



## ARMY INSTITUTE OF MANAGEMENT & TECHNOLOGY

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# AIMT JOURNAL OF MANAGEMENT



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## THE JOURNAL OF ARMY INSTITUTE OF MANAGEMENT & TECHNOLOGY

### Research Papers

**Do Indian Higher Educational Institutions (HEIs) Require an ABM Framework? – A Study**  
*Bibhas Chandra and J.K. Pattanayak*

**Talent Management in IT Sector**  
*Arun Kumar Pandey*

**Problems and Employment Prospects in Small Scale and Cottage Industries in Uttar Pradesh**  
*Dr. Vivekanand Pandey and S. P. Kala*

**A Study of Cost Leadership Strategy of Retail Firms in a Shopping Mall with special reference to The Great India Place (TGIP) Shopping Mall, NOIDA (UP), INDIA**  
*Dr. Sanjeev Tandon*

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**Opportunities in Non Fuel Retailing in India**  
*Sandhya Rai, Dr. Atul Razdan and Dr. M.S. Pahwa*

**Islamic Banking as a Medium of Inclusive Growth in India: Issues and Opportunities**  
*Rekha Pal and Dr. Anand Rai*

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**Benefits of HRIS and its Application in Various HR Functions**  
*Teena Bagga*

**Changing Practices of The Talent Management in IT Industry: A Review of Conceptual Frameworks**  
*Ruchita Singh and Dr. Asha Prasad*

### Book Reviews

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Reviewed by : *Dr. Shruti Gupta*

**Management Information System**  
Reviewed by : *Pratibha Jha*

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## FROM THE EDITOR

The inaugural edition of **AIMT journal of Management**(January-June 2012) was received very well by the Institutes and industries. There have been a number of proposals for subscription as also exchange. The chain reaction is set in motion. Our endeavour is moving on to the next level and sustaining the high standards.

The **Number 2, Volume 1 of AIMT Journal of Management** once again covers a variety of relevant topics from higher education to IT, marketing, HR and banking. All the papers open up new areas of research as also provide ample knowledge for application.

In their well researched paper on “*Do Indian Higher Educational Institutes (HEIS) Require an ABM Framework?- A Study*”, Dr. Bibhas and Dr. Pattanyak have addressed a very critical issue of activity based costing in higher education. The approach of identifying critical activities, working out to be the cost, impact and finally evolving cost management is unique. It has the potential to pave the way for realistic value chain analysis in higher education.

Arun Pandey, in his paper “*Talent Management in IT Sector*” has compared the talent management process in three major Indian IT companies and has developed the benchmark for talent management practices to make it effective for use by the present generation of employee.

The paper on “*Problems and Employment Prospects in Small Scale and Cottage Industries in Uttar Pradesh*” by Dr. Vivekanand Pandey and Prof. S P Kale explores linkages of presence of MSMEs in UP with the economic development of the state and to the major sources of employment and wealth generation.

Dr. Sanjeev Tandon in his paper on “*A Study of Cost Leadership Strategy of Retail Firms in a Shopping Mall with special reference to The Great India Place (TGIP) Shopping Mall, NOIDA (UP), INDIA*” has carried out an in-depth study of an important retail firm in the NCR. The analysis is focussed upon investigation on relevance of a shopping mall as a business entity and also cost leadership strategy of the retail firms and their attractiveness compared to other retail firms within the mall.

Sandhya Rai, Dr. Atul Razdan and Dr. M.S. Pahwa in their paper on “*Opportunities in Non Fuel Retailing in India*” has broached on a burgeoning issue. This trend is likely to catch up soon.

Rekha Pal and Dr. A K Rai have given a very interesting account on “*Islamic Banking as a Medium of Inclusive Growth in India: Issues and Opportunities*”. The paper attempts to establish the relevance of Islamic banking in india with special reference to present regulatory and market scenario. The subject is less known in the banking sector.

Teena Bagga in the paper on “*Benefits of Human Resource Information Systems (HRIS)and Its Applications in Various HR Functions*” reviews various literatures on computerized HRIS and its benefits in various HR functions.

The paper on “*Changing Practices of The Talent Management in IT Industry: Review of Conceptual Frameworks*” by Ruchita Singh and Dr. Asha Prashad explores the various upcoming talent management practices which would be adopted by Various IT organizations in India.

