Circle is the responsibility of a company to be sensitive with the changing social contract that exists between the business and the society, when it pursues its economic interest. This circle includes suppliers, customers, and the competitors. In the managerial arrangement, the relationship with the stakeholders in this circle is managed mostly through operation and

<sup>12</sup>Research Team, Institute for Crisis Study and And Alternate Development Strategy (Inkrispena), Indonesia  
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(marketing) relationship management. CSR in this circle usually takes the form of market education, marketing-cause relationships, and services or sponsorship.

- The Outer Circle is the responsibilities and activities of a company to actively improve the social environment, such as poverty alleviation and urban crowding issues. This circle includes the local community, the society at large, NGOs and government. In the managerial arrangement, the relationship with stakeholders in this circle is managed mostly by the company's public relations department. CSR in this circle usually takes the form of philanthropic projects, community development projects, and awards sponsorship, which targets people outside the company.

At a general level in this chapter, workers are one of the inner circle stakeholders, and the other stakeholders in this chapter are divided into internal and external stakeholders. Specifically for the workers, the human resource management handles the CSR implementation, seen as aiming to provide those facilities and benefits for workers that are not regulated by law, working agreements, and or a collective labour agreement.

For the purpose of finding and describing the relationship between CSR and trade union development, internal CSR in this chapter is defined as everything the company grants to the worker that is not included in the law, a working agreement or a collective labour agreement. There are some indications that the *leitmotiv* of internal CSR programmes is to divert workers demands or - at its worst - weaken or eliminate the trade union. Although Indonesian law recognizes the right to organize and the freedom of association (Regulation No. 21/ 2000), such practices as union busting are still common and occur frequently. A review of companies' external CSR will be included in this chapter as a comparison made to companies' internal CSR, and as a means to determine the general function of CSR to the companies.

This chapter presumes that companies view the implementation of CSR as superior to the formation of a workplace trade union and the drafting of a collective labour agreement: By implementing CSR, the company will ensure workers' rights and benefits, and there will be no need to create a collective labour agreement and maintain the existence of a trade union.

This chapter aims to review the following:

- Workers' and management's perspectives on CSR;
- The manifestation of CSR by the companies;
- Codes of conduct in CSR implementation;
- Impact of CSR implementation on companies; and
- Impact of CSR implementation on trade union development

The purpose of this chapter is to provide a description of how CSR implementation can be used as a tool of analysis and perspective for workers' movement and how it can increase workers' collective bargaining power.

The trade unions of companies in various industrial sectors are an important subject of research in this chapter. The views of the research subject on CSR were taken, as were the perceptions of the management of the company and these are shown and compared. Additionally, comparison of the company's CSR

positions and the union's collective labour agreement were made. In this chapter, we portray CSR implementation as having a negative, positive or neutral affect on trade union development in the companies. Companies from four different industries were selected to demonstrate that in the midst of the variety of CSR programmes there remains a central idea that CSR is a benevolent spill-over of business profits. Since Trade Union development is highly related to the company management where the Trade Union exists, the company's business activities will also be briefly sketched in this chapter.

The methodology used in the research for this paper is the qualitative approach and the descriptive research. This chapter will be developed into a variety of campaigns to endorse a sustainable dialogue between all stakeholders on how to create boundaries that stimulate a more possible development in bridging the gap between parties. Data that supported this chapter is classified into: Primary data, which is directly collected through focus group discussions and interviews with research informants; and secondary data, which is all documented data obtained through the trade unions, management or other sources. The validation technique used is ecological validation and the data analysis method used is the illustrative method. The data collection process was conducted and obtained from February 5, 2011 to July 20, 2011.

## CSR IN INDONESIA AT A GLANCE

In many Asian countries, CSR is generally understood as corporate activities to compensate for social and economic injustices. This perspective has created certain implications, such as making people think that it is a company's obligation to fulfil people's rights for better social, economic, and environmental conditions and in the process providing justifications for the government to escape its obligations towards society. However, the fact is that CSR has brought more benefits to the company than to a society by virtue of it being a simple yet effective method of bestowing legitimacy on the corporate as a responsible social actor. This has not only improved a corporate public image but has also resulted in increasing its esteem in society and an increase in its level of profits. In the 21st century, CSR has reduced the government's role in bettering the social economic and environmental conditions, while expanding the role of the corporate in a society.

Indonesia can be considered as one of the leading countries in the world vis-a-vis the level of implementation of CSR, which is mandatory for a company with limited liability. Under Law No.40/2007, section 74, it states:

*"(1) Companies doing business in the field of and/or in relation to natural resources must put into practice Environmental and Social Responsibility. (2) The Environmental and Social Responsibility contemplated in paragraph (1) constitutes an obligation of the Company which shall be budgeted for and calculated as a cost of the Company performance of which shall be with due attention to decency and fairness. (3) Companies who do not put their obligation into practice as contemplated in paragraph (1) shall be liable to sanctions in accordance with the provisions of legislative regulations. (\*) Further provisions regarding Environmental and Social Responsibility shall be stipulated by Government Regulation."*

It is also required in any capital investment project under Law No.25/2007, section 15 article (b) which states:

*"Every investor shall have obligations [...] to implement corporate social responsibility."*

Further in section 34 of Law No.25/2007 it states that:

*"(1) Business entities or sole proprietorships as intended by Article 5 that fail to fulfill obligations as provided for by Article 15 may be imposed administrative sanctions in the form of (a) a written warning; (b) a restriction of the business activity; (c) freezing of the business activity and/or investment faculties; or (d) closure of the business activity and/or investment facilities. (2) Administrative sanctions as intended by section (1) shall be imposed by an authorized agency or institution in accordance with provisions of laws and regulations. (3) In addition to administrative sanctions, business entities or sole proprietorships may be imposed other sanctions in accordance with provisions of laws and regulations."*

The above mandatory clauses are controversial in nature and have become the epicenter of many heated debates, since they contradict the general concept of CSR, which stresses the element of voluntary and management initiatives from the company. In addition, government regulations which were supposed to be further provisions of the Law No.40/2007, but were never made, caused confusion in the implementation, monitoring and controlling of CSR. Furthermore, the implementation of the above clauses also became justification for the government of Indonesia whereby it shifted its social responsibilities (in this case of the social protection i.e. the regulation of minimum wage payment, health care access, etc.) over to companies that operate in Indonesia.

Generally, CSR implementation has been related to the issues of human rights, labour rights, environmental protection, and anti-corruption, which are often violated by businesses seeking to maximize profits. Theoretically, CSR is a wonderful concept in aid of social development; however, practically CSR combined with company interests becomes only the means by which a company acquires a personal and humane face.

When a company takes CSR as part of their strategy, the types of activities that the company usually undertakes to be seen to be socially responsible are:<sup>5</sup>

1. *Corporate philanthropy*, where the corporate donates money or products for charity. This way the company can avoid criticism from the public and enhance its reputation.
2. *Cause-related marketing* is a form of partnership between company and a charity, where the charity will support the company in product or brand promotion and will benefit in the form of donations and enhanced profile, while the company will benefit through greater product sales.
3. *Sponsoring awards* is meant to position the company as an expert on a social issue and a leader in CSR and includes large donations.
4. *Codes of conduct* are an explicit way to show the company's commitment to CSR by publishing its values and standards of behaviour.
5. *Social and environmental reporting* is a way to show a company's accountability to a broad range of stakeholders.

6. *Community development* is a type of company propaganda aimed at its social environment meant to demonstrate the company's concern with social problems that occur in its environment.

7. *Eco-efficiency* is company action taken to minimize the company's environmental impact, particularly around highly visible aspects or in areas where it makes financial savings. This activity is usually taken by a company whose products are inherently destructive to the environment.

8. *Investing in socially focused companies* is a current trend wherein large multinational companies buy smaller companies that have been set up with ethics as their primary guiding motivations.

As regards a company's stakeholders, theoretically, in order to obtain maximum profits a company needs to satisfy its stakeholders and the more stakeholders a company can satisfy the more benefit the company will get. But practically, a company is in a position to choose which stakeholders are its priority, and CSR is an effective means that can be used to satisfy several stakeholders at the same time.

In conducting CSR, a company will take certain strategic actions, such as cooperating with local authorities in CSR implementation, using the broadcasting and print media to socialize a company's CSR activities, put company banners in the company CSR sites and organizing events such as discussion forums, seminars, and competitions, which in the end will influence public opinion and create a good image for the brand and the company.

## THE CASE STUDIES: DESCRIPTION OF COMPANIES & TRADE UNIONS

To obtain an overview of the impact of CSR on workers' organizations and trade unions in Indonesia, interviews and focus group discussions were conducted with four trade unions in four companies. Topics covered were based on the level of trade union development in the companies, which included the company profile, trade union information and CSR implementation. For various reasons we have kept confidential the companies' and unions' identity to ensure worker's security, but it can be provided upon request.

### THE CASE OF PT. GAMMA

#### Company profile

PT. Gamma is a multinational company engaged in the manufacture and marketing of consumer products. It produces various consumer products in the category of insecticides, repellents, air fresheners and household cleaners. PT. Gamma was born as a result of the acquisition of the household business unit of Alpha Co., by Beta Co., in 2002.<sup>6</sup>

PT. Gamma is a subsidiary of Beta Co., based in Racine, Wisconsin in the United States. Beta itself is a family-owned company that operates in 70 countries and sell products in more than 100 countries around the world.<sup>7</sup> In Indonesia PT. Gamma owns three factories that operate in Jakarta, Medan and Surabaya, with the management located in Jakarta. The biggest factory is the Jakarta factory, producing a wide range of products and has superior technology, while Medan is

the biggest profit maker, because of the low cost of raw materials. The PT. Gamma factory in Jakarta located in Pulo Gadung Industrial Area comprise of 500 workers divided into 400 shop floor workers and about 100 managerial staff.<sup>8</sup>

In managing the worldwide company, Beta Co., as the parent company, has formally created a corporate philosophy that functions as guidance for the company in doing operations and in managing relationships with its stakeholders. This philosophy is socialized internally and externally by the company. Internally, it serves as basic principles and guides the company's policies and actions, including CSR implementation; externally, it serves as a part of its corporate identity.<sup>9</sup>

In managing external CSR, the company has integrated their CSR programmes into their marketing programmes, so the company's external CSR programme is managed by its marketing department.<sup>10</sup>

#### Trade union information<sup>11</sup>

The Trade Union PT. Gamma is the successor of the trade union of Alpha Co. that was established in 1988. Since the Trade Union of PT. Gamma already had a collective labour agreement when they were a unit of Alpha Co., the practice has been continued and the present collective labour agreement is also a continuation of the agreement drafted during the days of Alpha Co.

According to information obtained from the trade union through their Collective Labour Agreement, the company has provided for rights above the required standards that are stated in the national labour law and regulations. Although in certain cases related to workers' health care, disputes and inequities are possible. If, for example, medical expenses exceeding the insurance limit are required, the case will be determined by the president director's decision. But so far, for work-related problems, the trade union states that it can communicate with the company management and the company management has always been willing to listen, although they have not always yielded to workers' demands.

At certain points, friction has occurred between the trade union and the management. In these instances, the management has been found to be violating their own regulations and principles, such as implementing outsourcing of core production operations, arguing that the matter is debatable; or when management has tried to change the working hour policy from three to four shifts and the workers refused. Although friction between management and staff has occurred whenever the management violated certain industrial right of the worker, the matters have usually been solved through communication between Trade Union PT. Gamma and the company management. If the matter could not be solved between the two parties, then it has been taken to the local office of the Manpower Ministry.

Trade Union PT. Gamma is an independent trade Union, with a secretariat and its own facilities. The union has not accepted any support from the company. The company's facility for the trade union is arranged in the collective labour agreement.<sup>12</sup>

#### CSR in PT Gamma

External CSR in PT. Gamma is integrated into its marketing programmes. Strategically, the company conducts product

promotion activities through its social activities. Several forms of activities are conducted in their product promotion, such as fogging (spreading pesticide). The activities are done with the purpose of educating the market about the product.<sup>13</sup>

Specifically for the CSR code of conduct, the company does not have a specific document which they have published as a code of conduct. Instead they have used the 'company philosophy' as guidance in managing its relationship with stakeholders. The impact of the company philosophy internally is seen in communications between the company management and the trade union, and externally in the company's commitment to provide and promote consumer goods.<sup>14</sup>

Internally, towards its workers, the company does show a commitment to CSR in the form of profit sharing. This profit sharing is part of the parent company's policy. However, the company's local management has refused to put this policy in the collective labour agreement, since the total profit share differs for each subsidiary company, and depends on the subsidiary company's profit contribution to the parent company. (There is a breakeven point calculation which has been used since the time of acquisition.) This profit sharing is done twice a year, and each time is equal to 10 percent of salary. Besides this profit sharing scheme, the company provides only occasional assistance to the workers, for example in cases where subsidies are provided to workers affected by natural calamities such as floods.<sup>15</sup>

### THE CASE OF PT. ZETA

#### Company profile

PT. Zeta is a multinational company engaged in the manufacture of plastic accessories for automobile parts. PT. Zeta produces air spoilers, bumper guards, console box lids, armrests, sun visors, air conditioning ducts, reserve tanks, and windshield washer tanks for automotive industry customers. The company was established in Japan in 1917, and entered the plastics industry in 1947. It set up its plant in Indonesia in 1997.<sup>16</sup>

PT. Zeta is a subsidiary of Delta Co., Ltd - Japan, which operates in Japan, Thailand, Indonesia, China and America. PT. Zeta shareholders are Delta Co., Ltd - Japan (90 percent), Epsilon & Co., Ltd - Japan (5 percent), and Epsilon Singapore (Pte) Ltd - Singapore (5 percent).<sup>17</sup> In addition to the PT. Zeta factory, the company also has five sub-contractors supporting production to these plastic accessories. Currently, the company orders have decreased by up to 60 percent due to the impact of the March 2011 earthquake and tsunami that hit Japan. Specifically for PT. Zeta factory in Indonesia which is located in Karawang International Industrial City (KIIC), the company employs 640 workers, of which 55 percent (352 workers) are permanent workers and 45 percent (288 workers) are contract workers and trainees.<sup>18</sup>

In managing the company, Delta Co., Ltd formally created two corporate mottos that function as foundations in building the business. The company has five decades of experience in supplying an extensive range of highly reliable plastic products. The company also boasts of its advanced technology and latest research and development facilities in developing these products.<sup>19</sup>

PT. Zeta in Indonesia is a factory that is a supplier of products to the automotive industry and is not directly linked to consumer products. The company therefore, manages external CSR by

giving contributions to the industrial area management, which handles the external CSR for all the companies in the industrial area.<sup>20</sup>

#### Trade union information

Trade Union of PT. Zeta was formed around three years ago. The collective labour agreement between the union and the management of PT. Zeta has been established in the last two years. According to Trade Union information, the trade union has put in their agenda to negotiate with the company management to increase their assistance through their collective labour agreement, since it is still at the standard or basic level stipulated under government law and regulations. Several allowances are provided through the collective labour agreement, but the total amount is still inadequate to cover for their needs. In the matter of providing adequate support for workers, the workers of PT. Zeta always have to ask the management for changes since the management does not always automatically understand or give adequate support to the workers.

In its relations with the company's management, Trade Union PT. Zeta states that it encounters problems related to transparency and limitations on company information as well as access to that information. Friction occurred between Trade Union PT. Zeta and its management when the company complained about the high labour cost due to the rising premiums of UMK and In-Health every year. However, the company is providing high salaries and high-cost entertainment and facilities for its expatriate workers. When the trade union questioned this, the management argued that the Japanese expatriates bring different skills. Trade Union PT. Zeta also questioned the regulation of technology transfer from foreign (expatriate) workers to local workers, since the management has never implemented it. The management answered that it is still in the panning process.

Other point of friction between the union and management is related to the company's programme for apprenticeship in Japan. The problem is that workers who choose to join the apprenticeship programme will lose all their rights in the local Indonesian company and they will only receive an allowance equal to one-third of the Japanese worker's monthly wages and low overtime payments. However, the Indonesian workers receive lodging, lunch and health and safety coverage. If these workers, chosen for apprenticeship in Japan, question why their rights in the local Indonesia Company are not available to them anymore, the management's response is that either they accept the conditions or lose the chance to take the apprenticeship. At the same time, while they are paid low wages on the apprenticeship in Japan, they may still be able to save money, which would be enough to cover their needs when they return to Indonesia; and workers that have undertaken this apprenticeship will have priority for promotion in the company. Thus, these issues are problematic for the trade union, since they do not want this programme to weaken the trade union's fight for basic rights.<sup>21</sup>

Trade Union PT. Zeta is an independent trade union, with a secretariat room and its own facilities. The trade union does not accept any support from the company management, but gets the funds it needs from members' contributions which provides for trade union requirements and other secretariat facilities such as office supplies.<sup>22</sup>

#### CSR in PT. Zeta

As regards the company's external CSR, PT. Zeta contributes to the industrial area management. The industrial area management determines the minimum amount that the industrial area tenants should contribute, though each tenant can contribute more if they choose to do so. The industrial area management then implements CSR projects in communities around the industrial area. Though the industrial area management does not publish any reports on their CSR activities, the activities are affectively visible in the industrial area. For example, this CSR fund provides annual free health care; fogging (spreading pesticide) and Abate (pesticide) distribution annually or per case if a dengue fever epidemic is spreading in the area; training and education for local people; capital assistance to the village youth community to open and run car or motorcycle repair shops; capital assistance to local community to start a catfish farm using tarps. In addition to this contribution for CSR to industrial area management, the company makes donations in the event of a catastrophe such as following the Yogyakarta earthquake. However, this policy is ever changing and generally depends on the decision of the local company's director.

As for the code of conduct, the company does not have a specific code of conduct. But the company has created two corporate mottos that function as a foundation for building the company. However, there is no information as to how these mottos guide its CSR implementation. For PT. Zeta, we can say that external CSR is not part of the company's strategy to enhance profits, since external CSR programmes cannot directly benefit the company's operations.

Internally, PT. Zeta does not have a CSR programme with regard to the workers, since everything that is related to the workers is managed through the collective labour agreement or proposed by the trade union to the company management. But the company management has several times offered to fund Trade Union activities, though the offers were refused by the union. The only time that the trade union accepted money from the company management, the trade union and the management agreed that after the money was accepted, the company management would not offer the trade union more fund in future.

### THE CASE OF PT. KAPPA

#### Company profile

PT. Kappa is a private national television station. The company is known for popular local soap operas, reality shows, and infotainment. The company was established in 1991 and started to broadcast in 1995.<sup>23</sup>

PT. Kappa previously was a subsidiary of PT. Theta and at present is a subsidiary of PT. Iota, following the acquisition of the company in May 2011.<sup>24</sup> The company's acquisition is still controversial, since it violated the national broadcasting law.<sup>25</sup>

The company is located in West Jakarta, and following the acquisition the company is reshuffling its management. After mass layoffs in 2010, PT. Kappa has more or less 1,200 staff.<sup>26</sup>

In managing the company, the management says it is guided by its company vision and mission. The company's priority is to broadcast high quality in-house productions. As of 2011, PT. Kappa has relay transmitters in 34 cities and the broadcast coverage reaches 180 cities in Indonesia.

PT. Kappa is implementing CSR both internally and externally. The CSR implementation is derived from the company vision and mission, and also because the company felt compelled to conduct social activities to support society. Specifically for external CSR, the company management has formed a special team which manages the company's programmes that are targeted to raise funds for social purposes and a cross division of workers are assigned to conduct the programmes.<sup>27</sup>

#### Trade union information

PT. Kappa has two trade unions with the same name, but with different acronyms. The first is the Kappa Workers Union which was formed in 2008 and the second is the Kappa Employees Union, which was set about a year later. The difference between the two is Kappa Workers Union has been formed by workers and Kappa Employees Union has been formed by company management.<sup>28</sup>

For this chapter, the researchers focused on Kappa Workers Union. At the time of the interviews, Kappa Workers Union was under attack by PT. Kappa management which did not want to deal with the union. The management was in the process of negotiating a collective labour agreement with the company's union PT. Kappa Employees Union.

The Kappa Workers' Union has been trying to draft a collective labour agreement with PT. Kappa and claims that the company management has not complied with the law and provided workers with their basic rights for the past 15 years.<sup>29</sup>

As a trade union formed by workers' at their own initiative, the Kappa Workers Union is facing intimidation and discrimination from the PT. Kappa management. In massive layoffs carried out by the company management, 150 trade unions members were sacked. Of those sacked, 22 members have filed law suits against the company.<sup>30</sup>

#### CSR in PT. Kappa

The company's annual report publications and interviews with the company's Public Relations Department show that PT. Kappa conducts its external CSR by producing two television programmes: The first is "Love 8 Care" and the second is "We Care." Through these two television programmes, the company raises funds from the public to be allocated to support people who need financial assistance. Funds raised through the "Love 8 Care" programme, are allocated to support people in need of financial assistance in health care and through the "We Care" programme, the funds raised are allocated to support the victims of natural disasters. In implementing the two programmes, the company itself covers all operational costs for the team involved, thus not resorting to or reducing the funds that have been collected from the public.<sup>31</sup>

As for a code of conduct, the company does not have a specific code of conduct. But for CSR implementation, the company is using company vision and mission as guidance for CSR projects. The impact of company's CSR projects on the company itself is in the enhanced trust in the company that the public grants it through garnered public funds for social purposes.