The present issue of the journal also contains the book reviews written on contemporary areas of management. The next issue of the journal would be focussed on sustainability, corporate social responsibility (CSR) projects and exploitation of IT for optimizing operations management. On this occasion I wish to convey my thanks to our esteemed members of advisory board, reviewers, readers and subscribers. I look forward to your valuable suggestions besides continuous support and patronage in future too.



Dr. Ashok Pathak,  
Editor-In-Chief

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## About AIMT



Do Indian Higher Educational Institutions (HEIs) Require an ABM Framework? – A Study

Dr. Bibhas Chandra<sup>1</sup>  
Dr. J.K. Pattanayak<sup>2</sup>

ABSTRACT

The Higher Educational Institutions (HEIs) in India are drifting through a state of financial paroxysm. This condition is chiefly attributed to the growing budgetary shrinkage in terms of fund allocation by the government together with the emergence of private players. It further adds vulnerability and threats to the existence of not only to those institutions that heavily rely on the grants received by the central or state government and funding bodies like UGC, but also to the self-financed institutions, competing intensely on price front. The existing framework for cost management in most of the universities in India is continuously challenged to ensure the appropriateness of information needed to navigate the current crises. This paper aims to design a framework for implementing Activity-Based-Management (ABM) System in University Level HEIs of India for managing performance effectively. Findings of the study identify the requirement of a robust cost control mechanism and justify the appropriateness of ABM model for HEIs in India. The study further ensures the possibility of developing an ABM framework for HEIs. Finally, a conceptual design of ABM framework for HEIs in India has been proposed. All Stake Holders of HEIs could benefit from the study advanced in the paper in that it offers a cost control mechanism in the form of ABM for managing performance effectively in HEIs of India.

**Kye words:** Activity-Based-Management, Activity-Based-Costing, Cost Management, Higher Educational Institutions (HEIs), Resource Mobilization

INTRODUCTION

In the wake of economic liberalization, the higher education sector in India has been undergoing a radical change in its structure and funding pattern. The continuous deceleration in the public budget is the most worth noting phenomenon that has registered acute unrest to the universities, which heavily depend on the public funds for meeting their financial requirements (Chandra et al, 2008). The deceleration in the public funding of HEIs in India appears systemic and points to the forces that are guided by the neo-liberal view of development (UGC, 2008). The motive that justifies this move is the result of unanimous acceptance that the public budget cannot fund higher education, especially when sectors of mass education are starved of even bare needs (Rani, 2004). In the prevailing scenario, where HEIs in India are in a state of financial strain, the cost control should be given more emphasis than revenue generation. To overcome the current crises, the HEIs in India have no choice but to evaluate its existing cost management system. A study of Annual Reports of select universities such as Banaras Hindu University (BHU), Jawaharlal Nehru University, Delhi (JNU), Indian School of Mines , Dhanbad (ISM), Visva Bharati University, and Tata Institute of Social Sciences (TISS) reveals that costing methodologies practiced in most of the Higher Educational Institutions in India follow traditional costing methods for their expenses reporting directed towards the statutory compliance to the funding agencies and guided by the instructions of Comptroller & Auditor General (CAG), GOI. The financial reporting pattern in India is unique, lacks uniform format of presenting physical and financial data. Inconsistency in the costing pattern of HEIs in India is chiefly attributed to the complex structure, results in a complicated financing pattern,

which precisely depends upon their objective and size (Mathur & Pattanayak, 2004). Now, in the reverse situation where the cost structures of the universities are being constantly tested in the competitive market place, the universities have no comparable mechanism to detect and root out inefficiencies. ABM is a new level of information combining financial and operational information in a way that both can be used for improved decision-making. It is a management information tool, not a financial statement valuation method. To fulfill this purpose requires that the information system take into account both the operational processes of the organization and the resources costs as represented in the financial system. These should be combined in such a way that they 1) reflect how the organizational process consumes resources and flows costs and 2) capture in total the costs in the financial system to insure the financial integrity of the model (Tarr, 2000). ABM occurs when ABC information is acted upon. Thus, ABC is mandatory at operational level, which provides necessary cost inputs to perform ABM at management level. Growing bodies of literature suggest usefulness of ABM in HEIs. In addition, the over-whelming success of ABM in the universities across the developed nations like UK, Australia, USA, New Zealand, Canada, Spain etc. supports the robustness of ABM for HEIs. Thus, it appears justifiable to develop a framework of ABM for managing performance effectively in HEIs of India. Against this backdrop, this paper attempts to develop a conceptual framework of ABM model relevant for HEIs in India. The article is divided into five sections. The first section being introductory deals with the overview of existing costing system and requirement of cost control mechanism in the form of ABM

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in HEIs of India. The next section focuses on the review of related literature. The following section deals with research methodology & data source. The subsequent section discusses about the results & analysis and model development. The final section concludes the discussion.

LITERATURE REVIEW AND DEVELOPMENT OF RESEARCH HYPOTHESES

The development of hypotheses is based on the literature reviews at the different phases of requirements in the course of designing an ABM framework for HEIs in India. The related literature reviews have been summarized in table 2.1.

Table 2.1

RELATED LITERATURE REVIEWS

Explanatory Remarks	Scholarly Studies/ Reports
Requirement of cost control mechanism in HEIs of India	Punnayya Committee report, 1993; Conway, 1994; Powar, 1995; Varghese, 2000; Tilak, 2004; Mathur & Pattanayak, 2004, National Knowledge Commission, 2006; Rani, 2004; World Bank Report, 2008; 11th five years plan, GOI, 2007-12; UGC, 2008 and others have noted the importance of costs control and suggested ways & means to mobilize the existing resources to navigate the current crises.
Inefficiencies of Traditional costing methodologies	Studies by Timperley, 2002; Cooper & Kaplan, 1990; Moore, 2000; Granof et al, 2000 and others delve into the inefficiency of Traditional Costing Methodologies to deal with high support overheads and quantification of true cost of outputs.
Appropriateness and application of ABM for HEIs	Antos, 1994; Doyle, 1994; Coy et al, 1995; Westbury, 1997; Earnst & Young, 1998; Ernst & Young, 2000; Granof et al, 2000; Cox et al, 2000; JCPSG, 2000; Cropper & Cook, 2001; Cleary et al ,2001; Heskin et al, 2001; Gerdson, 2002; Whelan, 2003; Ellis-Newman, 2003; KPMG LLP, 2003; Reich et al, 2006; Krishnan, 2006; McCherly & Rolfe, 2007; Wade et al, 2007; Valderrama et al, 2006; and others have observed the robustness of ABM and argued the appropriateness of ABM in HEIs.
Issues related to Implementation of ABM in HEIs	Cropper & Cook, 2001; Shields, 1995; Krumwiede, 1998; Fowler et al, 2000 and others have identified the contextual and organizational factors instrumental at different stages of implementation of ABM and other related issues.

Table 2.2

COSTING METHODOLOGIES IN UNIVERSITIES OF SELECT COUNTRIES

Country	Costing Methodologies in Universities
USA	NACUBO Function to Natural Classification Matrix (an approach toward Activity-Based-Costing). The functional classification is based on activities performed. Costs to the functions are allocated on the identified cost centres based on natural classification.
UK	TRAC model (a type of Activity-Based-Costing), relies on historical data from existing financial statements.
Australia	Traditional method, although the provision to classify expenses by functions reveals an approach towards ABC. However, ABC has been implemented on experimental basis for Library, university department, student costs, & other related activities.
New Zealand	Traditional method relies on historical data from existing financial statements. However, ABC has been implemented on experimental basis for Library & other related activities.
Canada	Similar to USA, relies on historical data from existing financial statements.
India	Traditional method, no costing pattern, heavily depending on the instructions of CAG.

**Source:** Collected and compiled from the annual reports of the various universities of the selected countries

DEVELOPMENT OF HYPOTHESES

The extensive literature review, followed by the findings of comparative analyses of the costing pattern from the published financial statements of the educational institutions of five select (USA, UK, Canada, Australia and New Zealand) countries along with India and the responses gathered through open-ended questionnaire led to the development of the following hypotheses.

- H1:** There is a strong need for improved costs control in HEIs of India.  
**H2:** The existing cost management system for HEIs in India is appropriate.  
**H3:** There is a requirement of suitable costing methodology for HEIs in India.  
**H4:** ABM model is relevant in HEIs in India.  
**H5:** A framework of ABM model can be developed for HEIs in India.