Internally, the company's human resource management practices violate the national law related to workers' rights. In an interview, a representative from the company's Public Relations Department stated that the company is not only giving salaries

to workers but also providing health care, safety, and career opportunities, since it is the company's obligation to provide these to workers. But the facts demonstrate a different scenario. Gross violations of the law by the company abound, which include salaries below the minimum wage, an unclear salary scale, discrimination in giving workers insurance or Jamsostek,<sup>32</sup> unclear overtime calculations and company regulations that persecute workers and violate legal procedures.<sup>33</sup>

### THE CASE OF SIGMA

#### Company profile

Sigma is a multinational company engaged in seaport container terminal operations. The company is serving container traffic in and out of Jakarta through Terminal I and II Tanjung Priok Seaport. Sigma, a subsidiary of Lambda of Hong Kong (51 percent) and PT. (Persero) Omicron of Indonesia (49 percent), was established in 1999.<sup>34</sup> Sigma is the largest container terminal in Indonesia and strategically located in the industrial heartland of West Java. In its operations, the company is supported by more or less 900 workers, which include permanent and outsourced workers. Operations are also supported by five partners who serve as suppliers (including agencies supplying outsourced workers) for the company and workers who are handling goods and port security.<sup>35</sup>

In managing the company, the management is establishing a corporate culture, which serves as guidance in conducting operations and in managing its relationship with company stakeholders' in order to provide excellence in service and obtaining trust-based relationships which will result in increasing levels of profits.<sup>36</sup>

Sigma is implementing external CSR as part of the company's strategy to build the company's image in society. Sigma develops their public image through external CSR activities in the fields of education, health, environment, economy and through social and cultural programmes. For the company's needs in implementing the external CSR programmes, a foundation which serves as the organizer has been established by the company. The purpose of the company's external CSR programme is to create and support a positive corporate image in the society, through the development of independent and welfare community programmes, which support the company to operate smoothly and to grow its business sustainably.<sup>37</sup>

#### Trade union information<sup>38</sup>

Sigma has two trade unions, an official trade union known as Sigma Trade Union and an unofficial workers' alliance formed by the company's outsourced workers known as Sigma Outsourced Workers' Alliance. Sigma Trade Union as the company's official trade union is supported by the company's management, while Sigma Outsourced Workers Alliance is discriminated against by the management in wages and treatment.

In this chapter, the Sigma Outsourced Workers' Alliance will be the focus of discussion. Sigma Outsourced Workers' Alliance faces union busting from Sigma management, the management of the outsourced worker agency, and the Sigma Trade Union. The daily running operations of Sigma is carried out by 20 percent permanent staff and 80 percent outsourced workers. In conducting the work, permanent workers are always

assisted by outsourced workers. According to the outsourced workers, they are performing the heavier work since the permanent worker takes frequent breaks from the work. Outsourced workers are assigned the more dangerous and dirty jobs and thus face greater personal risk, while at the same time, they are not entitled to the same level of medical and injury insurance.

#### CSR in Sigma

Sigma is conducting external CSR as part of the company's strategy to build good reputation with the public. Sigma is conducting CSR by cooperating with local authorities in implementing community development projects.

One result of these company CSR programmes is that the local authority ensures the company's security in its operations. Another impact is that the company also receives proposals from the local authority to support the funding of local development projects.<sup>39</sup>

As for a code of conduct, the company does not have a specific code of conduct, but its 'corporate values' can be considered as the guiding factor for the company's CSR activities and it is in compliance with the company's strategy of image building. The direct result of the corporate value and the image building strategy is a secure environment for its daily operations.

Internally, the company is implementing CSR through its human resource management practices which ensure the permanent workers have standard employment rights, though it violates national and international regulations as well as human rights in its outsourcing practices.<sup>40</sup>

### CSR & TRADE UNION DEVELOPMENT: COMPETING PERSPECTIVES

Between the trade unions and the company managements, different perspectives on CSR can be clearly seen. This is partly because CSR is not a concept that is well understood among workers, and the company often does not bother to instruct its workforce on the concept, since CSR is a voluntary programme act and a management initiative. The different perspectives are as observed below.

#### MANAGEMENTS' PERSPECTIVE ON CSR

To the management, CSR is mandatory by law and violating it can directly affect its business operations. For the company, CSR is a strategic means to obtain a good public reputation and thereby increase profits. Based on our research, below are the four companies' perspectives on CSR.

#### PT. Gamma

CSR from the management's perspective is a strategic means to produce and market the company's goods, since the more stakeholders the company satisfies the greater the benefit the company will receive. Internally, CSR is also seen as a means to increase production, while external CSR is the means to increase product sales. Both programmes when combined will ensure the company achieves maximum profit and sustainable growth.

#### PT. Zeta

The management views CSR as a contribution to society by producing high quality goods for society and specifically for the

customer.<sup>41</sup> From this it can be interpreted that the company is not using external CSR as a strategy to increase their profit, but to develop the customer's trust in the company, by providing high quality goods. For the contribution that the company gives to the industrial area management for external CSR, this is seen as an act of fulfilling its obligations as a foreign investor that operates in Indonesia and as a tenant in the industrial area. Donations given by the company following a natural disaster can be considered as incidental and are based on individual concern and judgment. The policy on donations changes with each change of company director.

#### PT. Kappa<sup>42</sup>

From the management's perspective, CSR is a part of the company's vision and mission, and is implemented in social activities aimed at addressing social problems. The company includes CSR in its strategic planning, since the implementation of CSR could have a positive impact on the company's corporate image and generate trust from the community. The company manages a community charity fund and disperses the fund to those who need it. Internally, the company uses CSR to strength relationships and raise the sense of togetherness in the internal environment. In addition, the company also has a policy to involve and support trade union activities conducted in the company environment, although the company does not subsidize these activities.

#### PT. Sigma<sup>43</sup>

CSR at Sigma, from the management's perspective, is a strategic means to create a good reputation in the community for the purpose of obtaining community support and developing a positive partnership with the community through sustainable community development programmes. CSR programmes that the company has undertaken have had a positive impact on the company. These include providing the community and the government support in maintaining security in the neighborhood where the company is operating. In addition, the company has also been targeted by the local government to participate in funding government development projects, such as government construction projects, but the company has so far avoided doing construction projects as part of their CSR activities.

#### TRADE UNIONS' PERSPECTIVE ON CSR

The term CSR is unpopular among workers, since most of the activities related to the workers, including internal CSR, is managed by the human resources department. To many workers CSR is related solely to company activities focused on its external environment and this is managed separately by the company. Most workers are not familiar with the scope of CSR coverage, so they never realize that they are one of the recipients or beneficiaries of CSR. Based on our fieldwork and interviews with members of the four trade unions, the workers' perspective on CSR is as follows:

#### Trade Union of PT. Gamma<sup>44</sup>

PT. Gamma Trade Union defines CSR as the company's social activities for the community at large where the company gives part of its profit for social purposes. PT. Gamma Trade Union is of the opinion that the company does not have any CSR programmes for the community. All social activities that the company conducts are for the purpose of product promotion

and no sustainable CSR programme is conducted by the company.

To those in the PT. Gamma Trade Union, CSR, if conducted as it should be, probably could be better than the collective labour agreement, but at present internal CSR initiatives that the workers receive from the company can be considered insignificant compared to the things that they receive through their collective labour agreement. Any CSR-related benefits that the workers receive are derived from the parent company policies which local management refuses to put in the collective labour agreement to avoid future demands from the workers if one day the policy is terminated. Though friction occurs between the management and the trade union due to the local management's violation of national law and because of the company philosophy, both parties can still maintain good communications.

#### Trade Union of PT. Zeta<sup>45</sup>

PT. Zeta Trade Union defines CSR as the company's social activities for the community at large. However, the union also believes that the company does not conduct any CSR activities for the community, since all CSR programmes are managed by the industrial area management. Donations given following local catastrophes depend on the policy of the local company director in charge at the time of occurrence.

The company does not carry out any CSR-related programmes internally. Everything that the workers receive, they have to ask for from the management and it thereafter becomes a part of the collective labour agreement. Although the Trade Union is not familiar with company CSR, they are aware that collective labour agreement is more important in ensuring their rights. At the same time, there is growing interest in CSR, because the local government of Karawang is instigating CSR regulations and these are likely to have some impact on the trade union.

#### Trade Union of PT. Kappa<sup>46</sup>

The Kappa Workers Union defines CSR as a fund from the company for social activities, funds which are not allowed to be used for the company's internal operations. In the Kappa Workers Union, though the members are familiar with social activities that are conducted in the name of CSR, they do not know that it is mandatory and that private companies also must implement CSR. In fact, they consider it as a trend or a fad.

Internally, the Kappa Workers Union is striving to create a collective labour agreement with the company, since they believe it will ensure the fulfillment of the workers' standard rights which have been violated by the company. In the past in the process of negotiations with the company, management stated that it considered the presence of the Kappa Workers' Union as intrusive. Intimidations and threats to union members followed. The company then set up another trade union which they could control and called it the Kappa Employees Union. Before the trade union was suspended from work, the company management made them an implicit offer, asking "how much money would make them drop their demands?" This offer was rejected by the Trade Union leaders, since they only asked for work and fair wages. Since the Kappa Workers' Union leaders maintained their stand, the management fired the union organisers, effectively busting the Kappa Workers' Union.

#### Sigma Outsourced Workers' Alliance<sup>47</sup>

Sigma Outsourced Workers' Alliance is not familiar with the term CSR, but they are familiar with the form of activities that the companies conduct in external CSR. Internally, the company has shown little regard for the welfare of outsourced workers. Instead of fulfilling their basic rights and improving the working conditions, the company continues to implement outsourcing practices. In the process of obtaining their basic rights, these workers have to deal with the company management, the agency supplying outsourced workers and the Sigma Trade Union, which has refused to assist these workers, since it will significantly decrease their profits. As a result of their actions, the union's organisers are being singled out and intimidated to stop their actions. Subsequently, they were excluded from the work place, a move which made it impossible for them to work and receive wages and finally lead to their termination.

## CONCLUSIONS

### The impact of CSR on unions' collective bargaining

Generally, as regards the government regulations on CSR and the issue of corruption in the government, we can say that the CSR regulations appear to be only a trend derived from global influence. Moreover, it has provided a justification for the Government of Indonesia to avoid fulfilling their obligations with regard to the rights of the citizens on social, economic, and environmental issues, after having transferred that responsibility to the companies. With corruption being rampant in the government, CSR is only a trading item between the government officials and the capital owners, whereby companies which are not fulfilling their social responsibilities will bribe the government agent(s) to avoid punishment, and the companies which fulfill their responsibilities will receive rewards, such as tax deductions.

One research unit has found that instead of fulfilling the responsibility of monitoring and controlling the CSR implementations, the government institutions target the companies for the funding of projects, and as a reward, the government institutions provide security to the company's operations and reduce the bureaucratic hurdles.

Specifically, based on the examples of companies' external CSR activities and a review of managements' perspectives on CSR, we can see that the purpose of CSR for the companies is "image building", whether it is for building the brand's image, or the company's image, or both. A good public image helps the companies' cause in begetting the trust of the society, which in turn provides a measure of safety in running their operations; increased sales; a good rating to attract more investors; and in the end, greater profits.

Why then is CSR only popular for external use? It is because, CSR is a strategic and flexible tool for the company; strategic because it will create a good image as a social actor, and flexible, because for other managerial purposes CSR can be integrated to each management programme such as marketing and human resource managements.

When CSR is used as a human resource management tool, it is used in a subtle way to influence each worker and or trade union development by showing that the company management is concerned with worker welfare, or to persuade the trade union

to cooperate with the management. But CSR's influence on workers depends on how independent and solid the workers in the trade union are in their efforts to strive for their rights. Our initial research shows a variety of results from CSR programmes, starting from 'no impact' to 'minimum impact' (that can be ignored by the trade unions) to 'union busting' when CSR has failed.

Conflicts between a management and the trade union do occur in matters related to human resource policies and practices, and in cases of inadequate financial transparency. For the trade union, when comparing the content of a collective labour agreement with internal CSR policies, the union finds the collective labour agreement much more preferable, since it provides assurances that the internal CSR cannot provide.

Workers' rights are often being violated by companies in pursuit of profits. Ostensibly, offsetting this are human resource management practices which are a company's way to deliver CSR to workers. The collective labour agreement is the workers' instrument to ensure the fulfillment of workers' rights, and the presence of the trade union is necessary for the workers because the collective labour agreement can only be formed with the existence of a trade union. It is in just those conditions where the worker is and could strive for the fulfillment of his rights through Trade Union, that the trade union's presence is considered intrusive by most of the companies. And not to mention the collective labour agreement which is a direct challenge to a company's financial transparency and profits, since with the existence of a collective labour agreement, a company will have to be transparent in its dealing with the trade union about their financial conditions. And the plans to fulfill workers' basic rights will surely increase a company's labour cost and shave off profits.

Since the right to form a trade union is protected by law, most companies cannot refuse the formation of a Union by its workers, but most of the time they will try to direct the workers to form a workers' forum and persuade them by providing them with many CSR programmes. When the companies cannot bar the formation of a union, then CSR is covertly used to weaken trade union's influence or to persuade it to be cooperative with the company's management. If the company's management fails to persuade the Trade Union to cooperate with them, then discriminatory action against the trade union's leaders takes place, in order to discourage other workers from joining the trade union. One finding uncovered in all four companies discussed in this paper was that trade union leaders and other members have all been discriminated against, with respect to receiving benefits such as in training and development opportunities, scholarships and promotion. In addition, in some cases (found in the third and fourth cases presented above) union members are denied wages and allowances. Discriminatory acts are one way that the management can make the workers obey their will. Rewards are given to the worker or a trade union, which is obedient and cooperative. If the management's action to weaken the trade union fails, then union busting would take place, despite the fact that this is in violation of the law. But since most of the time companies win their cases against workers in court, they are not afraid to violate the law. Therefore, CSR, as one of the human resource management tools indirectly impacts the development of trade

unions because it becomes a factor influencing workers' decisions to form or join a trade union.

As regards the CSR stakeholders, both internally and externally, as company beneficiaries, all stakeholders should function as controlling agents of a company's CSR programme and its implementation. The worker, too, as one of the company stakeholders, should function as a controlling agent of the company's internal CSR implementation through the trade union. As a controlling agent, the trade union should actively monitor and evaluate the company's human resource management policies, practices and other action that affects human resources. If we accept that the trade union should function as a controlling agent of the company's internal CSR implementations, then a company's objection to the existence of the trade union can be seen as an act of refusing to accept the existence of a controlling agent of the company's internal CSR implementation. Regardless of how it is accomplished, it is necessary for the trade union to ensure that the company is committed to and respects national and international labour rights' standards. This can be done by negotiating with the company to put these standards in the collective labour agreement and actively monitor the company's commitment to their implementation.

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## Microfinance Institutions in India: Issues and Challenges

Dr. Anand Kumar Rai <sup>1</sup>

### ABSTRACT:

*India is one of the developing countries in the world. It is argued that among others absence of access to credit is presumed to be the cause for the failure of the poor to come out of poverty. Lending to the poor involves high transaction cost and risks associated with information asymmetries and moral hazards. Microfinance is one of the ways of building the capacities of the poor who are largely ignored by commercial banks and other lending institutions and graduating them to sustainable self-employment activities by providing them financial services like credit, savings and insurance.*

*To provide microfinance and other support services, Microfinance Institutions (MFIs) should be able to sustain themselves for a long period. Therefore, this paper tries to identify the major issues and challenges faced by the Indian microfinance institutions.*

### INTRODUCTION

India is a developing nation. The GDP per capita of India, though it has shown improvement in recent years, is only (USD) \$1514 as at the end of 2011. It is argued that, among others, absence of access to credit is presumed to be the cause for the failure of the poor to come out of poverty. Meeting the gap between demand and supply of credit in the formal financial institutions frontier has been challenging. In fact, the gap has not arisen merely because of shortage of loan-able funds to the poor rather it arises because it is costly for the formal financial institutions to lend to the poor. Lending to the poor involves high transaction cost and risks associated with information asymmetries. Nevertheless, in several developing economies governments have intervened, through introduction of microfinance institutions to provide microcredit to the poor.

Microfinance is one of the ways of building the capacities of the poor who are largely ignored by commercial banks and other lending institutions and graduating them to sustainable self-employment activities by providing them financial services like credits, savings and insurance. The reasons of this neglect are many. Often, such credits are just not profitable enough for banks because of economies of scale. By focusing on small amounts, and easing collateral requirements, microfinance institutions are better equipped to target poor individuals or groups who need resources to finance small scale investments. To provide microfinance and other support services, MFIs should be able to sustain themselves for a long period.

In India microfinance traces its roots to mid 1970s when some prominent Indian NGO's like Myrada & Pradan started using the Self Help Group (SHG) model. The SHG is used as a platform for social mobilization and finance is one of the various services provided to the grassroots community through this model. It was widely replicated across other developmental NGOs. It is a community driven and managed microfinance model where the NGO plays the role of a facilitator, for instance providing capacity building services to the groups and building relationships with banks.

It is only from last 15 years that the MFIs, using Grameen model or Joint-Liability Groups (JLG), created a pace in outreach and credit growth. With the phenomenal growth recorded by the MFIs in India in recent years, 62% per annum in terms of

numbers of unique clients and 88% per annum in terms of portfolio over the past five years i.e. Year 2005 to Year 2010 and around 32 million borrower accounts by March-end 2011, India has the largest microfinance industry in the world.

Yet question remains whether it is a sustainable business model or not? The purpose of this paper is to identify the issues and challenges faced by microfinance institutions of India.

Some researchers have found the evidence to be not so favourable. Many MFIs seem to have trouble reaching self sustainability at the financial level, even after the set up period. In this case, microcredit becomes more akin to subsidized credit which has a long record in developing countries, but often fails to achieve lasting positive results.

Still even if the MFI's do not reach financial sustainability and fail, therefore, to conform to the "win-win" assumption, they can still be considered valuable if they provide credit facility to poor households who would not be able to find financial resources otherwise. In this perspective, outreach has social value in itself, which may more than offset the cost associated with permanent financial subsidies needed by the MFIs.

In other words, MFIs face double challenge: not only do they have to provide financial services to the poor (outreach), but they also have to cover their cost in order to avoid bankruptcy (sustainability). Both dimensions must, therefore, be taken into account in order to access their performance.

### APPROACHES OF MICROFINANCE

The concept of microfinance has influenced by two major schools; the Institutional school and the Welfarist school. Institutional school focuses on developing a financially sustainable institution that is expected to serve the poor. The basic foundation of such an approach is to provide financial services to poor at an affordable cost. Numerous large-scale, profit seeking microfinance organisations come under this approach that provides high quality financial services to the poor. This approach is expressed in nearly all literatures published by World Bank, CGAP, USAID, ACCION International and Ohio State Universities Rural Finance program.

<sup>1</sup>Asst. Professor & Area Chairperson - Finance, Army Institute of Management & Technology, Greater Noida (UP), India. E-mail: [anandleo19@hotmail.com](mailto:anandleo19@hotmail.com)

Believers of Institutional approach are opposed to the idea of dependency on subsidies because earlier attempts on poverty alleviation through subsidies by various development agencies, NGOs and the governments of developing countries failed. The reason behind the failure included; high cost of transactions, lack of assets for the poor households, institutions lacking in saving mobilization and high level of corruption. The impact was very insignificant and that leads to dried up donor fund.

According to Institutionalist, a significant impact on poverty can be achieved only if MFIs are financially self-sufficient and independent from any subsidised funding from donor or government.

Examples of MFIs operating under this approach are Bank Rakyat Indonesia, SKS Microfinance, and Uganda Microfinance Union etc.

On the other hand, Welfarist focuses on immediate improvement of the economic safety for the poor. They focus on providing financial services to the poorest of the poor at subsidised rate of interest. The MFIs that fall under this approach are heavily reliant on the government subsidies and grants as well as donor subsidies. Saving mobilisation is not a part of the lending process in this approach.

Though they understand that the long term sustainability of MFI is very important, however, they do not agree that avoiding donor subsidies completely will be required to achieve that state. Examples of MFIs operating under this approach are Grameen Bank Bangladesh, FINCA in Latin America etc.

## MICROFINANCE DELIVERY MODELS

Microfinance services are provided with different methods in India and elsewhere. Delivery models can be divided into two broad categories.

- I) Group models
- II) Individual models

Group models can be divided into three categories.

- I) Self-help Groups (SHG)- Bank-linkage
- II) The Grameen model
- III) Joint Liability Groups (JLG)

The individual model corresponds to individual banking.

As of March 2011, over 1.8 million Self-help Groups (SHGs) active in India represented over 60 million microfinance clients, while the MFI model, growing at a staggering 60 percent per annum, served another 30 million.