RESEARCH METHODOLOGY & DATA SOURCE

In order to examine the hypotheses a final questionnaire was developed and pre-tested for reliability. To test the reliability, the prepared questionnaire was demonstrated to 25 respondents consisting of Accountants, Finance Officers, Auditors, & Academic professionals who have been associated with academic administration. The sample was selected by convenience sampling method. The reliability of the developed questionnaire was tested by deploying the statistical test ‘Cronbach’s alpha’ to the responses received from 25 respondents selected randomly. The Cronbach’s alpha covering the overall responses has come out to be 0.689268, which is considered a good sign of reliability of the questionnaire.

The pre-tested questionnaire was used to conduct survey from the identified survey pool. Among the government sector colleges and universities, the scope of the study is restricted to the cost management practices in 200 university level institutions. The logic for selecting this survey pool is that it covers the entire gamut of funding pattern including both public and privately owned institutions. The state universities, colleges, and autonomous bodies of state government and central government remained beyond our scope of study, as they act strictly in consonance to the requirements of the government and their financial data are not easily disclosed and most of them are unaware of the CAG (Comptroller and Auditor General) guidelines on accounting standards. Hence, their seriousness towards cost control and alacrity for a robust cost management mechanism will be relatively much consistent.

The 63 University level Institutions were selected for sample by applying random sampling (SRS) technique. An on-line questionnaire was sent through their e-mail addresses. Finally, 27 responses were turn filled, which gives a response rate of 42.8%. The details of respondents are as shown in Table 3. 1.

Table 3.1

ANALYSIS OF RESPONDENTS

University Level Institutions	Numbers/ Percent
Private (Self- Financed)	17
Public funded ( Government)	10
Total Respondents	27
% of Response	42.8%

RESULTS & ANALYSIS AND MODEL DEVELOPMENT

Testing of H1

**H1: There is a strong need for improved costs control in higher educational institutions of India.**

To test the hypothesis H1, a question was developed on a five-point Likert rating scale. The respondents were asked to display their degree of agreement/disagreement on the requirement of improved cost control in HEIs of India. The Shapiro-Wilk W Test was performed to test the normality of the data set and the value of W= 0.794, confirmed that distribution of the data set for the given variable was not normal. Table 4.1 describes the Tests of Normality. Thus, the Mann-Whitney U test was performed to test the difference between two samples.

Table- 4.1

SHAPIRO-WILK W TESTS OF NORMALITY

Need for improved Cost Control	Financing	Shapiro-Wilk		
	Self-Financed	Statistic (W)	Df	Sig.
	Government	0.794	27	010**

\* \* This is an upper bound of the true significance.

Table- 4.2

MANN-WHITNEY TEST OUTPUT  
GROUP STATISTICS

Need for improved	Financing Pattern	N	Mean	Sum of	Mean	Std.	Std. Error
	Self-Financed	17	14.06	239.00	4.2353	.9034	.2191
	Government	10	13.90	139.00	4.3000	.6749	.2134
	Total	27					

Test Statistics<sup>b</sup>

	Cost Control
<b>Mann-Whitney U</b>	84.000
<b>Wilcoxon W</b>	139.000
<b>Z</b>	-0.055
<b>Asymp. Sig. (2-tailed)</b>	0.956
<b>Exact Sig. [2*(1-tailed Sig.)]</b>	0.980 <sup>a</sup>

a Not corrected for ties.

b Grouping Variable: Financing Pattern

The p value = 0.980 > 0.05 (level of significance) for U = 84.00 in Table 4.2, signifies that the perceived gap between the two groups is not statistically significant. Thus, the Mann-Whitney U test found that the perception for the requirement of improved cost control in higher educational institutions in India remained same across the two groups. In addition, the mean values for both the categories are more than four, which correspond to 'Agreement' on the five point rating scale. Thus, it shows that there is a strong need for improved costs control mechanism in higher educational institutions of India.

Testing of H2

**H2: The existing cost management system for Higher Educational Institutions in India is appropriate.**

The primary objective of hypothesis H2 is to identify the lacunas that impede the appropriateness of the existing cost management system in the HEIs of India. The binary logit analysis was used to compare two important groups: existing cost management system is appropriate and those who perceive that it are not appropriate. To identify the discriminating variable(s), respondents were asked to display their degree of satisfaction/dissatisfaction on the supports that existing costing methodologies provide to accomplish the cost objectives. Here, the cost objectives are considered as discriminating variables. A five point rating scale indicating degree of satisfaction/ dissatisfaction was used to get responses.