## SELF-HELP GROUP-BANK-LINKAGE

The SHG model, in the form of the SHG-Bank-linkage program (SBPL) was initiated in the early 1990s by the National Bank for Agriculture and Rural Development (NABARD). SHG linkage is based on the principle of 'savings first'. These savings are not only a way of creating group solidarity and, testing people's willingness regularly to keep some cash aside, they also create a loan fund from which the group can borrow. Such groups normally comprise of 15-20 women. Peer-pressure replaces traditional guarantees, such as references and assets or collateral. The existing network of government banks binds the SHGs to credit channels, and having demonstrated the financial success of this endeavor. The private banks are also increasingly venturing into this field.

To obtain loans from banks, the SHG members must first establish their credit-worthiness, by maintaining scrupulous records of savings and mutual lending, usually for a period of six months. Further, the mechanism guards against defaults on loan payments, as no new member may receive a fresh loan until the previous arrears are cleared. Another repayment incentive is the ability to access larger repeat loans upon on-time repayment. The loans offered to the SHGs are usually a multiple (2-4 times) of their savings, and are granted to the SHG as a whole, which then decides autonomously on the disbursement among the members. It is argued that the meetings reinforce a culture of discipline, routine payments and staff accountability, while others counter the claim arguing that daily or weekly congregation compounds the workload of the borrowers and at times discourages new entrants. There is also the assertion that the 'group leader' may wield undue control over loans issued to the other members.

While ideally, once members have managed to build up their assets, they should be able to operate individual accounts; this is not always the case. Critics of the SHG movement argue that poor people, given the choice, prefer an individual service and the simplicity of a reliable retailer managing the bookkeeping, rather than taking on the added responsibilities and risks of running their own mini-financial institution (SHG). Among the other drawbacks, SHGs entail a process of mutual self-selection, which may lead to the exclusion of the economically weakest members in a community. Further, it is noted that repayment does not depend solely on peer pressure; rather it also requires management, transparency and accountability, for which apparatus of training and supervision should be in place.

### The Grameen Model

The Grameen model was initiated by Mohd. Yunus in Bangladesh. With this model, the institution lends to affinity groups of 5 individuals. These groups are very standardized in structure. They organize weekly meetings and saving is mandatory for members. Credit is not given to all members simultaneously, but all hope to have their turn and all stand for each other's obligations. The groups are created under supervision of the MFI, according to a well-defined structure to facilitate access to microfinance services.

### Joint Liability Groups or Individual Liability

MFIs serve as 'lending intermediaries' between investors (banks/private equity firms) and the microcredit borrowers. In India, they exist either as NGOs or as Non-Banking Finance Companies (NBFCs). The Joint Liability Group method was made famous by Grameen Bank in Bangladesh and has been replicated by MFIs across the world.

Under the JLG model, MFIs organize members into groups with the understanding that even though members will be given individual loans, the group as a whole will be liable for repayment. As in the case of the SHGs, social pressure ensures that repayment levels remains over 98 per cent in India. The size of the group is much smaller than an SHG with each group comprising of 5 women. Certain MFIs also lend to individuals with individual liability. In order to qualify for a bigger individual loan, members must have demonstrated good credit history over one to two years.

The advantage of the JLG model over the SHG model lies in the former's ability to scale. It is highly replicable and allows MFIs to rapidly expand their client base and become more profitable. In fact, 30 percent of the 70 million microfinance clients in India are members of the top 10 MFIs. Critics of the MFI/JLG model argue that high growth rate experienced by MFIs in India has translated into a mission drift with the focus shifting from client satisfaction to profit making.

## COMPARATIVE STRENGTHS AND WEAKNESSES OF MICROFINANCE

### STRENGTHS

#### Cost Effectiveness

Many researchers point out, the greater the microfinance institution's outreach (i.e. the more clients it serves) the more cost effective and sustainable it becomes. In most development initiatives, the more people you serve, the greater the cost becomes; with microfinance initiatives, the opposite is true.

#### Powerful Leveraging Effect

Macro-economic policies linked to structural adjustment processes, although subsequently oriented in ways that tended to limit or minimize social problems, could hardly bring about a lasting solution. Such policies support the traditional approach, in which poverty is deemed to be alleviated by top-down money transfers initiated by the State in the direction of the poor.

When the Lower Rural Bank, using entirely its own loan capital, had been offering Credit with Education for about four years. at that time, the program had an operating self-sufficiency ratio of 81% (meaning that the interest paid by borrowers covered 81% of the Lower Rural Bank's costs of delivering Credit with Education as one of its several services to surroundings Communities). These operating costs included financial costs, including interest on debt but not loan-loss reserve. As of June 2007, the reported operating self-sufficiency was 130%.

### WEAKNESSES

#### Less Universal in its Application

Where market opportunities are constrained by low population density and limited purchasing power or are flooded with similar goods and services, training, technological development or assistance with marketing may have a greater impact than microfinance. Even where market opportunities are promising, basic services and infrastructure that improve the productivity of existing livelihood activities such as agricultural extension or veterinary services, improve natural resource management, and irrigation or health services which prevent sickness destroying livelihoods may be more appropriate than microfinance.

For microcredit to be an appropriate intervention, certain pre-conditions should not hold. Lending under these conditions may not produce tangible benefits. These include:

- i) Immediately after emergencies
- ii) For the chronically destitute
- iii) In severely disadvantaged areas lacking infrastructure, services or access to markets
- iv) Where illness such as HIV/AIDS pervades

### Borrowers need to be suitably entrepreneurial

The sources of the success of microcredit are also the sources of its weaknesses. Microcredit is self-targeting and hence cost-effective. But not all rural poor are able to benefit from microcredit programs; utilizing loans in productive activities requires entrepreneurial skills that most people lack. Microcredit programs must target only those poor who have some ability to initiate activities with growth potential but lack capital. For the rural poor who are unable to become self-employed, targeted food programs and wage employment may be more appropriate. Microcredit also suffers from its limited ability to increase the size of the loan per borrower because of the limited capacity of borrowers to absorb loans.

## MICROFINANCE IN INDIA

### THE NEED FOR MICROFINANCE

In the Indian context, especially in rural areas, there remains a vast lacuna in the availability of formal finance, and informal finance often comes tagged with extortionary terms or conditions of servitude. Following the bank nationalization drive started by Indira Gandhi in 1969, where commercial banks were required to open rural branches, India's banking network grew exponentially. Today, India boasts of over 32,000 rural branches of commercial banks and regional rural banks, around 14,000 cooperative bank branches, 98,000 primary agricultural credit societies, 154,000 outlets of the post office network, as well as several other non-bank finance companies and mutual fund sellers. While the numbers seem impressive, it has been estimated that 70% of the marginal and landless farmers do not have a bank account and 87% have no access to credit from a formal source, leading to the conclusion that rural banks primarily serve the interests of the richer rural populace. From among the households surveyed under the RFAS-2003 (Rural Finance Access Survey 2003), over 90% reported that they funded unexpected expenses from cash at home, and the second most significant source was informal borrowing from friends, relatives and moneylenders. These statistics gave microfinance a vast playing-field, and taking heed of this potential, the industry has grown to serve over 80 million clients in India alone.

### FAILURE OF BANK NETWORK TO DELIVER

In order to understand why most Indians are unable to borrow from formal financial institutions, Basu and Srivastava cite a combination of factors involving the banks and the clients themselves. They argue that the banks are wary of the repayment capacity of poor borrowers, their volatile income streams and incapability to provide collateral. The clients also make bad-borrowers as they typically avail of loans for consumption smoothing rather than investment in business and when the loans are for entrepreneurial purposes the poor borrowers often lack the technical/business skills and market information to make their businesses viable. Further, the transaction costs of rural loans are significantly higher since the loan size is usually small, there is widespread illiteracy among poorer clients and they are spread over a large geographical area.

From the perspective of the borrowers, rural banks are unattractive for multiple reasons as well. As noted previously,

the services offered by banks are not well suited to the non-uniform income patterns of the poor, compounded with the transaction costs and in some cases bribes to bank officials, banks begin to seem as tedious an option as usurious moneylenders. Borrowers also usually have to travel long distances from their villages to reach the bank, and alongside paying for the transportation cost, lose close to a day's wages due to the time spent traveling. Finally, bank loans take, on average, about 33 weeks to process, and are made out against collateral, making them unviable for poorer rural borrowers.

### DRAWBACKS OF INFORMAL FINANCE

The RFAS-2003 report indicates that informal finance remains the mainstay of rural borrowers, where 44% of the households surveyed had borrowed from informal sources at least once over the past year and the interest charged on these loans averaged 48% per annum. Interestingly, while nearly half the loans were used to finance "family emergencies" and "social expenditures" (related to births, deaths, marriages etc.) and only 13% were used for investment related purposes. The attractions of informal finance range from flexible repayment schedules to ease of access to the loans and less reliance on collateral. However, it was noted that in most cases where collateral was involved, landless and marginal farmers tended to pledge self-labor in lieu of other assets, thereby leaving them vulnerable to exploitation as bonded labor. Until the 1980s, credit for agriculture was accorded high priority and the presence of informal microenterprises – street vendors, home workshops, market stalls, providers of informal transportation services etc. were perceived by policymakers and economists to be a result of economic dysfunction. The typical profile of those operating in the informal economy include a scarcity of capital, non-legal status, operation in unregulated markets, labor intensive production modes, non-formal education and low skill levels, irregular work hours and small inventories. While these traits formerly led to their exclusion from access to formal finance, commercial microfinance recognizes the profit-potential of the informal sector, which not only provides employment to millions in India, but is also an important contributor to the economy.

### THE MICROFINANCE AGENDA

To begin with, microfinance set out to address income and gender inequality by empowering poor women. In the course of time, the emphasis shifted to sustainability and outreach and lately, the core emphasis seems to have become profit generation.

Institutional microfinance started as a means of alleviating poverty and helping the poor to create sustainable livelihoods for themselves. Optimists argue that "microfinance seems to have squared the circle; this was an intervention that could not only alleviate poverty, but that could and should also pay for itself, be sustainable and even make profits. Only in that way, it is argued, can it reach the millions who need it." Against the backdrop of the global financial/liquidity crisis, the microfinance sector has stood firm and continually shown higher profits and weathered the global financial crisis better than many of the trusted institutions of mainstream finance. The perception that catering to the poor is risky business seems to have firmly been proved wrong by microfinance.

Writing about the limitations of the post-independence development initiatives in India, Udaia Kumar rightly points out that "The experts and technocrats, who tailored development programs for such a vast country (India), failed to provide the necessary space for the involvement of the local community in the design, implementation and monitoring of such programs." Microfinance is poised well to infuse some democratic spirit into development initiatives, seeing client satisfaction as the premise for its financial sustainability.

However, it is still debatable whether microfinance can make profits and pursue the social welfare agenda at the same time. Christopher Dunford of 'Freedom from Hunger' believes that these are irreconcilable aims. He argues that "profitability and growth are more likely to be achieved by offering more services to the same clients, rather than reaching out to new ones" and if this is achieved "the client profile will inevitably drift upwards and away from the poor, and what started like a businesslike activity with charitable goals will become no more than another profit seeking business."

### CONCERN IN INDIAN MICROFINANCE SECTOR

#### MISSION DRIFT

It would be foolhardy to believe that the involvement of banks and other financial institutions is simply altruistic. After all, microfinance has been recognized as an astute business opportunity, and herein lies another potential negative turn of events. There is an apparent shift in the focus of MFIs, from the philanthropic bent and missionary zeal to alleviate poverty, towards the hard-nosed business ethic of calculating success based on the financial bottom line. In an environment where the measure for success often remains the number of loans disbursed or the number of clients acquired, the poor often become casualties rather than beneficiaries. Malcolm Harper points out that poor people have always been prey to unscrupulous and recalcitrant moneylenders or other bogus savings institutions. Therefore, there is a very real risk that in the guise of genuine MFIs, swindlers or worse incompetent people may injure them even further.

#### USE OF LOANS

There is a latent assumption that microloans will lead to entrepreneurial and profit generating activity, thereby perpetuating a virtuous cycle of poverty reduction. However, the reality is that a large portion of loans are taken for non-productive activities, such as weddings, funerals, dowries, roof-repair, subsistence etc. This is not to say that such activities do no merit loans, in fact, one of the primary merits of microfinance is that it makes the poor less vulnerable to destitution by making available these small loans. It may also be argued that by smoothing over the expenditure on food consumption of a farmer for instance, a microloan may allow him/her to work better in the fields, and is therefore eventually remunerative.

"The clients of microfinance institutions have always used some of their loans for purposes other than microenterprise investment. This may still be known as 'misuse' by some agencies but most providers of microfinance services are coming to realize that money is fungible, and that their

customers probably know better than they do how to best use their money."

However, a cautionary note must be added that when microloans are made available of for non-remunerative purposes, by an over-zealous loan officer to a financially-uneducated client, they may engender a spiral of further poverty. The State of the Sector (SOS) Report 2009 explicitly warns against such loans and recommends that the ability of the client to repay the loan amount must be established prior to the disbursement of the loan.

#### MULTIPLE-BORROWING

Often when a borrower is unable to repay a microloan within the stipulated time, she may be forced to take another loan, from a different MFI in order to meet her commitment. The problem of multiple lending has permeated most regions in southern India, where there is a high concentration of MFIs, and intense competition to woo the maximum number of clients. In such a scenario, it would be appropriate to cite Pischke's dictum that 'microcredit is also micro debt'.

As MFIs expand and loan officer incentives are tied to client repayment, there may be a clash between profitability and sensitivity to client needs and circumstances. The most heinous consequence of taking a microloan and being unable to repay it was evident in the much publicized Krishna district debacle of 2006 where some farmers committed suicide due to the debt-burden. However, to the credit of the microfinance community, there is a concerted effort towards sensitizing field officers and higher management towards the needs of the microfinance clientele. In fact, Indian NBFC MFIs have come together to initiate the formation of a 'credit-bureau' in order to avoid the cataclysmic consequences being repeated elsewhere. Most MFIs have some sort of procedure in place to re-schedule loan repayments in the face of genuine circumstances.

#### QUALITY ISSUES

There have also been allegations against the quality of MFIs in India, many of which suffer from weak governance and management structures, the absence of internal controls and the lack of financial discipline. This is particularly true of the many opportunistic start-up enterprises that are keen on cashing-in on the current microfinance boom. Attracted by the high returns that established MFIs have yielded for their investors, these start-ups are able to break even in a mere 18 months of operation, at the risk of providing poor quality services and charging high rates of interest to clients.

#### OVER-EMPOWERMENT

Shahin Yaqub of BRAC offers another interesting perspective when he writes that "poor people save and repay as instructed and work within the often inconvenient group mechanisms. When microfinance helps them to become less poor, they become empowered." He writes that, "Empowerment and virtue are not the same thing" suggesting that in their empowered position, poor people are better able to resist not just unjust socio-political conditions, but also the legitimate claims of microfinance and are no longer willing to be subservient to the MFIs various procedural demands.

### REGULATION OF INDIAN MFIS

The Indian government mandates a policy where banks are required to direct 40% of their lending to the "priority sector" segment (including agriculturalists and other rural borrowers) of the economy. Banks have the option of subscribing to government issued bonds to fulfill this requirement, but more and more commercial banks are now financing microfinance loans, as these are more lucrative.

Two separate incidents, in recent years, that greatly embarrassed the Indian microfinance community have reinforced the need to put regulatory mechanisms in place. In the Krishna district of Andhra Pradesh the government shut down certain MFI branches after farmers committed suicide due to indebtedness, while in Kolar district of Karnataka, the local Muslim leadership forbid Muslim women from repaying MFI loans, leading to large scale default with the crisis, spreading to non-Muslim communities as well. Interestingly, after the debacles in the Krishna and Kolar, the microfinance industry has become increasingly keen on establishing a regulatory framework, and a microfinance bill, pending in the parliament is eagerly anticipated.

Currently, non-profit MFIs in the form of trusts or societies are unregulated, while NBFC MFIs are regulated by the reserve bank.

However, the RBI includes them under the broad spectrum of all Non-Banking Finance Companies. There are therefore no special regulations for the microfinance industry, an oversight which will hopefully be corrected by the microfinance bill.

### THE NORTH-SOUTH SKEW IN INDIA

There is a distinct regional imbalance in the access to financial services, whereby the most heavily populated and poverty stricken regions of eastern, central and north-eastern India have a disproportionately lower level of financial access. While these states account for 54 percent of the country's population and 40.5 percent of the total bank branches, they have only a 20 percent share in outstanding bank credit and 29 percent share of deposits. The growth and spread of MFIs has reflected a similarly skewed trend, where the more prosperous southern states are nearly saturated, and the poorer states show a rather sparse presence of MFIs.

### CONCLUSIONS

While microfinance remains a small proportion of the overall financial system in terms of portfolio size, it is growing much faster; bank credit grew by 17.5% during 2008-09 while microfinance portfolios grew by around 100%. As a result, in terms of portfolio size as well as number of clients served it is becoming an increasingly significant part of the financial system. Deposit services remain a distant dream. Thrift deposits are accepted formally by MFIs from their members and are recorded as part of their balance sheets wherever these are legally permitted. The magnitude of MFIs deposit services in India is limited by the fact that not all MFIs are allowed by the regulator to offer such services.

Given recent actions by the Government of Andhra Pradesh, the expected deterioration in portfolio quality as a result, it is quite likely that there will be an increase in costs incurred by Indian

MFIs to maintain lending standards while ensuring portfolio

quality. At the same time, it is likely that the portfolio yield will decline in response to the political and media pressure on interest rates to end-clients. The implications of such drastic interventions by the government for the long-term sustainability of MFIs are difficult to predict. At best it will result in a decline in capital available for microfinance, thereby slowing down the financial inclusion effect of MFIs operations; at worst it could destroy microfinance altogether, resulting in throwing low income families back into the not-so-benevolent arms of moneylenders.

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## APPENDIX

Top 10 MFIs with their Gross Loan Portfolio (GLP) and active number of borrowers as on 30th Sep 2012.

SN	MFIs	GLP (Million \$)	Active number of borrowers
1	BANDHAN	663.197	3,968,326
2	SPANDANA	531.670	3,399,958
3	SHARE	366.692	2,187,952
4	SKDRDP	295.975*	1,015,440**
5	SKS	249.733	3,976,564
6	AML	241.782	1,136,100
7	EQUITAS	175.796	1,113,576
8	UJJIVAN	156.676	890,491
9	Grama Vidyalaya Microfinance	83.627	711,815
10	BASIX	55.974	406,423

\* Figures as of 30th June 2012

\*\* Figures as of 31st March 2012

# Sustainable Agricultural Development : A Case Study of Public-Private Partnerships

Marco Ferroni<sup>1</sup>

Paul Castle<sup>2</sup>

## ABSTRACT

*Agriculture in Africa is not sustainable because average yields have been stagnating for decades due to underinvestment, especially in the development of agricultural markets, crop improvement and the sustainable management of agricultural systems. Low public sector funding for agricultural research and lack of incentives for the private sector to operate in areas where there is no market largely explain the yield gap in many food-importing developing countries. Yet, there are effective ways in which the public and the private sector could work together and jointly improve agricultural sustainability in poor countries. The public sector provides a favorable institutional environment for the development of agricultural markets and investment in rural infrastructure, facilitates local business development and funds research with local relevance. The private sector, in return, brings its considerable expertise in product development and deployment. This article illustrates how new forms of public-private partnerships (PPPs) for agricultural development can work in challenging environments. It discusses three promising examples of PPPs in which the Syngenta Foundation for Sustainable Agriculture (SFSA) is actively involved, and shows that an experimental approach can sometimes be more effective than social planning in efforts to achieve sustainable agriculture.*

**Keywords:** Sustainable Agriculture, Public-Private Partnerships, Synergies, Guidelines

## INTRODUCTION

Agriculture made great progress during the "Green Revolution" of the 1960s and 1970s. Companies and public sector organizations around the world continue to achieve breakthroughs in many areas that contribute to global food security. Nonetheless, yields in key crops still vary significantly between farming regions, and often remain far below their optimal potential. Crop losses pre- and post-harvest continue to prevent an estimated 40 percent of agricultural produce from actually reaching the marketplace. There are many reasons for these shortfalls, but one frequent cause is farmers' lack of access to technology, adequate extension services and poor market integration.

There are two main reasons for "lack of access" to a particular technology: either it has not yet been developed, or it actually exists, but is not yet available everywhere it is demanded. There are still numerous pests, diseases and other agricultural challenges for which no proper solution is available at all. There are also many solutions of which scientists are aware, but which are not yet deployed commercially in all the settings in which they could help. Both kinds of "lack of access" hold farmers back around the world, but particularly in developing countries.

Traditionally, the public and private sector have attempted to provide solutions independently from each other, with the exception of certain sections in the long path from basic research to widespread commercial deployment where collaboration was unavoidable. It has been argued, for example, that the "Green Revolution" was a public sector initiative that partially crowded out private activities and thus resulted in a general neglect of tailor-made solutions for farmers. Isolated approaches are therefore unable to cope with challenges of the 21st century, notably the achievement of the farming-related Millennium Development Goals. The first main section of this article illustrates the effectiveness of public

private partnerships (PPPs) by means of three selected examples and draws some general lessons for future PPPs.