The estimated coefficients for the independent variables are estimated using the logit value as the dependent measure. The model formulation is as follows:

$$\ln [\text{Prob}(Y=1)/ (1-\text{Prob}(Y=1))] = b_0 + b_1(\text{Cost Reduction}) + b_2(\text{Incorporation of new courses/programs}) + b_3 (\text{Competitive pricing}) + b_4 (\text{Operating efficiency}) + b_5 (\text{Resource mobilization}) + b_6 (\text{Income increasing measures}) + b_7 (\text{Compliance}) + b_8 (\text{Fund accounting}) + b_9 (\text{Budgeting}) + b_{10} (\text{Customers' satisfaction})$$

Prob (Y=1) is the probability that the existing cost management model is “Not-Appropriate.”

Table- 4.3

Logistic Regression: Appropriate vs. Not-Appropriate  
Block 0: Beginning Block

Variables in the Equation

Step 0	Constant	B	S.E.	Wald	Df	Sig.	Exp(B)
		0.223	0.387	0.332	1	.565	1.250

VARIABLES NOT IN THE EQUATION

Step 0	Variables	Score	Df	Sig.
	Cost Reduction	2.207	1	.137
	Incorporation of new courses/ programs	0.403	1	.525
	Competitive pricing	2.039	1	.153
	Operating efficiency	7.139	1	.008
	Resource mobilization	11.716	1	.001
	Income increasing measures	0.071	1	.790
	Statutory Compliance	1.011	1	.315
	Fund accounting	0.027	1	.869
	Budgeting	4.299	1	.038
	Customers' satisfaction	0.238	1	.626
	Overall	17.616	10	.062

BLOCK 1: METHOD = FORWARD STEPWISE (LIKELIHOOD RATIO)  
OMNIBUS TESTS OF MODEL COEFFICIENTS

Step 1		Chi-square	Df	Sig.
	Step	14.011	1	.000
	Block	14.011	1	.000
	Model	14.011	1	.000

MODEL SUMMARY

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	23.085	0.405	0.542

HOSMER AND LEMESHOW TEST

Step	Chi-square	Df	Sig.
1	4.503	2	0.105

VARIABLES IN THE EQUATION

Step 1 <sup>a</sup>	Variable	B	S.E.	Wald	Df	Sig.	Exp(B)
	Resource mobilization	-1.962	.716	7.517	1	.006	.141
	Constant	6.908	2.529	7.463	1	.006	999.898

a Variable(s) entered on step 1: Resource mobilization

MODEL IF TERM REMOVED

Step 1	Variable	Model Log Likelihood	Change in -2 Log Likelihood	Df	Sig. of the Change
	Resource mobilization	-18.548	14.011	1	.000

Assessing overall Model Fit

The reduction of -2LL value by 14.011; Chi-square value of 4.503 in Homers and Lemeshow test (p value=0.105>0.5); and Cox and Snell R2, and Nagelkerke R2 values 0.405 and 0.542 respectively; explain the fitness of the predicted model.

Statistical Significance of the Coefficient

The logistic coefficient for Resource Mobilization (-1.962) and the constant (6.908) are significant at the 0.01 level based on the statistical tests of the Wald statistic. Thus, the final regression model included only Resource Mobilization as a key factor that significantly diminishes the appropriateness of the existing cost management system. The negative sign for the variable (Resource mobilization), suggesting that the higher the potency of the present cost management system to mobilize the resources effectively the lower the odds of non-appropriateness of the existing system.

Testing of H3

H3: There is a requirement of suitable costing methodology for higher educational institutions in India.

The robustness of a costing methodology depends upon the quality of the cost information it renders to accomplish the cost objectives successfully. To test the requirement of a suitable costing methodology a repeated measure Wilcoxon Signed Rank Test was used to examine the differences in the responses to the identified cost objectives. A question was developed and the respondents were asked to rank in order of their preferences for the cost objectives they would like to accomplish. A rank order scale was used to get responses. The test results in Table 4.5 reveal that the gaps in the responses are not significant when operating efficiency is compared with cost reduction and subsequently with customers' satisfaction at 5% level of significance, (p values 0.430 & 0.237 respectively are more than 0.05). Thus, HEIs in India look for a costing methodology that would support the three important cost objectives, which include overall operating efficiency, cost reduction, and customers' satisfaction in a bigger way.