PPPs are a popular type of collaboration in many sectors of the economy around the world. In one form or another, partnerships between public institutions and private individuals or organizations have existed for centuries. Medieval church-building is arguably one example; in the 19th century, universities in the USA and Germany played a key role in facilitating their countries' industrialization. Modern examples continue to include tertiary education, as well as such diverse areas as infrastructure, defense, pharmaceuticals, road management and the Olympics. There is also a growing realization of the value of PPP in agriculture, and particularly for projects that benefit farmers in developing countries. So far, however, very few agricultural PPPs exist. Those that do are largely experimental, and form a new field of practice and inquiry for the participants.

PPPs can take a variety of forms. They are not limited to bilateral collaboration between a government agency and a private corporation. PPP for sustainable agricultural development can also include, for example, multi-partner structures that bring together private companies with entities such as non-governmental organizations (NGO), university research institutes and foundations. These structures have sometimes been termed "Hybrid Value Chains" that create shared value. The present article uses the term "PPP" broadly, to include both these forms and the many other possible for-profit/not-for-profit combinations.

Whatever form they take, successful PPPs have a number of features in common. The rationale for their creation is always the same: to achieve more through partnership than any of the parties could do on their own. A PPP in agricultural research and development (R&D), for example, can overcome both the

<sup>1</sup>Syngenta Foundation for Sustainable Agriculture, Schwarzwaldallee, Switzerland  
<sup>2</sup>Syngenta Foundation for Sustainable Agriculture, Schwarzwaldallee, Switzerland

public sector's usually limited ability to take research outputs to market, and the private sector's limited scope for operation where there is no commercially viable market. Contracts, planning, inter-partner relationships and the distribution of tasks within the PPP should all contribute to maximizing synergies between the parties involved.

## AGRICULTURAL PUBLIC-PRIVATE PARTNERSHIPS IN CURRENT PRACTICE

The June 2010 "G-20" Summit in Toronto, Canada, stressed that "there is still an urgency to accelerate research and development to close agricultural productivity gaps". The meeting went on to declare that "the private sector will be critical in the development and deployment of innovative solutions that provide concrete results on the ground".

G-20 governments are certainly right to stress the key role of the private sector here. Growth in public investment in productivity-enhancing agricultural R&D has been declining for some time in most of the world outside China, and total investment has declined in critical regions such as Sub-Saharan Africa. Private investments and capability, on the other hand, continue to grow. This must, however, not mislead observers into thinking that the private sector should—or even could—address the huge challenge of helping farmers achieve sustainable food security on their own. R&D partnerships are instead necessary to pool public and private assets. Private organizations contribute expertise in plant sciences, genomics and bioinformatics, for example. The public sector provides strength in crop improvement, and is generally more likely than private companies to commit research resources to "orphan" crops. The international Tef Improvement Project is used as an example later on to illustrate how that might work in practice.

Importantly, the contribution of the private sector to agricultural development goes far beyond research. It is in the nature of for-profit enterprises to bring products to the market and deliver value, including to smallholders. Driven by the need to commercialize new technologies, companies also have considerable expertise in product development, marketing and delivery. Public programs in agricultural R&D have been successful in certain important areas. However, they are frequently ineffective when it comes to actually delivering products such as improved seed varieties that are tailored to the farmer's actual needs, and thus to facilitating repeat purchase and effective use. Public sector incentives can be helpful in the introductory phase of new hybrid seeds, but these should definitely not be made available free of charge. Well-meaning but over-generous government hand-outs stifle private initiatives, and raise inappropriate long-term expectations among farmers.

The private sector goes only where there is a commercial incentive. Farmers too remote or too poor to purchase inputs do not benefit from innovations. In fact, the technologies they need may not even get developed. PPPs offer the prospect of overcoming each sector's limitations: the business sector's inherent inability to operate where there is no market, and the public sector's limited ability to market research outputs. Put more positively: partnerships enable sustainable outcomes that

no single party could achieve alone. Ideally, a PPP's output is more than the sum of its parts.

Deployment of products in marginal rural areas is vital. Global food security depends heavily on smallholders in such areas. There is a great potential to better connect markets, services and technologies and thus increase their productivity. Based on agricultural censuses, the Syngenta

Foundation for Sustainable Agriculture (SFSA) estimates that non-OECD countries have approximately 450 million small farm units, defined here as "up to two hectares". Assuming an average household of five, this means that about one-third of the world's population directly depends on small-scale farming for at least part of its livelihood. Small holders produce a large share of the food consumed in developing countries and emerging markets. Their ability to earn incomes from farming and in turn pay for inputs, consumer goods, and, for example, school fees for their children, also affects general development prospects and economic transformation.

The following three examples illustrate how PPPs add more value to small-scale farmers and how such partnerships allow them to cope better with uncertainty. The first two examples involve the use of non-transgenic agricultural biotechnology to improve crop yields and the last one shows how market-and weather-related uncertainties can be addressed through micro-insurance schemes.

### NON-PROFIT PARTNERSHIP: SMALLER TEF PLANTS

Tef (*Eragrostis tef*, from the sorghum/millet family) is an African "orphan" crop, meaning that it has not been the subject of much research and development work due to its limited international commercial potential. Tef is the most widely cultivated cereal in Ethiopia, where about 85% of the population lives in rural areas. The plant is excellently adapted to the climatic and soil conditions in Ethiopia, where it performs better than other cereals in both drought and water-logged conditions. The seeds contain high protein levels and are free of gluten, to which millions of people worldwide are allergic. However, the average tef yield is much lower than for most other cereals. "Lodging" is the major problem: tef has a tall, tender stem which easily falls over under the weight of the seed head.

The SFSA is now working with the University of Berne, Switzerland, to develop shorter "semi-dwarf" plants. In the past, conventional breeding of tef did not generate significant genetic improvements. To address this challenge, the team in Berne, led by an Ethiopian researcher, is using a technology called TILLING (Targeting Induced Local Lesions In Genomes). This non-transgenic method is designed to identify and introduce heritable variation in genes that affect the relevant growth traits. The Berne team has transferred its findings with tef to a public scientific center in Kenya for implementation, and field-testing has begun in Ethiopia.

### PROFIT/NON-PROFIT PARTNERSHIP: RUST-RESISTANT WHEAT

The tef project is an example of a partnership involving various types of non-profit partners. The wide range of agricultural challenges is also being met by "classical" public-private

collaborations involving a for-profit partner. In 2009, for example, the SFSA brokered a two-year public-private partnership focusing on wheat. The partners aim rapidly to identify and map genetic markers for use in breeding resistance to Ug99 stem rust. According to the FAO, wheat has recently become the world's second most important food crop. It provides 500 kilocalories of food energy per capita per day in China and India, and can deliver up to 50 percent of daily calorie uptake in Central and West Asia and North Africa.

Ug99 is caused by the fungus *Puccinia graminis*, and can cause devastating crop losses. The disease first emerged in Uganda in 1999, and is currently spreading across Africa, Asia and the Middle East. It has the potential to move much further, posing a serious risk to the world's wheat supplies. Even without the threat of Ug99, wheat yields need to rise by an estimated 1.6 percent each year to reach required global production levels by 2020, yet investments in wheat technology have lagged far behind those for other major cereals. The SFSA project combines private sector plant genetic profiling expertise with public sector strengths in field research. The results will contribute directly to worldwide efforts to combat stem rust, coordinated by the Borlaug Global Rust Initiative.

### MULTI-PARTNER COLLABORATIONS: BIOFORTIFICATION

The SFSA also supports the Harvest Plus Challenge Program to improve global nutrition. The partners aim to make staple food crops rich in important nutrients available. Harvest Plus, an initiative of the Consultative Group on International Agricultural Research (CGIAR), is an interdisciplinary global alliance of research institutions and implementing agencies. Harvest Plus focuses on improving the nutritional value of staple foods that poor people already eat. This "biofortification" uses conventional breeding to develop crops richer in necessary minerals and vitamins. The aim is to deliver micronutrients cost-effectively and sustainably to malnourished populations, especially in rural areas. Work includes developing plant breeding tools, crossing and testing crop lines for nutritional effects, disseminating new varieties, and measuring their effectiveness in improving malnutrition.

The current development phase focuses on three micronutrients in six crops across seven Asian and African countries. The program has already released one crop: an orange-colored sweet potato rich in vitamin A and now available in Uganda and Mozambique. The main emphasis is now on iron in pearl millet (India) and bean (Rwanda), as well as on vitamin A in hybrid corn (Zambia) and cassava (Nigeria). Along with the SFSA, the program's international supporters include much larger organizations such as the Gates Foundation, USAID, the World Bank and the UK's Department for International Development. The HarvestPlus development phase is intended to run until 2013, with delivery and impact measurement thereafter.

### MULTI-PARTNER COLLABORATIONS: INFORMATION TECHNOLOGY FOR AGRICULTURAL DEVELOPMENT

As stressed above, PPP for sustainable agriculture can and must go beyond R&D cooperation. They can also be a central

ingredient in the creation or stimulation of markets that benefit smallholders, whether on the input or output side. Micro-insurance provides an example.

One of the many constraints affecting agriculture in developing countries is smallholders' very understandable aversion to risk, which affects their willingness to invest in better seed and fertilizer. In Kenya, for example, only about half the farmers buy improved seed or other inputs. Many use poor-quality seed from previous harvests. This is because drought or flooding can easily destroy their crops and wipe out the benefits of purchased inputs. The result of not using the best inputs, however, is that yields remain far below their potential. To overcome this problem, the SFSA has launched a multi-partner Agriculture Index Insurance Initiative. Its aim is to explore and develop the potential of micro-insurance for smallholders. The insurance is branded as Kilimo Salama (KS), which means 'safe farming' in Kiswahili. Insurance should be simple, affordable and relevant to small farmers. With KS, smallholders can insure selected farm inputs at their local retailer and pay half the premium. To make the insurance affordable, the initiative's agribusiness participants pay the other half.

Mobile phone technology is very widely used in rural Kenya. In the KS scheme, stockists use a camera-phone to scan a bar code on each insured input. A text message confirming the policy instantly goes to the farmer's cell phone. To monitor the insurance, the SFSA has set up automated weather stations. If a station reports at the end of the season that local rainfall has been insufficient, farmers in the affected area receive a payout. This operates via a money transfer service run by the initiative's telecommunications partner. Using weather station data rather than personal field assessment further contributes to keeping the cost of insurance low, and thus within farmers' reach. Payout via phones avoids problems with middlemen or cash transport to remote areas. Uptake of KS insurance expanded rapidly, from 200 smallholders in the 2009 pilot phase to almost 12,000 in 2010. No single party in the PPP could have achieved this result alone. Nor, indeed, could any two of the many partners.

These are a few of the promising or already successfully concluded examples of inter-sector partnerships in agricultural development. Overall, PPPs currently remain a greatly underused option in the range of solutions available to tackle the challenges of enhancing smallholder productivity and livelihoods. This is as true in relation to agricultural biotechnology as it is in other areas. What, therefore, should parties who believe that a PPP could be the right choice for solving a particular problem bear in mind during the first steps towards successful partnership?

### ADVICE TO ORGANIZATIONS PLANNING A PPP FOR THE FIRST TIME

Many decision-makers in both for-profit and not-for-profit organizations still prefer to shy away from even inexpensive short-term collaboration with other sectors. Sometimes this may simply result from lack of knowledge of "how the other half works"; sometimes it stems from awareness of partnerships that have failed. However, as the four current PPP examples above, and others already completed, continue to demonstrate, the efforts involved can bring considerable benefits.

The SFSA has been involved in PPP for a decade, and its predecessor foundations have been involved for much longer. The following guidelines are drawn from our overall experience, and vary in importance from case to case. Taken together, however, observation of these guidelines significantly increases potential partners' chances of coming together, and then of taking their joint project through to successful conclusion. These rules of conduct hold true for every form of PPP, and are mostly not limited to the area of agricultural development. The present article concentrates on four key pillars: initial partnering, priority-setting, contractual arrangements, and transparency. Each of these areas covers a wide range of points, which cannot all be discussed exhaustively here, but on which extensive guidance is available elsewhere. There are also a number of further inter-linking topics which require special care when creating PPP. These include areas as varied as intellectual property (for example, but by no means exclusively, in the area of genetic modification), business plans, accountability and external communication. In the particular area of agricultural development PPP, questions of stewardship and liability also demand careful attention.

The choice of suitable partner or partners should be taken very seriously. The aim is to compose a PPP with a maximum of complementary skills and resources likely to generate the greatest possible output. Selection must therefore start with a realistic assessment of one's own strengths and weaknesses. It is then essential to invest considerable research in identifying organizations most likely to benefit from and add to this profile. However, finding a particular skill set is not enough on its own: the relevant organization must be willing, as well as able. Willingness has many components, some of which take time to discover or develop. It is often easiest to determine the degree to which organizations' goals and vision match each other. For example: a project that solely benefits Tanzanian smallholders rather than large-scale farming operations in Iowa may not fully address every private company's commercial growth aspirations.

Where current goals clearly do match, it can still be difficult to assess long-term commitment to them, and to a possible PPP. This is especially true if there are set-backs along the way, or if a party believes the benefits to be unfairly distributed. Establishing the range and depth of benefits and their balance between parties face-to-face is vital. There need to be real benefits for everybody involved. Also essential for cooperation, but usually achieved only through considerable efforts over time, is mutual trust. Throughout the process of partner identification, frank and honest assessment of motivation is additionally crucial: Does a particular organization genuinely wish to be a good partner over the next few years, or is it only really interested in speedy access to something that it does not currently possess?

With the initial selection made, and first personal contacts developing, the time has come for priority setting. It is vital that all potential partners are open about where they see the priorities in the intended joint project. This discussion should include not only the desired main goals and milestones within the project, and the order in which they are to be tackled, but also its position on each organization's own internal priority list. The relevant statements all require careful documentation.

Each partner's ability to make the success of the joint project a high priority within its own organization is also very important. Each party needs high-ranking sponsors of the PPP, and should make work on the project an explicit part of key employees' job descriptions and/or rolling annual achievement targets. Parties should openly discuss the similarities and differences in their operational culture and values. These are easy to dismiss as "not scientifically or financially important", but they can profoundly affect a partnership's productivity.

Whatever their differences in organizational culture, participants in successful PPP repeatedly emphasize the vital importance of clear and detailed contracts. Particularly in intercontinental collaborations, where personal meetings are infrequent, and teleconferences rarely a full substitute, the written word plays a central role in shaping project progress. Contracts must, among other matters, unambiguously determine the division of tasks, and the distribution and use of any commercial rights emerging in connection with the project. Topics such as liability and intellectual property also require careful attention. When drafting a contract, parties are encouraged to build on the progress made during their initial meetings. The contract draft must reflect the principles already agreed. Legal departments often like to start with a standard template instead, but this can be very counterproductive.

Partners must also discuss any major "blockers" as early as possible. An example of such a brake on collaboration could be an existing contractual arrangement between one of the PPP parties and another organization outside the new partnership. Discussions about such blockers usually require additional management, business or legal representatives. Early involvement of intellectual property and legal experts enables top managers to understand any potentially non-negotiable assumptions before they progress too far with discussions. Exclusivity, commercial exploitation and confidentiality are common hurdles in this area. A formal signed Memorandum of Understanding (MoU) between the parties can be very helpful in setting the framework for negotiations. The MoU needs to contain the fundamental points of principle that will underpin the PPP and encourage operational problem-solving. One key assumption needs to be that each PPP will have an individual identity and contain unique elements. Negotiations should therefore run case by case, and parties must allocate resources accordingly. Realism about the necessary timeframes is important here: parties frequently have widely differing internal processes, often simply as a result of their size. Each organization needs to respect partners' ways of working. Creating realistic expectations about the time needed for responses to proposals will help prevent frustration.

A fourth pillar of PPP success is transparency. Partners need to understand and respect each other's communication requirements. This is true not only for privacy and institutional competitiveness, but also for scientific information-sharing amongst public sector researchers, public awareness-building about new technology and products, fulfillment of public reporting obligations, and aspects such as publication of student theses. Open communication does not always come naturally to private organizations, particularly with regard to research results. The private sector generally maintains a culture of privacy in R&D, in order to be first to the patent office

and/or gain all the advantages of leading into a new market. Private sector interest is usually closely linked to commercialization rights, which need to be explicitly defined at the start of a PPP. Private companies mostly aim to retain free access to their knowledge, which has been expensive to generate. They also want to prevent its use by competitors. This tendency to privacy is not restricted to well-established multinational corporations: for example, university spin-offs typically also seek to maintain confidentiality. In this context, policy incentives that help the private sector to cope better with uncertainty and push the cost-benefit calculation of PPPs more toward expected benefits can help overcome initial concerns and facilitate collective action at more favorable terms.

In a PPP, ensuring full transparency and yet enabling collaborators to keep some competitive advantage from privileged knowledge is a recurring challenge. Public sector parties are not always comfortable with this aspect of deal-making, and may wish to postpone discussions until more trust and understanding have been established. Experience suggests, however, that it is better to agree on the fundamentals of commercial rights and transparency before investing a lot of time and money in other aspects of the PPP.

## CONCLUSIONS

In conclusion, it is worth recalling a number of points about PPPs. Firstly, their usefulness is by no means limited to agricultural development, but they can make a major contribution in this area. PPPs are not automatically the right choice to solve every challenge in agriculture: the private sector is certainly able to improve fungicide spray nozzles without involving government researchers, and the public sector does not usually need corporate guidance on the establishment of crop germplasm collections. However, where the right partners come together in the right way, the synergies they achieve can lead to results well beyond the reach of any one organization alone. Extensive guidance is available to those embarking on a PPP for the first time. It should, however, also be remembered that every PPP is an experiment—a new mixture of partners, needs, technologies, goals and intended beneficiaries. Open-mindedness and a willingness to learn are therefore always essential. PPPs still have considerable scope for expansion, and merit much more frequent consideration in agriculture than they have enjoyed hitherto.

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# Impact Assessment of Perception of Women after Joining Self Help Group (SHG): A Study of Mathura District (UP), India

Chandan Singh<sup>1</sup>  
Gyanesh Kumar Sinha<sup>2</sup>

## ABSTRACT

Self-help groups in India represent one of the most important phenomena to surface in decades, given their scale as a platform for poor people's development. Many organizations in India, including non-governmental organizations (NGOs), community-based organizations, and local and national government bodies, now recognize the enormous potential of SHGs. The activity for which the SHG movement is most widely known is the rapid growth of rural bank-SHG linkages to support SHG borrowing. Such government and non-government support to SHGs over the past decade has emphasized progressive outreach to large numbers of poor, rural Self-Help Groups. And, like the development of the microfinance sector globally since the Grameen Bank's pioneering start more than 30 years ago, the movement to support SHGs access to financial services has matured rapidly. This paper has discussed growth of SHGs in India and the SWOT analysis of the SHG operating in the Mathura district set up by NIRPHARD undying effort by its team which have learning attitude and it also shows the how the life of the SHG members had been changed by joining it, which resulted in increased in their financial status which build their self confidence in turn and overall society.

**Key words:** Self Help Group (SHG), NGO, NIRPHAD, Grameen Bank

## INTRODUCTION

Women in most societies are subject to discrimination. The UN Convention on the Elimination of All Forms of Discrimination against women. The convention makes it binding on the consenting nations of the world to take corrective action to have to have gender just laws, end violence against women, as well as give women equal property rights, opportunities in education, access to health care, work opportunities, wages and end customs that are derogatory to women. The formation of women's Self Help Groups has emerged since the seventies in Bangladesh and since the early nineties in India-predominantly in the southern states. The groups typically have a membership of between five and twenty members and are informal associations of women. The women elect their leaders on democratic principles, save money, lend to each other and take higher order loans from financial institutions. They grow into change agents in their own village societies.

The earlier attempts at provision of credit to the poor under programs like the Integrated Rural Development Program (IRDP) have massive defaults to sixty percent (Comptroller and Auditor General, 2003) and were judged to be unsuccessful. The provision of credit to women borrowers in groups, even though women had little or no collateral, leads to over 90 percent recovery of the loans given. The group members acted as guarantee for the group's loans and peer pressure ensured that the loans were rapid.

Group Theory and what makes groups survive and work together has been discussed in this paper. What constitutes empowerment and how empowerment can be achieved, has also been discussed. Women generally face several traumas in life by virtue of their secondary status in society. The culture of silence that is prevalent among this suffering manifold. There are social taboos against women expressing their sorrow or narrating their household problems to the outsider. Self Help Groups have emerged as Support Groups to bring about

women's solidarity in facing all kinds of problems in their domestic environment. This has led to the increasing empowerment of women, releasing them from their anguish and helping them to resist injustice. Several studies that have examined these issues have been reviewed in this paper. The problems involved in impact analysis have also been briefly touched upon.

## ABOUT SELF HELP GROUPS (SHGS)

Self Help Groups have emerged as a means of providing poor people with the credit that they need to emerge from poverty. These groups were formed to help women meet their needs for friendly credit. The groups initially draw on their own savings at an interest fixed by themselves to lend within the group and later get linked to the formal credit system. The Grameen Bank was started in 1976 by Professor Mohammed Yunus in response to this need for capital by the poor. Later in 1983 it was converted into a statutory body by an ordinance of the government of Bangladesh. The Grameen Bank disbursed loans to groups consisting of five women; six to eight groups formed a centre. (Misra, 2003) The Grameen Bank used group guarantees, developed compulsory savings mobilization among the groups of poor people and had decentralized, cost effective operations for lending to the poor (Mc Guire and Conroy, 2000)

Self Help Groups also emerged in India. Groups were formed in MYRADA in 1984-85 and were initially called Credit Management Groups. In 1987 NABARD Sanctioned a grant to MYRADA for the institutional capacity building of the SHGs and to match the group savings. In fact several NGO's notably PRADHAN working in Rajasthan and Tamil Nadu realized that the IRDP system of provision or credit to the poor was ruining the banks as well as the poor. They experimented with lending to groups and persuaded banks to lend to such groups.

## STAGES IN GROUP DEVELOPMENT

Studies conducted have suggested that groups move through stages but that these are not constant across different groups. Groups are shown to be in four stages:

Group Formation	- 0-6 months
Group stabilization	- 7-12 months
Self reliance	- 13-18 months
Institutionalization	- 19-24 months

This stage continues till the group as under (MAVIM: Training module for Self Help Groups, 2002)

Table 1

Saving Group Formation stage	0 to six months
Savings and Help Group Linkage to financial institution	Six months to one year.
Micro-Credit Group Stabilization period	One year to thirty months
Income Generation Self Help Group Growth period	Thirty months to forty eight months
Mutual Help Group	Beyond forty eight months.

Misra (2003) categorizes these stages as:

- Formation** - Where the formation revolves around the solution of a common problem-hence discordant member should not become part of the same group, as it leads to waste of time and energy in resolving the disputes.
- Stormative** - When the group struggles to cohere. Some members who cannot co-exist with others may have to leave. Thus the first few months will see this transition.
- Normative** - After the group settle down, it will decide on issues relating to transaction of business such as how much to save, when should a bank account be opened who should keep a record of the meeting, etc.
- Performative** - This is gained once the loan cycle has been completed and the NGO and SHG both gain stability. The group expands its programs.

## GROWTH OF SHG IN INDIA

The SHG bank Linkage project is expected to be advantages to the banking sector from both the angles of fulfillment of social goals (like reaching out the poor) and achieving operational efficiency (by externalizing part of their transaction cost). The improvement of the SHG bank Linkage programme is seen in Table. In the initial period i.e. in 1992-93, just 255 SHGs were linked to banks with Rs.2.89 million as refinance from Nabard. In a span of one and half decade in expanded rapidly. In 2006-07, 20, 24,973 SHGs have been linked with the banks with refinancing of Rs.1, 80,407 million.

So Far as spatial outreach of the SHG bank Linkage is concerned the programme covered 583 districts in 31 states/UTs. The state wise SHG bank Linkage data shows that the programme is skewed in favor of the southern states, particularly Andhra Pradesh. This state alone accounts for 26.2 percent of total SHGs formed and 38.1 percent of the total credit, while the North-East and Northern region together constitutes 8.7 percent of the total programme. This imbalance is an issue that requires serious attention. It needs sustained efforts in other regions where there is a latent demand for microfinance services.

## SHG FEDERATIONS

Since CFOs will be a federation of VDCs at cluster level and in turn a VDC is also a federation SHGs, so it is essential to understand the various aspects of SHG federation.

According to dictionary, the meaning of federation is an association of autonomous bodies uniting together for a common perceived benefit. A federation is an association of primary organizations. Primary organizations may federate to realize economies of scale or to gain strength as an interest group.

Like in the given case VDC is a federation of SHGs that are the primary groups. A VDC is a village level federation of SHGs. In case of CFO, VDCs will be the primary entities and a CFO will be a cluster level federation of VDCs.

## NEED OF SHG FEDERATIONS

The emergence and need of SHG federations lies in the limitations that are faced by SHGs. The limitation of SHGs which gave rise to SHG Federation Is As Follows:

- Inability to take up larger issues of gender and social inequality and women empowerment, etc:** It is a well known and established fact that micro-finance is a necessary but not sufficient condition for the promotion of livelihoods. Livelihood promotions need procurement of inputs, organizing many support services and marketing of output. A small group of 10 to 20 members, illiterate and uninformed, cannot take up these complex tasks.

<sup>1</sup>MBA Scholar (2011-13), Army Institute of Management & Technology, Greater Noida (UP), India  
<sup>2</sup>Asst. Professor-Operations, Army Institute of Management & Technology, Greater Noida (UP), India. E-mail: gyaneshsinha\_2000@yahoo.com

- **Inability to Address the Larger Issues:** Though SHGs have contributed to social issues like women's mobility, interactions with the outside world, access to financial resources, and leadership qualities, to some extent they are unable to address the issues like women empowerment and social and gender equity.
- **Promoters Limitations:** Any outside agency has limitations to get involved in community development work perpetually and at an ever increasing scale. The limitations include staff, financial resources, etc. Further facilitation by outside agencies is more expensive. As a result the promoters reduce their level of support at some point of time. This result in the quality of SHGs is coming down with age. Even in new areas, where the program is implemented in a target-oriented approach quality is suffering.
- **Inability of Bankers to Understand and Accommodate SHGs' Needs:** In many states and regions, particularly in under serviced states, banks are unable to understand fully the commercial importance of SHG lending and they feel that the SHG lending is being carried to fulfill the social obligations and/ or official targets. Even, when the banks realized the potentials of SHG, they could not attend the SHG needs as required because of staff shortage, mind set and procedural bottlenecks. The net result of different actions of banks is that groups face three big uncertainties

## OBJECTIVES OF THE STUDY

The objectives of the study are as under

- To study the structure, conduct and performance of SHGs promoted under the program;
- To quantify the changes in savings and borrowing pattern among group members due to the program;
- To study the impact of the program on level and composition of income as well as employment of the group member households and
- To assess the perception towards changes in the social conditions of member households due to their association with SHGs.

## RESEARCH METHODOLOGY

The research work carried out is exploratory in nature. The study was conducted in Mathura district of Uttar Pradesh. It was almost impossible to cover the entire population as time was the curtailing factor, so the method of sampling survey was employed. the sampling used was convenient sampling because of population was large and geographically dispersed. The various sampling stages are as follows:

Stage 1: Sampling Frame- District Mathura

Stage 2: Simple Random sampling used to select the village.

Stage 3: Simple random sampling used to select one group from every selected district.

Stage 4: the chosen group member fills the question with the help of the NIRPHAD convener

## DATA COLLECTION

Data was collected from both primary and secondary sources. Primary data was collected through the field visit to the two districts with the help of PFT members. Also the researcher administered questionnaire (which was close ended), interviewed and discussed various aspects of MPDPIP-II related to microfinance with many higher and field officers who are working in the department. members. Separate questionnaires were designed for SHGs with required pre-testing The interviewed members of NIRPHAD, particularly Coordinator of respective Task group to gain insight into the issues, problems and working of SHGs and VDCs Secondary data was collected through the visit to district offices and by studying various plans of NIRPHAD, through interaction with senior people from the department and district office. The related documents were reviewed for collection of socio economic data about the villagers and also of obtaining factual data about the villages. Secondary data was also collected with the help of various resources like Google and various research papers.

The respondents were interviewed for gaining insight to the regularity of SHG meetings, inter loaning amongst them, how SHG membership had affect them in their social, personal and financial fronts.

## ABOUT NIRPHAD

Naujhil Integrated Rural Project for Health Development NIRPHAD is a charitable Institution (NGO) striving to improve the quality of life through a holistic approach of sustainable inter-sect oral development of the marginalized target groups (those below the poverty line) in the Districts of Mathura, Agra and its environs. NIRPHAD is in existence for last 30 years. Naujhil Integrated Rural Project for Health and Development (NIRPHAD) is an off- shoot of over 100 years of a health delivery system in District of Mathura, U.P, North India. The Methodist Episcopal Church of USA sent the first missionary to the orient- Dr. Clara A Swain in 1869- who started a hospital for women, in Bareilly, U.P. ("Palace of Healing" By Dorothy Clarke Wilson, McGraw-Hill, 1968 and Hodder & Stoughton, 1969).

CFC Hospital a sister institution, which was started about 100 years ago by Dr. Garwood at the request of the then British Resident, who had visited the holy city of Vrindavan and was deeply moved at the plight of the 5,000 widows who were 'donated' to the temple for the expiation of their sins, which they supposedly had committed. The widows' souls were expected to join the souls of their husbands when they died. Needless to say the widows were exploited in every way and had to eke out a living by begging for alms.

## DATA ANALYSIS

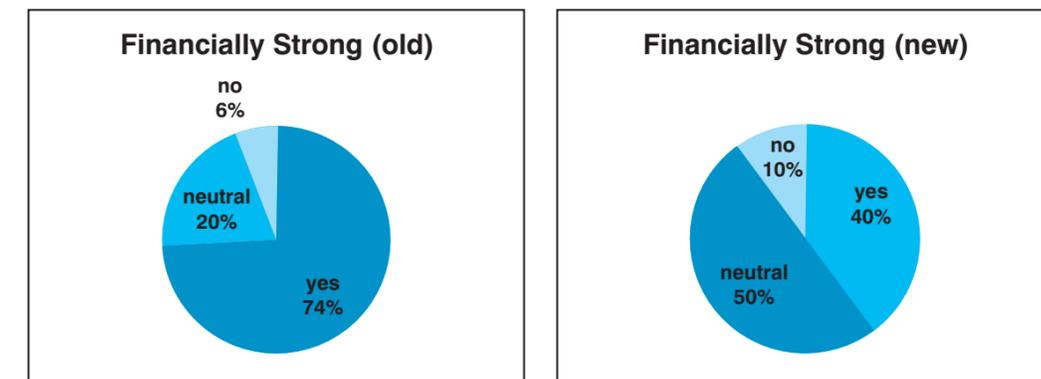
Women comprised a majority of the SHG members. The impact on empowerment was measured on various parameters of Self Confidence seen from self-worth and communication skills, Behavioral changes-seen from desire to protest against social evils, response to problem situations and family violence

The questionnaire framed in such a way to analysis three important factors

- Financial stability
- Personal growth
- Social status

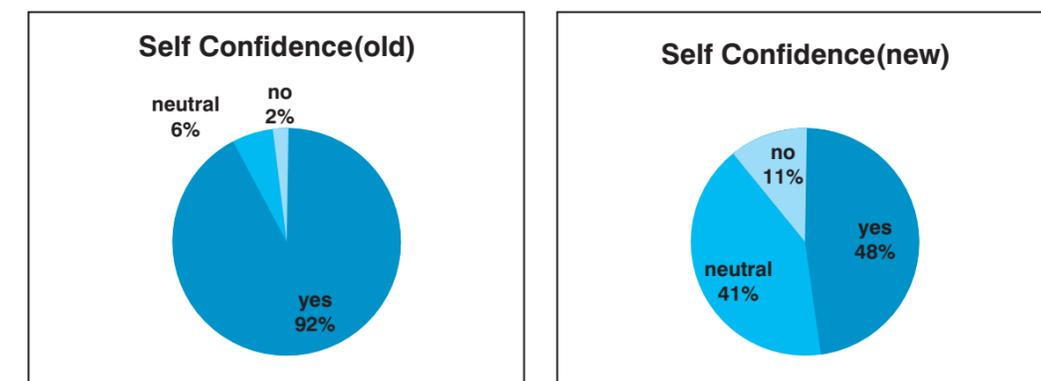
### (a) FINANCIAL STRENGTH

The 74 % member are of older group >1 year states the are financially stabile are higher and 20 5 think it does not have much of the effect. on the other hand in case of newly formed SHG only 40% state that they are strong and 50% found no effect o their financially status



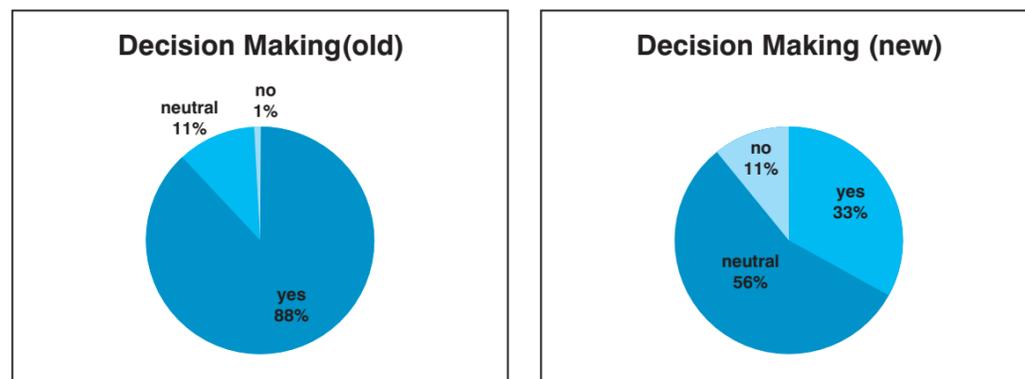
### (b) SELF CONFIDENCE

The 92% member are of older group >1 year states they have high self confidence and 6 % think it have no effect on them on the other hand the confidence is improve in the younger group by 48%. And 41% could on felt the effect on them it is due to new people the are interacting as soon as the increase their interaction with each other it will defiantly improve



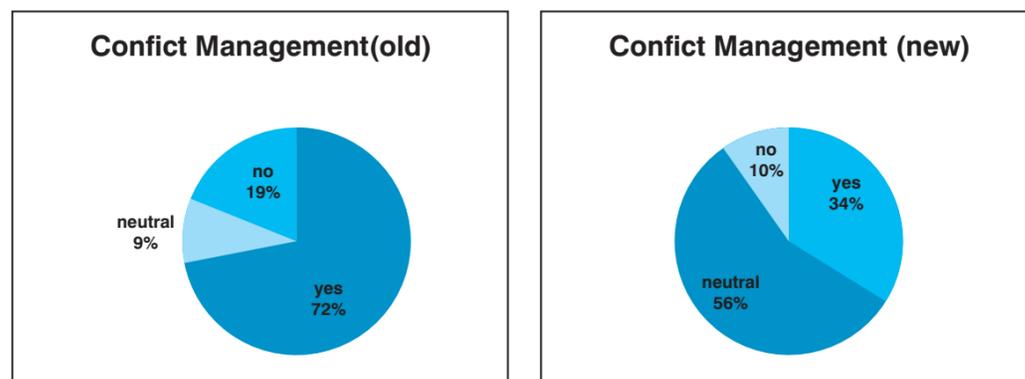
**(c) CHANGE IN ROLE IN DECISION ABOUT SELF**

88% percent of members in order groups reported that the control over their own lives had improved as compared to 56% percent of members of new groups.



**(d) CONFLICT MANAGEMENT**

As the group is place where always presence of different opinion and conflict resolution is an important character and the old shg group show 72% better control the conflict then the new group i:e 34% .it clearly show that after spending time people have better understanding with each other



To have a better understanding please refer to below table 2

**Table 2 : Empowerment Levels**

At family level :	
Before joining SHG	After joining SHG
1. Husband did not permit them to go out quarrel about meetings.	Now they are able to go where they want and get permission easily.
2. Did all housework, serving food to husband, feeding children, and washing cloths.	Husband took their own meals, sometimes fed the children, or completed cooking. At least wash their own cloths.
3. Were like slaves to husband.	Do not depend on husband for money. They consult husband.
4. In-laws ill treated them.	In-laws speak nicely, share the work when they have to attend meetings.
At Community level :	
1. As women no respect in society.	Now their opinions are valued on common issues.
2. Could not talk as equals to men.	Now invented to Gram Sabha, given respect.
3. Had a fear of society.	Have taken up issues of violence against women, got culprits remanded. Men in the community are afraid of them.
4. Lot of opposition in village to their forming SHG.	Now seen as getting things done from
At the level of govt. functionaries :	
1. Very scared of going to govt. officers. Only men did. Women did not know what they did when they went.	Now they go to govt. offices. They know where to go, for what work Now they meet important officials like BDO, Collector. Their work is done quickly.
2. They would go to govt. offices and wait to be called. Often they were asked to come another day.	Now they understand banking procedures Govt. officials contact them to implement schemes in health, education, etc.

**CONCLUSIONS**

The evidence of women’s empowerment through Self-Help Groups provides a varied picture. The women in empowerment and in a better position to negotiate the use of the loans taken by them, take up gainful activity and participate in the marketing of their products. However there is a need for a more in-depth analysis of the SHGs in India in order to ascertain whether the increase in women’s access to credit has had similar negative impacts in increasing their susceptibility to violence within the family. In-depth gender studies need to be conducted in order to ascertain whether there is an undercurrent of resentment among men as a result of the great importance being given to women in the formation of SHGs and their better access to credit.

The overall multi-facted development for women by SEWA can be contrasted with the now harsh reports reemerging about the Grameen Bank, especially in its recovery style. The difference seems to be that SEWA is an organization run by women, for women, while the Grameen Bank seems to have emerged as an organization run by men through loans in women’s names. Since men are the real beneficiaries, using most of the loans in the Grameen transactions, it is not unsurprising that empowerment of women, their mobility and emergence in the market place as in transacting their own business is not as prominent. Rather women, who have bettered themselves a little, prefer to withdraw to the shell of home based activity, leaving the ‘outside’ world to be transacted by men, without violating the traditionally held norms of women being part of the private space within the household, rather than part of the public space outside it. Kabeer’s study is significant in her conclusion that it is mainly women who are estranged from their husbands, who seek to carve out assets in their own name with the loans they have taken, thus effecting a divorce within the marriage, while other women having more empathy with their husbands, prefer to buy an uneasy peace by letting the men use the loans in their names. This has albeit enhanced their own bargaining position within the household and led to a sort of empowerment, in that their household status was not as tenuous as prior to the loan taking. The definitions of empowerment thus vary within different social context and stages of development, hence any analysis of the effect on empowerment of women cannot be comparative but has to look at the effect it has on them in their own context and milieu.

The importance of the process of Group formation and the development of Groups ethos in building sustainable Self-Help Groups clearly seem to emerge as a necessary factor for the success of Self-Help Groups. However it is not only the provision of credit which leads to the empowerment of the members of the groups, but the sustained inputs in conscientisation of the women and raising their level of awareness by means of sustained capacity building. The solidarity and strength obtained from being together with other women

placed in similar circumstances is a powerful factor in empowering the women and building their sense of self worth and self-confidence. The SHGs act as a support group developing courage and offering mutual solace and comfort to the members. It is when training in accounts and managerial inputs are given, that the availability of Credit leads to the setting up of successful ventures. This success in turn leads to a growth of their confidence and improves their status at home and in the community.

## SUGGESTIONS AND RECOMMENDATIONS

### i) During the implementing phase the self help group should be provided with a start up kit consisting of

- SHG manual
- Record keeping book
- Rule book
- Bank address
- phone no. and address of local govt bodies
- A chart showing how to enter in record books with photos

### ii) There is essential need of training department / hr department

The training provided is done by field worker which do have social connect and interpersonal skill ,but training level is low .there is steep requirement of trainer whose specialty is in learning and development which will lead to fast maturity of shg and will better for sustenance of SHG

### iii) Women specific trade fair

during festive occasions a fair specially for the women can be started which will motivate them and showcase their talent as well as other women will have inclined motive to start their igp programs. This will also raise their social status

### iv) The savings could be divided into two part

- Fixed
- Rotating

The fixed percentage of their saving will not be touched only the rotating money will be put on loan so that integrity of the SHG is kept ,and the faith of the member will be strong on SHG

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## WEBSITES

www.nabard.com  
www.nirphard.com  
www.ssrn.com

## APPENDIX



Name : Hukam Singh  
Job : Farmer  
He Stated Farming of Amla Long Back Which help him to earn 2.5 Lac/Year After Making it Morabba. He is also the persons who is providing drinking water in the village at their doorstep.



Name : Sunita  
Work : Stone Carving  
Earning : 300/Day  
Employee: 5  
Daily Output: 25Pcs



## Glocalisation: Success Mantra of Globalisation

Seema Singh Pundir<sup>1</sup>  
Dr. Mahua Dutta<sup>2</sup>

### ABSTRACT

The concept of glocalization is derived from that of globalization and localization signifies that companies should not only think globally but also act locally while addressing business functionalities including branding, marketing, advertising and product promotion. Recently, many multinational giants have successfully penetrated into emerging markets due to their product or service quality but there are cases where companies have failed to earn profits due to lack of glocalization strategies.

The concept of glocalization is particularly important to the food industry because of the seamless challenges this industry faces due to the typical differences that exist in the food habits of people belonging to various regions/religions/cultures across the globe. There are numerous examples of companies doing extremely well in their local markets, but when they go global, they fail completely. One of the reasons that can be cited is not adhering to the challenges put forward by cultural and regional differences. Like some animals are considered sacred in one region and are consumed heavily in some others. The glocalization strategies also should take into account various cultural and religious issues like McDonalds and Pizza Hut both modified their menu to take into account the religious beliefs of Hindus and Muslims in India, by not serving beef and pork.

This is a research paper focuses on multinational food giants and identifies suitable strategies for establishing themselves and gaining market share in a diverse country like India. In this paper I will more focus on how McDonald and Pizza hut enter in a foreign market inspite the differences in culture and eating habits.

**Key words:** Glocalisation , Culture, Localisation, Strategies, Multinationals, Strategies

### INTRODUCTION

**Globalisation. Think global, act local. Think local, act global. Glocalisation.**

Along with the development of market economy and globalization, the corporations as the social economic entities, have become more and more important to promote a nation's economic development. According to the previous research results in the field of management, corporate culture is proved to play a crucial role in determining a corporation to be successful or not. However, the reality is that many companies spend much time on specific business and make no effort to care about building their companies' corporate cultures. People around the world are similar as well as different, they are similar since they share common characteristics, and at the same time they are different since each one of them have been born and brought up in different cultures having different set of values. According to Naylor (1997), all human beings are fundamentally the same, but culture makes them different and distinguishes them from other groups by creating and developing their "own version of culture" to meet their needs, desires and goals.

Glocalisation combines the words "globalisation" and "localisation" to emphasise the idea that a global product or service is more likely to succeed if it is adapted to the specific requirements of local practices and cultural expectations. The term started to appear in academic circles in the late 1980s, when Japanese economists used it in articles published by the *Harvard Business Review*. For the sociologist Roland Robertson, who is often credited with popularising the term: 'glocalisation means the simultaneity – the co-presence – of both universalizing and particularizing tendencies' (Robertson, 1997, p. 4). Globalization and localization together can start an internationalization process based on the "globalization of the

local product" and the "localization of the global product" without refusing each other or being in contradiction. The local product is positioned in the global market and is accepted if it will have the necessary characteristics to satisfy specific niches of global market and the global product if it will suit those local markets which want it aimed at them and therefore locally modified. The indication highlighted by the scenario will have a double way of development .Culture is another aspect affecting the local market. Culture represents the whole set of social norms and responses that shape the knowledge , belief, morals, attitude and the way of life of a person.

**Localization of the production market:** here a company highlights the territory, the uniqueness and the typical characteristics of productions and products.

**Localization of the outlet market:** the company accepts that some local aspects of the outlet market are seriously considered (requests of the consumer-utilizer, of the distributive system, of the communication and promotion aimed at specific areas or niches), in the niches reached by the local products and in the local markets reached by the global products the enterprises must take the local characteristics into serious consideration if they want to reach them in the better way. The localization will be able to give a remarkable contribution to the economic development.

### RESEARCH METHODOLOGY

The present study is based on the secondary information. The information has been collected from different sources like internet, magazines, journals and several books .It is descriptive study. The paper is structured in the following manner

<sup>1</sup>Asst. Professor, Global Business School, Noida (UP), India Email-seema.pundir@yahoo.com

<sup>2</sup>Associate Professor, Institute of Management Studies, Noida (UP), India Email-mahudutta@hotmail.com

- Introduction
- Globalisation is changing power of globalisation
- Entry strategies of McDonald and Pizza hut
- Comparative analysis on the basis of SWOT analysis
- Conclusion

## GLOCALISATION IS CHANGING POWER OF GLOBALISATION

The localization will be able to get a series of important aims maintenance of a unique and typical productive standard availability in the time of an exclusive productive know how cognitive, structural, managerial and economic chances availability of knowledge and unique competitive advantages; interaction between producing enterprise and localization of production and outlet market; cognitive chances deriving from the local context of the production and outlet market; possibility of integration in a productive system. From the localization can derive chances and expertise, that if the enterprises are able to exploit well can give a valid contribution to improve their competitiveness.

The glocalization opens new horizons to local and global enterprises, in particular to the small and medium ones seriously interested in facing the "glocal way". To grow in the global market, but also in the local markets the enterprises must be able to take the offered chances deriving from the relation/integration. Globalization and localization; for many small and medium companies thanks to the glocalization the local characterization will not be any more a limit, but on the contrary a competitive advantage with which they can face strategically the global market, in particular the special niches located in this market and interested in differentiated products, as the glocal products are.

The technology will give a big help to marketing and sale to understand and to act strategically in the new market. Localisms and globalisms of course will be near as several local markets will have many occasions to know global products and segments of the global market to know local products. In particular the small and medium enterprises thanks to communication and telematics will be placed in the happy condition to access the global market with their local products and therefore to receive a valid contribution for his internationalization process.

## ENTRY STRATEGY OF MCDONALD AND PIZZA HUT IN INDIA

The McAloo Tikki one of the most famous burger is actually Indian. Due to a large number of vegetarians in India. McDonalds had no choice but to launch vegetarian menu and they launched it. That became so successful that they are launching the burger in other countries too now. The Indianised menu is not just restricted to McDonald but to every large fast-food MNC chain operating in the country. Also McDonalds and PIZZA HUT introduced Home Delivery Concept for India. Teenagers' visit McDonald's and the pizza hut as the menu is affordable, and there is internet access in some restaurants.

Globalized strategies involves marketing of standardized products using standardized marketing mix in the same way

everywhere. Localized strategies on the other hand, involves marketing strategies for a specific region according to its cultural, regional and national uniqueness.

### MCDONALD'S

McDonald's Corporation is one of the best users of glocalization. Each of its restaurants, in more than 100 countries, offers McDonald's branding, but the actual menus vary to meet the local culinary tastes and dietary requirements. McDonald's restaurants in India offer mostly chicken, lamb and vegetarian dishes since many Hindus don't eat beef. Walk into an Israeli McDonald's and you can order a kosher Big Mac (minus the cheese). Various global television networks adapt their programming to better suit particular markets.

Although McDonald's is often cited as a clear example of standardisation, the president of McDonald's International has insisted that the company is 'as much a part of local culture as possible' (quoted in Ritzer, 2004, p. 179) and its standard menu has been glocalised to accommodate local foods. In the British case, this reflects the country's fondness for Indian food with offerings such as 'McChicken Korma Naan'. Burger King, Wimpy and other hamburger outlets have also offered their own versions of Indian meals. Thus, the original glocalisation of Indian food for the British market has itself become the input for a new wave of glocalisation.

McDonald's has also glocalised the way in which its restaurants are used. In Beijing, the menu is the same as in the USA, but the restaurants are presented as local places to linger, often for hours, over a snack. It organises children's birthday parties and employs female receptionists who deal with children and talk to parents. Indeed, in Japan, Taiwan and other East Asian outlets, customers have quietly but stubbornly transformed their local McDonald's into a local – or 'glocal' – establishment (Ritzer, 2004, pp. 179–80). In this respect, the expectations mediated by 'local rules of practice' have enabled a reinterpretation of an ostensibly 'universal' product and service.

McDonald's opened its first restaurant in China and now has over 400 outlets. Nevertheless, when Chinese people walk into McDonald's they take their traditions with them! Whereas many Western customers view McDonald's restaurants as the source of a quick and cheap meal, the Chinese typically make an occasion of going to McDonald's.

### PIZZA HUT

Pizza hut a look at their menu shows us how many special exclusive Indian pizzas they have for vegetarians they a host of Paneer offerings and for Non-vegetarians the Kabaab and Chicken Tikka Pizzas.

Pizza Hut is one of the flagship brands of Yum! Brands, Inc., which also has KFC, Taco Bell, A&W and Long John Silver's under its umbrella. Pizza Hut has 143 stores across 34 cities in India. Pizza Hut ensures that they have presented the best alternative to dining out. Pizza Hut is currently leading the food chain industry by providing a convenient service to a variety of venues. Pizza Hut also has complete control over their vision. Currently located in 90 countries and territories (Pizza Hut, 2006), they continue to focus on globalization. Pizza Hut believes (Pizza Hut, 2006) that they have a corporate responsibility to develop a workforce that is diverse in style and

where everyone makes a difference. In concerning themselves with how they differentiate from their competitors, Pizza Hut has an emerging new e-business and a superior focus on the product and service they provide to the customers and employees.

During the past four decades Pizza Hut has built a reputation for excellence that has earned. Pizza hut a look at their menu shows us how many special exclusive Indian pizzas they have for vegetarians they a host of Paneer offerings and for Non-vegetarians the Kabaab and Chicken Tikka Pizzas. The respect of consumers and industry experts alike. Building a leading pizza company has required relentless innovation, commitment to quality and dedication to customer service and value. Through the strength of their heritage, our culture, our people and franchisees, they are looking forward to even more success in the decades ahead.

Pizza Hut has also standardized its operations and vegetarian preparations are done separately with non-vegetarian preparations. In addition to Italian toppings, new Chicken, lamb korma toppings have been added. Recently a new "Great Indian Treat" has been launched which has local Indian toppings. New Curry Pizzas along with international pizzas with Indian flavours have been launched.

## COMPARATIVE ANALYSIS ON THE BASIS OF SWOT

### SWOT ANALYSIS OF MCDONALD'S

#### Strengths

- Strong Brand, strong recognition
- Growth afforded by franchisee model allows McDonald's to retain control of brand while building a corporation with significant capital infusion from franchisees.
- Fast food model-standardized food preparation methods ensuring standardized quality, centralized procurements leading to higher profits.

#### Weaknesses

- Perceived lower food standards due to fast food model.
- Profit margins can become slim due to customer's expectation of "inexpensive menu" and higher food costs.

#### Opportunities

- New global markets continually opening.
- Economic downturn may force people to opt for less expensive "fast food", rather than restaurant quality.

#### Threats

- Nutritional issues- People are becoming more aware of the quality of the food they eat, and more people are looking for "organic", natural and vegetarian alternatives.
- Obesity- Fast food is continually blamed for obesity in children and adults.
- Price factor- A lengthy recession could hurt fast food chains when price chains begin to offer competitive price menus with the perception of better quality.

### SWOT ANALYSIS OF PIZZA HUT

#### Strengths

- Strong Brand, Quality product.
- Growth afforded by franchisee model allows pizza hut to retain control of brand while building a corporation with significant capital infusion from franchisees.
- Fast food model-standardized food preparation methods ensuring standardized quality, centralized procurements leading to higher profits.

#### Weaknesses

- Perceived as fast foods are not good for health.
- Profit margins can become slim due to customer's expectations of "inexpensive menu" higher food costs.

#### Opportunities

- New global markets continually opening.
- Economic downturn may force people to opt for less expensive "fast food", rather than restaurant.

#### Threats

- **Nutritional issues-** People are becoming more aware of the quality of the food they eat, and more people are looking for "organic", natural and vegetarian alternatives.
- **Obesity-** Fast food is continually blamed for obesity in children and adults.
- **Price factor-** A lengthy recession could hurt fast food chains when price chains begin to offer competitive price menus with the perception of better quality.

## CONCLUSION

Glocalization strategies need to deal with adaptation to specific taste requirements of various regions. Every culture distinguishes itself from others by the specific ways it is very important as every region has different taste requirement stand one food item may be popular in one region and completely rejected by some other region, for example spicy food of India may not be liked by Chinese people.

- The glocalization strategies also should take into account various cultural and religious issues like McDonalds and Pizza Hut both modified their menu to take into account the religious beliefs of Hindus and Muslims in India, by not serving beef and pork.
- The end product should be appropriately modified so that it is according to the region's specific demands. This makes the product offering to be accepted by customers readily as they associate themselves with the brand and the product like "The Great Indian treat" of Pizza Hut was adopted successfully by the Indian public.
- Not only the food item has to be modified in terms of its ingredient or the cooking process to suit the taste buds of the local population but it also needs to be appropriately named so as to appeal the locals. For example, within India many south Indian dishes are now having hybrid names in north India: American Dosa, Chinese Dosa, Fried Dhokla, Fried Idlis etc.

- Another factor that MNFEs need to address is the modification in the process for the product or service development or production. This is a very important factor taken into consideration by McDonalds and they separated the burger preparation processes for Vegetarian and non-vegetarian burgers. This also helps the company to gain trust of consumers as well as the employees.
- Glocalization strategies also include marketing strategies and campaigns used. Like using actors and celebrities of the region in the advertisements. McDonalds and Pizza Hut both have used this tool effectively as their advertisements and campaigns have Bollywood actors and themes.
- Glocalization helps in connecting with the consumers of that region on an emotional level and also leveraging its global position. This is the most important aspect that leads to the success of the company.

After doing analysis it has been found that in the global business environment culture plays very important role in their success. Adoption of local culture of the country gives success.

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## Technology and Stress (Techno-stress): A Vicious Circle of Work-Life Imbalance Among Youth.

Kuldip Singh<sup>1</sup>  
Arvind Jha<sup>2</sup>  
Shikha Bhardwaj<sup>3</sup>

### ABSTRACT

*In this paper we have tried to find the impact of technology advancement and automation, on the growth of organization performance. There is a special component within any enterprise or organization, the human which is a must for the overall development of the organization from holistic view. This does not merely entail the technical usage of the equipment, but most specifically the qualitative one. Both individual and group resistance to the implementation of such proposed ideas are very likely to occur, which cannot be said about the acceptance of cultural change. The results will definitely reflect some major findings which may be further researched by academicians, industrialist and psychologists. This research may be extended to various specific services along with specific target groups. The study will reflect the present status of techno-stress management approaches and their impact on the lives of youth. In this research, factor analysis will be used to exact the key determining variables. The psychological and behavioral alterations as well as disorders (at larger extent of the tech-stress), heightened the importance of tech-stress so as to curb the technological dominance over the human senses particularly at this age of maximum optimization and productivity. The data will be primary in nature with convenience sampling. Keywords: Digital depression, informatics culture, worklife balance, stress.*

**Keywords:** Digital Depression, Informatics Culture, Worklife Imbalance, Stress.

### INTRODUCTION

Human needs never die and their wants transcends to impossible desire. This gave rise to innovation to fulfill the wants and desire of millions and to achieve it people had to take help of technology. Now the technology is advancing at such a pace that it is the human who has to reach up to the speed of technology and if one cannot, it leaves them behind the knowledge society and cut them from rest of the world. We have tried to establish relationship between human and technology in terms of their impact on human attitude, thought, behavior, or body physiology that is caused either directly or indirectly by technology through this paper. As the importance of computers and the Internet is growing in our society, people may experience negative emotions in actual or anticipated interactions with computers. Technology in itself is self-sufficient and it is the human who has to adapt to technology nowadays rather technology overpowering them. Due to this adaptation behavior, the person who has less adaptability or understanding of ICT (information and communication technology) feels stress and we term it "TECHSTRESS" i.e. stress caused by technology due to inability to use or adapt it.

In the changing world where technology plays major role in shaping up the economy, human contribution cannot be overlooked. It is the human who develops the technology for people comfort and need but it impacts them in negative ways also, like a person who is either aware of the usage of technology or a person ignorant about technology has to adopt to the working environment where technology is changing everyday and learning it fast is a challenge it may also be required to work extra hours hence this lead to stress amongst employee in the form of mental fatigues, frustration, lowering emotional quotient, productivity and efficiency and lastly fear of technology. This paper takes care of all the stress developed in human being through the different usage of technology and ICT

(information & communication technology) in youngsters who is directly or indirectly attached to it. It is also now forcing employees into state of "digital depression". As modern day workforce constantly tries to cope up with the day-to-day stress at work they are often confronted with additional stress arising out of technology. The objective of is to study the tech-stress in context of youth and also how the stress level varies to different genders. For this purpose, we have studied the mutual relationships among information technologies (IT), IS and organizational culture.

### LITERATURE REVIEW

The term "technostress" was first proposed in 1984 by psychologist Craig Brod in his book *Technostress: The Human Cost of the Computer Revolution*. He defined technostress as "a modern disease of adaptation caused by an inability to cope with the new computer technologies in a healthy manner" (p. 16). The construct most frequently confused with technostress is computer anxiety, although there are important differences between the two concepts. Computer

anxiety usually is defined as a fear of computers when using one, or fearing the possibility of using a computer (Barbeite & Weiss, 2004; Chua, Chen, & Wong, 1999; Howard & Smith, 1986; Maurer, 1994) Weil and Rosen, in their 1997 book *TechnoStress: Coping With Technology @WORK @HOME @PLAY*, expanded the definition of technostress to include "any negative impact on attitudes, thoughts, behaviors, or body psychology caused directly or indirectly by technology" (p. 5). In other words Techno stress is defined as any negative effect on human attitudes, thoughts, behavior, and psychology that directly or indirectly results from the use of computer-based ICTs (Tu, Wang, & Shu, 2005).

<sup>1</sup>MBA Scholar (2012-14), Army Institute of Management & Technology, Greater Noida (UP), India.

<sup>2</sup>MBA Scholar (2012-14), Army Institute of Management & Technology, Greater Noida (UP), India.

<sup>3</sup>Asstt. Professor- HRM & OB, Army Institute of Management & Technology, Greater Noida (UP), India. E-mail : shikhabhardwaj23@gmail.com

Technostress has been observed in many different industries. The most common industry is the informational technology field. Within this field, technology is constantly being implemented, integrated, and used by its workers. Businesses are continually reengineering their work processes in order to be more productive and efficient especially with the downturn of the economy. IT professionals in the informational technology field are not immune to technostress. These workers are both implementers as well as sufferers of the technology they create and are impacted similarly as other workers in other industries. These IT professionals learn how to cope with the technostress by identifying the root cause of the stress and implementing coping strategies such as learning the functionalities and increasing training on the technology to help mitigate the technostress (Scott and Timmerman, 2005).

Clear symptoms of technostress include the inability to concentrate on a single issue, increased irritability, and the feeling of loss of control (Ibrahim, Bakar, & Nor, 2007). By contrast, computer-related technostress always refers to a kind of fallout of an individual's inability to deal with constantly evolving ICTs and the changing cognitive and social requirements related to their use (Tarafdar et al., 2007). Technostress can be defined as a personal stress that occurs because of a reliance on technology or the constant anxiety of being "connected" with technology (Brillhart, 2004; Tarafdar et al., 2007).

The use of technology can create tension and anxiety for workers. This anxiety manifests itself when individuals become overwhelmed about using technology. If they do not understand the technology, it can frighten them and can lead to work tension. The anxiety and tension can also come from the inability to use the technology that leads to a disadvantage over other workers who do use the technology effectively. The non-users become less competitive compared to their counterparts (Brillhart, 2004; Tarafdar et al., 2007).

Applications of new technologies in the workplace are implemented in order to create a competitive advantage and reduce operating cost. The use of the technology initiates re-engineering of business processes that were more manually-intensive and replace them with more automated processes. This creates a new framework within an organization that removes the decision-making and power from the workers and places the authority into the hands of newly-automated processes which is usually controlled by management. Not only does the application of technology can alter an organization's function groups, but it can also alter the individual's roles in an organization which in turn can create stress (Tarafdar et al., 2007).

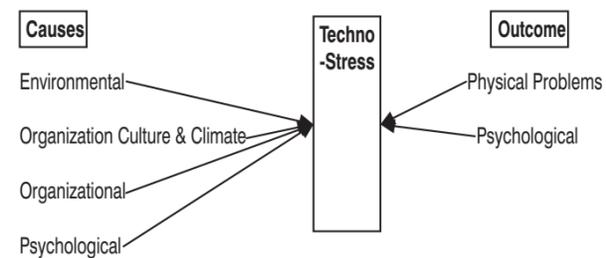
At the same time, it may inhibit an individual's further learning or using computer and information technology (Wang, Shu, & Tu, 2008).

In other words, it is a general construct that describes the direct and indirect impacts of ICTs. Computer anxiety typically refers to one's emotional reaction toward using computer (Heinssen et al., 1987), which is regarded as an affective response (Barbeite & Weiss, 2004). At the same time, he or she may have high technostress about the invasion of technology into his or her personal life. Stress has been a major issue for organizations,

and employers must deal with it in order to be productive at work. In the past decade, technology has grown tremendously, and many new job-related stresses have arisen. A portion of this job stress can be attributed to technology use. Stress induced by technology has been denoted as technostress and has become a major issue for organizations. 3

## OBJECTIVE OF THE STUDY

Based on the aforementioned theoretical streams of research, this study explores the various factors leading to technostress among youngsters. This paper proposes a theoretical model, which will be further analyzed by factor analysis.



## RESEARCH METHODOLOGY

The research is empirical in nature. The sampling technique was judgmental as the research problem was pertaining to specific niche. The data was collected through a structured questionnaire pertaining to 25 questions indicating various factors. These factors are constructed on the basis of literature. The data has been collected from 35 young professional both male and female of 20-27 age. The questionnaire was sent to 75 professionals, but only 35 of them have responded. All the respondents were placed in Delhi and NCR region. The technique adopted for evaluation is Factor analysis with rotated component and scree plot. So as to identify the major factors leading to technostress. The exploratory Factor analysis is applied to reduce the data with principal component method. The questions were on five-point likert scale representing 1 for low and 5 for extremely high. The responses are further tabulated and calculated through SPSS 16.0 version.

## DATA ANALYSIS & INTERPRETATIONS

On the basis of datasheet, a correlation matrix is created. With the help of which we can understand the correlation among various factors. All the values representing positive figure shows the positive relation between the two factors whereas negative figures show the negative relation or no significant association. The figures closer to .5 have strong correlation whereas figures less than .5 show weak correlation between the variables.

## Correlation Matrix

	competition	culture	change	proactive	power center	taskinter dependency	source	cognitive	maturity	personality traits	emotions	excessive-use
Sig. 1-tailed)												
competition		.065	.125	.364	.102	.060	.045	.156	.490	.494	.257	.156
culture	.065		.311	.018	.138	.199	.416	.048	.028	.041	.312	.184
change	.125	.311		.114	.099	.362	.009	.481	.433	.094	.179	.122
proactive	.364	.018	.114		.002	.173	.141	.401	.186	.008	.278	.065
power center	.102	.138	.099	.002		.152	.040	.108	.387	.042	.487	.382
taskinter dependency	.060	.199	.362	.173	.152		.284	.248	.351	.182	.096	.005
source	.045	.416	.009	.141	.040	.284		.405	.013	.240	.096	.324
cognitive	.156	.048	.481	.401	.108	.248	.405		.237	.014	.008	.317
maturity	.490	.028	.433	.186	.387	.351	.013	.237		.442	.060	.127
personality traits	.494	.041	.094	.008	.042	.182	.240	.014	.442		.498	.004
emotions	.257	.312	.179	.278	.487	.096	.096	.008	.060	.498		.073
excessiveuse	.156	.184	.122	.065	.382	.005	.324	.317	.127	.004	.073	

## KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.490
Bartlett's Test of Sphericity	Approx. Chi-Square	101.724
	Df	66
	Sig.	.003

KMO and Bartlett's Test is close to .5, which state that the data collected is valid in terms of factors and responses.

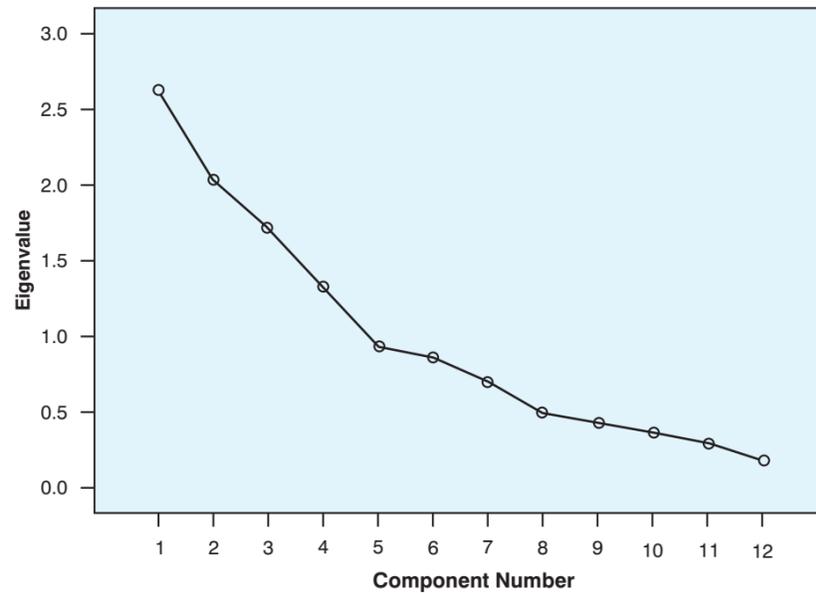
## Communalities

	Initial	Extraction
Competition	1.000	.600
Culture	1.000	.592
Change	1.000	.457
Proactive	1.000	.548
Powercenter	1.000	.531
Taskinterdependency	1.000	.573
Source	1.000	.747
Cognitive	1.000	.701
Maturity	1.000	.788
Personalitytraits	1.000	.698
Emotions	1.000	.772
Excessiveuse	1.000	.699

Extraction Method: Principal Component Analysis.

Communalities basically indicate the factor loading of the variables. Method adopted is Principal Component Analysis.

### SCREE PLOT



The scree plot also reflects that the component number and Eigen value are close to elbow shape which means the responses on the questions are making balance between the individual factors and overall component.

### Component Matrix<sup>a</sup>

	Component			
	1	2	3	4
competition	.298	-.539	.055	-.467
culture	-.612	-.085	.295	.351
change	.432	-.345	.377	-.098
proactive	.731	.077	.013	.086
powercenter	-.604	.384	.036	-.128
taskinter dependency	.250	.613	.278	.240
source	.393	-.434	.602	.204
cognitive	-.306	.298	.715	-.089
maturity	-.225	-.437	.305	.673
personalitytraits	.700	.112	-.230	.377
emotions	.255	.340	.624	-.449
excessiveuse	.398	.699	-.008	.229

Extraction Method: Principal Component Analysis.

a. 4 components extracted.

### Rotated Component Matrix<sup>a</sup>

	Component			
	1	2	3	4
competition	.513	-.474	-.029	-.334
culture	-.249	-.158	.222	.675
change	.660	-.063	.122	-.045
proactive	.488	.448	-.177	-.279
powercenter	-.624	-.069	.360	.084
taskinterdependency	-.017	.703	.281	.008
source	.790	.019	.164	.309
cognitive	-.057	.082	.795	.242
maturity	.228	-.070	-.114	.848
personalitytraits	.346	.582	-.470	-.134
emotions	.271	.195	.741	-.333
excessiveuse	-.087	.808	.046	-.191

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 7 iterations.

Rotated Component Matrix with Varimax has been used to make the result more authenticated. It identifies 4 major components which will be further creating themes. Factors are like raw material whereas components are like semi finished products and Themes on the basis of combination of both will be like finished products.

### Component Transformation Matrix

Component	1	2	3	4
1	.714	.476	-.245	-.451
2	-.534	.725	.344	-.266
3	.452	.077	.815	.354
4	.025	.491	-.396	.775

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Above mentioned tables represents that there are most important factor which further defines various themes.

### FINDINGS & LIMITATIONS

On the basis of factor analysis, the factors can be classified into four major themes:

Informatic Culture	Work Relationship	Organisation System	Support System
Competition Change Proactive Source of Technology	Task Interdependency Personality Traits Excessive Use of Technology	Power Centric Cognitive	Culture Maturity

These themes are further given a named as- Informatic Culture, work relationship, Organization and Support system. Informatic Culture includes competition in the market, Change and innovation, Proactiveness of an organizational and Sources of Technology. All of them are environmental causes. Whereas the second factor is Work Relationship on the basis of Task Interdependency, Personality Traits and use of technology. Third is Organization system on the basis of power and Cognition. Fourth are support system in terms of Culture and maturity one has.

The data collected was limited to Delhi & NCR. Moreover the time was a constraint. The data was received was almost 50% of sent.

## CONCLUSION

The study is describing the factors leading to techno stress in young professionals thus leading them to worklife imbalances. This study may be further researched on the basis of finding correlation among various factors like age, gender and many more with the response. This study can be explored on other age group with different sample also. It may also be tested with other data collection techniques. The research was initially started with a proposed model of factors leading to technostress. These factors were further tested through questionnaire further leading to the proportion of impact of each factor on the technostress. On the basis of correlation among various factors, it was identified, that all these factors are leading to four major categories. The post research model, reflects that the prime causes of technostress are Informatic Culture, work relationship, Organization and Support system among youngsters.

## SCOPE OF STUDY

The research can further be added on various outcomes of technostress. Since this study is more about antecedents of technological stress, it may be further researched on many multidimensional factors. The research also focuses only on youngster which may be further tested on children or aged population. Although the findings do provide insights into groups of similar characteristics but it can be adopted in diverse groups.

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# Comparative Analysis of Non Fuel Retailing Practices of Oil Marketing Companies in India and World

Dr. Sandhya Rai<sup>1</sup>

## ABSTRACT

With the continuously increasing world oil prices and the pressure to increase the margin the oil marketing (OMC) companies throughout the world are entering into one or the other non- fuel retail (NFR) business to increase the revenue. This study is an attempt to know about the various non- fuel activities run by the companies in Indian and in the international market. It has been found from the study that in the Indian market, the number and the variety of NFR services is more as compare to that in the international market, but the contribution of non fuel sale in the industry's total value is very less in the Indian market, in US the share of non fuel in the total industry value is 40%, this figure is 12.5 % and 11 % respectively in Japan and France. The need of the hour is to increase the contribution of NFR services in the industry's (Fuel Service Station Retail's) total revenue.

**Key words:** Oil Marketing Companies (OMC), Non Fuel Retailing (NFR), International market, Indian Oil Corporation (IOCL), Bharat Petroleum Corporation Ltd. (BPCL), Hindustan Petroleum Corporation Ltd. (HPCL), Exxon Mobil, Shell, BP

## INTRODUCTION

The oil industry is one of the most dynamic industries in the world that directly or indirectly affects each and every sphere of the economy. Almost 30 billion barrel of oil is consumed by the world every year of this 22.5% is consumed by US. India is the fourth largest consumer of the petroleum as per the EIA Statistics 2010 consuming 3.8 % of the total world share

**Table 1.1**

**Total Petroleum Consumption,\* 2009-2010**

Rank	Country	Year 2010 (thousand barrels per day)	Year 2009 (thousand barrels per day)	Share of world total, (2010)
1.	United States	19,148	18,771	22.5%
2.	China**	8,746	8,678	10.3%
3.	Japan	4,422	4,367	5.2%
4.	India	3,215	3,110	3.8%
5.	Russia	2,686	2,740	3.1%
6.	Saudi Arabia	2,676	2,438	3.1%
7.	Brazil	2,599	2,522	3.0%
8.	Germany	2,489	2,456	2.9%
9.	South Korea	2,249	2,185	2.6%
10.	Canada	2,232	2,151	2.6%

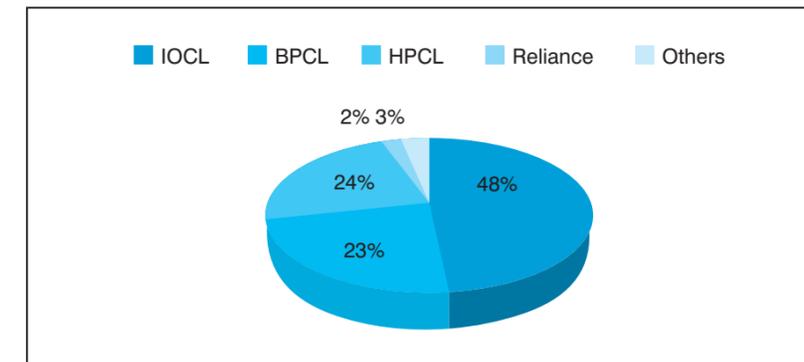
**Source:** U.S. Energy Information Administration (EIA), *International Energy Statistics*

The increase in the prices of the petroleum products in the recent years has created a huge challenge for the Oil Marketing Companies (OMCs) to run a profitable and economically sustainable business as the increased prices have a direct impact on the net revenue. Also the competition and the composition in the retail business have changed a lot over the recent years. Throughout the world, businesses are faced with new challenges like change in the level of customer service requirement, change in customer demand, innovation etc. The oil industry is not an exception from this. Since oil is a commodity, there is no product differentiation, they all are selling similar product with different name hence the consumer is indifferent towards them. Thus OMCs has to find out some other ways to attract and retain the consumer. Non – fuel retailing is a step in this direction. Oil companies throughout the world are venturing in to this business and generating revenue. As per the report published in M2presswire dated 07 December 2010, the major oil retailers are the biggest player in the forecourt business. Most of these companies have developed their own brand format for retailing. As per the data of

<sup>1</sup> Associate Professor, Accurate Institute of Management & Technology, Greater Noida (UP), India. E- mail - raisandhya@gmail.com

“Research and Market” group almost 70% shops in Europe have forecourt retail outlets but in the Indian market this figure is only 5 %. Non fuel retailing is new business format growing in Indian and in the international market. As per the data monitor report dated June 2011, the non fuel sales constitute about 40 % of the industry's value in the US market; this value is 12.5 % and 11 % in Japan and France respectively. Marketing of petrol in India is dominated by three public sector oil companies (PSUs) namely Indian Oil Corporation Ltd. (IOCL), Bharat Petroleum Corporation Ltd. (BPCL) and Hindustan Petroleum Corporation Ltd. (HPCL). They together constitute 83% of the total fuel sales in the country and about 94.6% of the total number of retail outlets in the country. For our study about the Indian market, we have considered these three companies only.

**Percentage of Retail Outlets**



**Fig 1.1 Percentage of Retail Outlets of OMC In India**

(Source –IOCL, HPCL, BPCL Annual Report 2011-12)

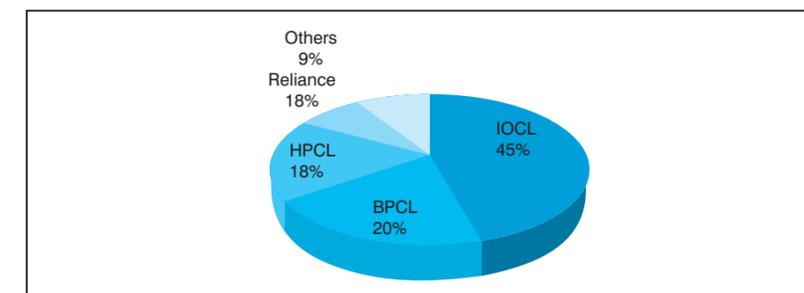
**Table 1.2**

**Number of Petro Retail Outlets of Major OMCs In India**

Year/Companies	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
IOCL	11,754	16,607	17,574	18,278	18,643	19,463
HPCL	7,313	7,909	8,329	8,539	9,127	10,212
BPCL	7,332	7,537	8,251	8,402	8,692	9,289
TOTAL	26,399	32,053	34,154	35,219	36,462	38,964

(Source –IOCL, HPCL, BPCL Annual report.2010-2011)

## Retail Fuel Sale



**FIG 1.2 Share in Retail Fuel Sale**

**Source:- PPAC ICICI direct.com research**

Based on the data provided by ryankett.hubpage.com about the top three OMC of the world in terms of revenue, Exxon Mobil, Royal Dutch Shell and British petroleum have topped the list. These three companies will be studied for the international market

**Table 1.3**

**Top Five Retail Companies of The World**

Rank	Company name	Primary industry	Revenue (USD billion)	Fiscal Year
1.	ExxonMobil	Oil and gas	\$486.429	2011
2.	Walmart	Retail	\$421.849	January 31, 2011
3.	Royal Dutch Shell	Oil and gas	\$470.171	2011
4.	BP	Oil and gas	\$297.107	2010
5.	Sinopec	Oil and gas	\$289.774	2010

Source : ryankett.hubpages.com

**MAJOR INTERNATIONAL OMCs**

**EXXON MOBIL**

Exxon Mobil is the world largest publically traded oil company in the world. It is the world's largest oil refiner and marketer of petroleum products. Throughout the world its products are marketed as Exxon, Esso and Mobil. Exxon brand is established in the US market and customers rely on it for its branded fuel service and lubricant for their personal and business need. Esso and Mobil are also a trusted brand throughout the world for their quality. Throughout the world these products are known for their quality and customer satisfaction. It is the largest of the six oil majors with daily production of 3.921 million barrel of oil equivalent. Beside fuel (oil and gas), the company is also in the business of non fuel services like car wash, Esso auto club, convenience store, on the run store and tiger express store which offers services like ATM, hot and cold beverages and snacks. The car wash service is run with the name "Esso Touchless Car Washes". The Esso Auto Club offers on road assistance and travel services.

**SHELL**

Shell or Royal Dutch Shell as it is a globally known is the second largest oil and gas company in the world in terms of turnover. Its registered office is in London. It was created in the year 1907 with the merger of Royal Dutch Petroleum Company and "Shell" Transport and Trading Company Ltd of UK. At present it is operating in almost 90 countries and one of its largest businesses is in United States. It has 44,000 stations worldwide. The company is ranked at the second position globally in the fortune 500 list in 2011. Like other OMC it is also in the business of NFR and offer services like loyalty program and convenience store. The convenience store of shell is known as shell select outlets and used to sell products like snacks, refreshments, groceries, phone cards, newspapers and magazines and travel items.

**BP**

The name BP is derived from the initials of one of the company's former legal name British petroleum. It is a British oil and gas company having headquartered in London, United Kingdom. In the year 2011 it was the third largest energy company and fourth largest company in the world. It is operating in more than 80 countries and has 22,400 service stations worldwide. The company's largest division is BP America which is the largest producer of oil and gas in US. The convenience store of BP is known as "ampm". It used to sell a wide variety of products like grab and go sandwiches, treats and fountain drinks and different variety of snacks. It also used to run coffee house with the name "Wild Bean Cafe" which besides offering wide variety of coffee to its customers also offers hot snacks and sandwiches.

**MAJOR INDIAN OMCs**

**INDIAN OIL CORPORATION LTD. (IOCL)**

IOCL is the India's largest public sector company in terms of the turnover and rank 98th in the fortune "Global 500" listing. Indian oil and its subsidiaries account for 47% share in the petroleum product market, 34% share in the refining capacity and 67% in the pipeline capacity. It operates the largest and the widest network of retail fuel station in the country numbering 19,463 out of this 15,946 are regular retail outlets and 3,517 are Kissan Seva Kendra. It has started many non fuel initiatives on revenue sharing mode with brands like Hindustan Uniliver Limited, Dabur, ICIC Bank, Ferns and Petals, MTR Food, PVR Cinemas, UAE Exchange, Reliance Capital and DHL to name a few.

**BHARAT PETROLEUM CORPORATION LTD (BPCL)**

BPCL is also a public sector undertaking and presently have 22% share in the retail petrol market. The company market its products through a well spread infrastructure of 4,489 retail stations spread across the country. It has 147 installation/ depots, 27 LPG Bottling plants and 16 aircraft fueling stations in the country. It was formed in the year 1976 by taking over of Burmah Shell by the government of

India. Initially it was named Bharat Refineries limited but on 1st August 1977 it was renamed as Bharat Petroleum Corporation Limited. To increase its revenue the company is running many non fuel alliances like dhaba, rest room / dormitory, saloon, laundry, tailor shop kirana shop, Houda facility and amphitheater for truckers and food court and children's play park for tourist. It is also providing health care services to the commuters.

**HINDUSTAN PETROLEUM CORPORATION LTD (HPCL)**

HPCL is a public sector undertaking with 20 % market share in petrol marketing and have two refineries one each in Mumbai and Vishakhapatnam. It has an infrastructure of 4,400 retail outlets throughout the country. Out of these 46% are owned by the company itself. Because of increasing world oil prices and restrains to increasing oil prices in the country, this company has also started convenience store "Club HP" which offers services like vehicle care, vehicle finance, ATM, bill payments etc. To provide these services it has got itself associated with leading companies like Coco Cola India, ICICI Bank, Fed Ex, Western Union Money Transfer, Café Coffee Day, US Pizza, Skype. It is also providing basic facilities like safe drinking water, clean restroom facility, hygienic food facility.

**OBJECTIVE OF STUDY**

- (i) To know the profile of key Fuel retailers in the Indian and in the international market
- (ii) To have an insight into the progress made by the OMC in the field of NFR in the Indian as well as in the international market
- (iii) To find out different services which are available at the outlet of international OMC but not in India and vice versa.

**RESEARCH METHODOLOGY**

The present study is based on secondary data only. The various sources that have been referred in the study include the annual report of the companies (IOCL, HPCL, BPCL, Exxon, Shell, BP). Information from the company's website, articles published in the magazines and the newspaper, periodicals and web portals and the extract from the expert interviews in the various newspapers magazines and periodicals.

**COMPARATIVE ANALYSIS**

**CONVENIENCE STORE**

Throughout the world petrol stations are recognised as one of the highest traffic aggregator and the companies wanted to take advantage of it. Convenience store is one form of NFR which is popular both in India and abroad. Be it national oil companies (NOC) or international oil companies both are running convenience store with different names. The main purpose of the convenience store is to make some sales while the customer is getting its vehicle filled. They mostly stores items which customer need in their routine life like grocery, ready to eat foods or impulse buying items like gifts, chocolates, music, books etc. IOCL runs its convenience store with the name "IOC Convenio", BPCL runs it with the name "In & Out" and HPCL runs it with the name "HP Speedmart". In the international market Exxon run its convenience store with the name "On the Run", shell is running its store with the name "Shell Select" and BP is running with the name "am pm". In the present scenario when a customer is exposed to different convenience store of OMC, before buying anything from one of the convenience store, he does a comparative analysis and makes his purchase decision accordingly. Thus oil companies should keep the variety and prices of the product competitive to attract maximum number of customers.

**Table 1.4**

**Convenience stores of Oil Marketing Companies in India**

Company	Convenience Store	Products / Services
BPCL	In and Out	ATM, Music, Beverages , Snacks, convenience foods, toiletries and select range of branded groceries and other FMCG products, Basic amenities.
HPCL	HP Speed mart	Convenience foods, toiletries and select range of branded groceries and other FMCG products, Basic amenities.
IOCL	Convenios	Packed food, branded groceries, beverages, gifts etc.

**Table 1.5**

**Convenience stores of Oil Marketing Companies in the world**

Company	Convenience Store	Products / Services
Exxon Mobil	On the Run	Coffee, cold drinks, snacks and fast food
Shell	Shell Select	Confectionary, cold drinks, bakery products, grocery items
BP	am pm	Hot and cold beverages, freshly prepared food, grab and goi sandwiches.

## VEHICLE CARE

Vehicle care is the second category in which the OMCs have venture into the non fuel retailing. Many petrol pumps in India and in the world are equipped with a service station. These outlets in addition to the service, repair and maintenance also provide a wide variety of auto accessories. The IOCL have started this service at its "Xtra care" petrol pumps, BPCL is having this service throughout India with the name "V-care" and HPCL is having their "Quick care" points on their "Club HP" petrol pumps throughout the country to look after the need of the vehicle. Similarly in the international market, Exxon is running vehicle care service with the name "Touchless car wash" where the car is cleaned without the help of brush or rollers, Shell is running this service with the name "Shell auto Serve" and BP is having it with the name "BP Super Wash" which offers instant car wash service, the entire car is washed in just six minutes. The table given below gives the detail of different vehicle care services in the Indian and in the International market.

Table 1.6

Vehicle Care Services of Oil Marketing Companies in India

Company	Vehicle Care service/ Service	Products / Services
IOCL	Xtra Care Petrol pumps	Break fluid check, air check, battery check, windshield wiper check etc.
BPCL	V-care	Basic vehicle needs are provided, have tied up with hero Honda and GM for their after sales services.
HPCL	Quick Care	Mega and Max outlets "Club HP" outlets provides basic vehicle services, accessories and consumer able.

Table 1.7

Vehicle Care Services of International Oil Marketing Companies

Company	Vehicle Care service/ Service	Products / Services
Exxon Mobil	Touchless car services Esso Auto club	Car wash Emergency roadside assistance, travel services
BP	BP Super wash BP Motor club	Car is washed instantly in just six minutes Provide 24X7 vehicle assistance, offer on the road services to the motorist
Shell	Shell Car wash  Shell Auto serve	Offer super fast car wash services and also it is environment friendly as it recycle almost 80% of the water it uses.  One stop solution for complete range of automobile products. Provide battery, lube, tyre, wiper, change and other maintainance services

In the international market, convenience store, food joints and vehicle care are the services which are popular and companies are focusing on strengthening these services only. But the situation is different in the Indian market as Indian economy is an agro based economy. Farmers play a major role in any business and the business of oil retailing is not different from it. Thus OMCs have to find out new and innovative marketing mix for this category. Working on the above pattern, IOCL started Kissan Seva Kendra and HPCL tied up with Godrej Agrovet to start "Aadhaar Express" outlets in rural India.

Table 1.8

NFR of OMC in Rural India

Company	NFR service	Products / Services
IOCL	Kissan Seva Kendra	Pesticide, banking products, convenience store, fertilizers, seeds,
HPCL	Aadhaar Outletsb Godrej Agrovet Ltd. (Tie Up)	Cattle feed, grocery, seeds, fertilizers, poultry products, aqua feeds.

In the international market no such step has been taken by the top three leading companies. Also there are many other initiatives like a tie up of IOCL with PVR cinemas and BPCL with Western Union Money transfer Exist in the Indian market, no tie up by the top three leading companies on such format exist in the international market. But in spite of more variety of NFR in the Indian market, companies are not able to attract desired number of customers to these services. This is visible from the fact that the overall contribution of NFR in the total revenue is just 5% in case of Indian companies but in the countries like US, UK, France and Switzerland it is more than 30% Germany

## FINDINGS OF THE STUDY

From this study it has been found that all the major OMCs are there in the business of NFR, the size and variety may varies. All the OMCs have their own brand of convenience store. It has also been found from the research that companies are continuously looking out for new opportunities and areas in which new services can be started out. Like in the Indian market IOCL is planning to open multiplexes in collaboration with PVR and BPCL have started motels and dormitory especially for truckers.

It has also been found that in countries like US, UK, France the fuel retailers keep the prices of the fuel low in order to attract the customer to their station and use NFR services. It has also been found that these retailers generate more margins from non fuel product than the fuel products.

The low share of NFR in the total revenue of the oil companies in the Indian market clearly shows that the Indian consumer is not using NFR services very frequently hence companies must try to find out the reason for this as they have already taken steps to enter into this market.

## LIMITATIONS OF THE STUDY

Though lots of efforts have been put into this study, but because of constrain of time and source availability, there are certain limitations under which this study has been done. The first limitation is about the scope if the study, thus study is limited to only the major OMCs in the Indian and International market and do not consider all the OMCs of the world.

The second limitation is regarding the level of comparison, we have compare the companies only on the basis of types of services they are offering but we have not considered the percentage share of each of these services in different companies. A further study can be done in this regard to find out the NFR service which is generating the highest revenue among the existing services.

Also in this study we have not considered what consumer think about these services and whether he is satisfied with the services or not. A new study regarding the expectations belief and attitude of the customer can be done to find out the answer of this question.

## CONCLUSION AND RECOMMENDATIONS

It has been found from the research that all the major oil companies of the world are into the business of NFR. They are running this service in different formats like convenience store, food court, and vehicle care services. Indian companies are also following this pattern but they are not getting as much success as they should be. Hence they have to find out some other strategy for the Indian consumer. Though Indian companies have started lots of NFR services but they are not able to get the desired revenue from them. The task before the OMCs of India is to find out what the customer want and how it should be made available to them. These OMCs have a very good retail network in the country and if utilized properly can generate huge revenue.

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# A Study on the Motivational Pattern of Students and Correlation with Gender Using X-Y Theory

Dr. Shruti Gupta<sup>1</sup>  
Kawalpreet Kaur<sup>2</sup>  
Kalyani Tripathi<sup>3</sup>  
Reena Devi<sup>4</sup>

## ABSTRACT

Motivation refers to reasons that underlie behaviour that is characterized by willingness and volition. Motivation involves a constellation of beliefs, perceptions, values, interests, and actions that are all closely related. Douglas McGregor, an American social psychologist, proposed his famous X-Y theory. The following research is on the study of the motivational pattern of student and correlation with gender using X-Y theory questionnaire. The study is based on both primary and secondary data includes. The primary data was collected with the help of standard questionnaire (Alan Chapman 2002, Based on Douglas McGregor's XY Theory). This questionnaire was administered on the MBA students. The secondary sources were collected from different journals, magazines and books to obtain data regarding the role of gender in motivation. The primary data collected has been analysed using SPSS version 16.0. The research tool used to find the significant difference is Levene's T-Test.

**Key Words:** Motivation, X-Y theory, Gender

## INTRODUCTION

Motivation refers to reasons that underlie behaviour that is characterized by willingness and volition. Intrinsic motivation is animated by personal enjoyment, interest, or pleasure, whereas extrinsic motivation is governed by reinforcement contingencies. Motivation involves a constellation of closely related beliefs, perceptions, values, interests, and actions. Motivation within individuals tends to vary across subject areas, and this domain specificity increases with age. Motivation in children predicts motivation later in life, and the stability of this relationship strengthens with age. Traditionally, educators consider intrinsic motivation to be more desirable and to result in better learning outcomes than extrinsic motivation. In general, children appear to enter school with high levels of intrinsic motivation, although motivation tends to decline as children progress through school. Research suggests that motivation can be manipulated through certain instructional practices, although studies demonstrate both positive and negative effects. The use of rewards may either encourage or diminish motivation, depending on the type of rewards and the context in which they are given. Teachers should attempt to give students more autonomy or control over their own learning by allowing them to make choices and use collaborative or cooperative learning approaches. In addition, teachers should create a supportive classroom environment with respect to goal structures, attributions, and external evaluation. There are several challenges to assessing motivation, especially in children. Recommendations for eliciting evidence of motivation for assessment purposes are made.

## DEFINITION OF MOTIVATION

Motivation is a psychological feature that arouses an organism to act towards a desired goal and elicits, controls, and sustains certain goal directed behaviours. It can be considered a driving

force; a psychological drive that compels or reinforces an action toward a desired goal. For example, hunger is a motivation that elicits a desire to eat. Motivation has been shown to have roots in physiological, behavioral, cognitive, and social areas.

Motivation may be rooted in a basic impulse to optimize well-being, minimize physical pain and maximize pleasure. It can also originate from specific physical needs such as eating, sleeping or resting, and sex.

Motivation involves a constellation of beliefs, perceptions, values, interests, and actions that are all closely related. As a result, various approaches to motivation can focus on cognitive behaviours (such as monitoring and strategy use), non-cognitive aspects (such as perceptions, beliefs, and attitudes), or both.

## THEORY X AND THEORY Y

Douglas McGregor, an American social psychologist, proposed his famous X-Y theory which is explained as below:

### Theory X ('authoritarian management' style)

- The average person dislikes work and will avoid it he/she can.
- Therefore most people must be forced with the threat of punishment to work towards organisational objectives.
- The average person prefers to be directed; to avoid responsibility; is relatively unambitious, and wants security above all else.

### Theory Y ('participative management' style)

- Effort in work is as natural as work and play.
- People will apply self-control and self-direction in the pursuit of organisational objectives, without external control or the threat of punishment.

- Commitment to objectives is a function of rewards associated with their achievement.
- People usually accept and often seek responsibility.
- The capacity to use a high degree of imagination, ingenuity and creativity in solving organisational problems is widely, not narrowly, distributed in the population.
- In industry the intellectual potential of the average person is only partly utilised.

## LITERATURE REVIEW

In this section describes and explains the concepts and theories that were described by the other authors in the field of motivation and its correlation with the gender. MC Gregory theory suggest that there are two parameters in motivation X and Y where, X is for laziness category of people who get motivated by the external factors where as Y category of people are hard working and ambitious. According to him X category of people should be motivated to increase their performance. As discussed earlier, motivation refers to reasons that underlie behaviour that is characterized by willingness and volition. While intrinsic motivation is animated by personal enjoyment, interest, or pleasure, extrinsic motivation is governed by reinforcement contingencies

Emily R. Lai (2011) in their study suggest the importance of research exploring the intersections between dimensions such as race, social class, gender, and religion on the construction of self and service. Bahman P. Ebrahim (1999) states that Chinese women are perceived as passive, submissive, lacking aggressiveness and they drive to be successful managers. According to his study there is no significant differences between the scores of males and females. Gender role differences are not supported by differences in managerial motivation of Hong Kong business student. Curry.T.J. (1989) states that competition, fitness, and social motivation for sport participation between American college athletes and Austrian student sport club members are compared. The results indicate: (1) statistically significant main effects of ANOVA comparisons between competition and fitness motivation and the factors of gender and country; (2) a statistically significant two-way interaction between social motivation and gender and country; and (3) statistically significant Pearson product moment correlations between competition and fitness motives and the involvement of self in the sport role. It is thus concluded that motivation for sport participation is likely to be influenced by the values of the sport organization as well as the sport and gender identities of the participant. Peter Gobel (2006) explores differences in motivational sub-constructs based on the variable of gender. He used Factor analysis test in which result revealed a multidimensional construct comprised of Integrativeness, Intrinsic value, Amotivation, and Attainment value, together explaining the variance. A MANOVA was then performed with gender as the independent variable. The results of the MANOVA indicated a significant difference in Integrativeness based on gender, with females scoring significantly higher on those items. The results are discussed in relation to both the Socio-educational model and Expectancy-value theory, and with reference to their relevance in the EFL classroom. Frank Pajares, Giovanni Valiant (2001) proposes their study and the

aim of their study was to determine whether gender differences in the writing motivation and achievement of middle school students (N = 497) are a function of gender-stereotypic beliefs rather than of gender. According to their study, girls reported stronger writing self-efficacy, writing self-concept, self-efficacy for self-regulation, value of writing, and task goals, and they received higher grades in language arts. Boys reported stronger performance-approach goals. All gender differences favouring girls in writing motivation and achievement were rendered non significant when feminine orientation beliefs were controlled. Their findings suggest that a feminine orientation is adaptive in the area of writing, whereas a masculine orientation is beneficial when escorted by a feminine orientation.

Kristi J. K. Klein, Sara D. Hodges (2001) studied two studies of college students and investigated the conditions under which women perform better than men on an empathic accuracy task (inferring the thoughts and feelings of a target person). According to their first study women's advantage held only when women were given a task assessing their feelings of sympathy toward the target prior to performing the empathic accuracy task. The second study demonstrated that payments in exchange for accuracy improved the performance of both men and women and wiped out any difference between men's and women's performances. Together, the results suggest that gender differences in empathic accuracy performance are the result of motivational differences and are not due to simple differences of ability between men and women.

## RESEARCH METHODOLOGY

The following research is on the study of the motivational pattern of student and correlation with gender using X-Y theory questionnaire.

**RESEARCH DESIGN:** The research project under consideration is a descriptive research study as it is strongly based on the review of the previous works done in the field of motivational pattern of student and correlation with gender using X-Y theory of questionnaire.

**HYPOTHESIS:** On the basis of literature review done, a null hypothesis was formed which indicates that there is no effect of gender on motivational level of MBA students.

H0: Gender does not affect the motivational level of MBA students.

H1: Gender has a direct relationship on the motivational level of MBA students.

Data Collection and Analysis Technique: The study is based on both primary and secondary data includes. The primary data was collected with the help of standard questionnaire (Alan Chapman 2002, Based on Douglas McGregor's XY Theory). This questionnaire was administered on the MBA students between the month of January to March 2013. The secondary sources were collected from different journals, magazines and books to obtain data regarding the role of gender in motivation. The primary data collected has been analysed using SPSS version 16.0. The research tool used to find the significant difference is Levene's T-Test.

<sup>1</sup> Asst. Professor & Area Chairperson-HR, Army Institute of Management & Technology, Greater Noida (UP), India E-mail : gupta\_shruti1@rediffmail.com

<sup>2</sup> MBA Scholar (2011-13), Army Institute of Management & Technology, Greater Noida (UP), India

<sup>3</sup> MBA Scholar (2011-13), Army Institute of Management & Technology, Greater Noida (UP), India

<sup>4</sup> MBA Scholar (2011-13), Army Institute of Management & Technology, Greater Noida (UP), India

**SAMPLING METHOD:** Sample Unit: For this research the students of Army Institute of Management & Technology, an MBA Institute situated in greater Noida was taken.

Sample Size: Total number of respondents was 100 out of which 50 were boys and 50 were girls.

Sampling Technique: The technique used for sampling was judgment sampling (non probability sampling technique)

## RESULT AND DISCUSSION

In this research Levene's Test for equality of variance was applied for independent samples in order to study the differences in the motivational level of MBA students according to gender. Levene's test is an inferential statistic used to assess the equality of variances in different samples. The research also tells about the X-Y theory of motivation where X indicates the factor that an individual is externally motivated and Y indicates that an individual is internally motivated.

### T-TEST

Table I- Group Statistics

	Gender	N	Mean	Std. Deviation	Std. Error Mean
Motivation	1	50	55.36	7.969	1.127
	2	50	53.48	7.519	1.063

Table II- Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	T	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Motivation	Equal variances assumed	240	.625	1.213	98	.228	1.880	1.549	-1.195	4.955
	Equal variances not assumed			1.213	97.672	.228	1.880	1.549	-1.195	4.955

### INTERPRETATION

Using the T-test we found that motivational mean of 50 boys is 55.36 and the standard deviation is 7.969 and the mean of 50 girls is 53.48 and the standard deviation is 7.519. The findings illustrates that in motivational theory of X-Y there is no significant gender difference among students. The significant factor which came out from this research is .625 which is greater than 0.05 which means that there is no significant difference between boys and girls. No differences are found between boys and girls in any of the variables under study.

The result shows that both boys and girls came under the category of strongly preferring Y theory management which means students are internally motivated without any gender factor.

The null hypothesis pertaining to there being no significant difference of gender with the motivation level was found to be true.

## CONCLUSION

Motivation is a psychological feature that arouses an organism to act towards a desired goal and elicits, controls, and sustains certain goal directed behaviours. It can be considered a driving force; a psychological drive that compels or reinforces an action toward a desired goal. Motivation has been shown to have roots in physiological, behavioural, cognitive, and social areas.

Researchers often contrast intrinsic motivation with extrinsic motivation, which is motivation governed by reinforcement contingencies. Traditionally, educators consider intrinsic motivation to be more desirable and to result in better learning outcomes than extrinsic motivation. Tangible rewards can be especially damaging to intrinsic motivation, as can negative performance feedback and positive feedback when it is administered controlling. Educators should administer any rewards informational and unexpectedly, as these types of rewards do not appear to diminish motivation.

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## ANNEXURE

### THE X - Y THEORY QUESTIONNAIRE

Indicates whether the person prefers being managed by the 'X' or 'Y' style:

Score the statements (5 = always, 4 = mostly, 3 = often, 2 = occasionally, 1 = rarely, 0 = never)

- I like to be involved and consulted by my boss about how I can best do my job.
- I want to learn skills outside of my immediate area of responsibility.
- I like to work without interference from my boss, but be able to ask for help if I need it.
- I work best and most productively without pressure from my boss or the threat of losing my job.
- When I leave the company, I would like an 'exit interview' to give my views on the organisation.
- I like to be incentivised and praised for working hard and well.
- I want to increase my responsibility.
- I want to be trained to do new things.
- I prefer to be friendly with my boss and the management.
- I want to be able to discuss my concerns, worries or suggestions with my boss or another manager.
- I like to know what the company's aims and targets are.
- I like to be told how the company is performing on a regular basis.
- I like to be given opportunities to solve problems connected with my work.
- I like to be told by my boss what is happening in the organisation.
- I like to have regular meetings with my boss to discuss how I can improve and develop.

### Total Score

60 - 75 = Strongly prefers Y Theory Management (Effective long & short term)

45 - 59 = Generally prefers Y Theory Management

16 - 44 = Generally prefers X Theory Management

0 - 15 = Strongly prefers X Theory Management (Autocratic leadership may be effective in the short term but poor in the long term)

## BOOK REVIEW

### ECONOMIC ENVIRONMENT AND POLICIES FOR BUSINESS

**Authors:** Justin Paul & Parul Gupta  
Tata McGraw Hill Education (p) Ltd. New Delhi, 2012,  
1st Edition, Pages-590, Price-Rs 445  
ISBN-13:978-1-25,900486-5  
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“Crafty men condemn studies, simple men admire them, and wise men use them; for they teach not their own use; but that is wisdom without them, and above them, won by observation.”

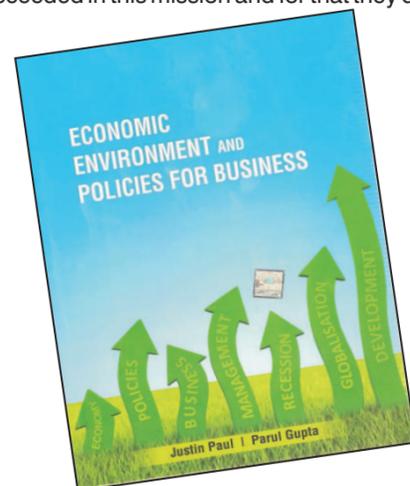
-Francis Bacon

An author, trying to consolidate and make sense of the discipline that includes the intricacy of the subject and make it to meet the trend of the day, incurs many debts. The book “**Economic Environment and Policies for Business**” provides information for the reader – a business professional, teacher or student. This book may be viewed as ERP of the subject. Easy and simpler language makes the book reading interesting. Terms explained so well that reader with no prior knowledge of the subject could easily understand the text. The development of contents is good, analysis is better, implementation of theory with examples especially from SAARC Nations, enchants reader to keep on studying. The spell bound effort could acquire its success if more examples been served, but nevertheless, footnotes, here and there, in the book, hold the reader’s interest and concentration.

The book helps reader to understand dynamic economic environment and provide a vision to the business economic. It will certainly help the business to compete with the environment and formulate strategies to have advantages over competitors. The external analysis of the subject, its structure and its methodology for analyzing the external economic environment is the soul of the book. Presentation of method and concepts help reader to understand changing economic environment.

The book may not fulfill the objective to cover any university syllabus but its reader will certainly relish the concepts with compact and appropriate capsule type examples along with topic. The authors put the efforts to frame the objectives type questions, review questions and class/field exercise. These could be more, the reader may feel unquenched. Contents should encourage reader to improve cognitive skill. The business person must understand the inter-business competencies needed by managers to deal with economic environment externally or internally and the book succeeded in.

*Some books are to be tasted, others to be swallowed, and some few to be chewed and digested,* it is the book which could be used for any purpose; read it in parts; others to be read it wholly, and with diligence and attention. The soul of any book is its contents’ reliability. Providing references at the end of each chapter and footnotes build the confidence and encourage reader for further study and explore the topic. Words are nothing but the wastage of ink if not creating a lust and allurance to read and understand them, and this could be possible only if they travel with the breath and pulse of the reader and shake the mind-wave take place in the heart of reader. This is the final destination of any literary work, authors succeeded in this mission and for that they deserve big CONGRATULATION!



**Prof. Yaseen Khan**  
Asst. Professor –Marketing  
Army Institute of Management & Technology, Greater Noida (UP), India  
Email : mykhan@aimt.ac.in

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