Table- 4.4  
DESCRIPTIVE STATISTICS

Cost Objectives	N	Minimum	Maximum	Rank
Cost reduction	27	1.00	8.00	96.00
Incorporate new courses/ programs	27	1.00	9.00	131.00
Competitive pricing	27	2.00	9.00	145.00
Operating efficiency	27	1.00	7.00	85.00
Resource mobilization	27	1.00	10.00	187.00
Income increasing measures	27	2.00	9.00	140.00
Statutory Compliance	27	3.00	8.00	159.00
Fund accounting	27	4.00	10.00	199.00
Budgeting	27	6.00	10.00	227.00
Customers' satisfaction	27	1.00	9.00	120.00
Valid N (list wise)	27			

In an attempt to investigate a suitable costing methodology for HEIs in India, the respondents were asked to exhibit their agreement/ disagreement on the identified requirements indicated in the Table 4.6. A five point rating scale was used to get responses. Mann-Whitney U test was performed to test the difference exists in the responses of the respondents pertaining to the private and government university level institutions. The basic Mann-Whitney statistic for costing methodology that are: Flexible, U=59 at p=0.204> 0.05; Access cost of activities at detailed level, U=51 at p=0.093>0.05; Facilitating Resource management, U=84 at p=0.980>0.05; Uniform, U=58 at p=0.187> 0.05, indicate that the gap across the categories is not significant. Thus, both the government and private funded universities equally like the necessity for a uniform costing methodology that is flexible, capable of assessing cost of activities at detailed levels and can facilitate resource management.



Table- 4.5  
WILCOXON SIGNED RANKS TEST  
TEST STATISTICS

	Operating efficiency- Cost reduction	Operating efficiency- Incorporate new courses	Operating efficiency - Competitive pricing	Resource mobilization- Operating efficiency	Income increasing measures - Operating efficiency	Compliance- Operating efficiency	Fund accounting- Operating efficiency	Budgeting- Operating efficiency	Customers' satisfaction- Operating efficiency
Z	-.790a	-2.160a	-2.321a	-3.319b	-3.144b	-3.388b	-4.592b	-4.416b	-1.183b
Asymp. Sig. (2-tailed)	.430	.031	.020	.001	.002	.001	.000	.000	.237

a Based on positive ranks.      b Based on negative ranks.      c Wilcoxon Signed Ranks Test

Table- 4.6  
MANN-WHITNEY TEST  
Ranks

Requirements	Financing pattern	N	Mean Rank	Sum of Ranks
Flexible costing methodology	Private Government Total	17 10 27	12.47 16.60	212.00 166.00
Costing methodology that access cost of activities at detailed levels	Private Government Total	17 10 27	12.00 17.40	204.00 174.00
Facilitating Resource management	Private Government Total	17 10 27	13.94 14.10	237.00 141.00
Uniform	Private Government Total	17 10 27	15.59 11.30	265.00 113.00

Test Statistics<sup>b</sup>

	Flexible	Cost of activities at detailed level	Facilitating Resource management	Uniform
Mann-Whitney U	59.000	51.000	84.000	58.000
Wilcoxon W	212.000	204.000	237.000	113.000
Z	-1.459	-2.773	-.059	-1.483
Asymp. Sig. (2-tailed)	.145	.006	.953	.138
Exact Sig. [2*(1-tailed Sig.)]	.204a	.093a	.980a	.187a

a Not corrected for ties.  
b Grouping Variable: Financing pattern

Testing of H4  
H4: ABM model is relevant in Higher Educational Institutions.

The cardinal objective of this hypothesis is to explore the relevance/ aptness of ABM by segregating the key features instrumental in configuring its suitability for higher educational institutions in India. To test this hypothesis, the respondents were asked to display their opinion on the identified attributes mentioned in the Table 4.7. A five point rating scale was used to get responses on the identified attributes. The output of the 't test' from the Table 4.8, reveals that no significant gap exists between the hypothesized test value with the calculated sample statistics for the features which include Quantifies true costs; Beneficial to stakeholders; and Insight for cost causation at p values: 1, 0.161 and 0.327 respectively (calculated p values are more that 0.05).

Table- 4.7  
DESCRIPTIVE STATISTICS

Attributes	N	Minimum	Maximum	Mean	S.D
Appropriate to deal with high support overheads	27	4.00	5.00	4.3333	.4804
Quantifying true cost of outputs	27	3.00	5.00	4.0000	.9608
Deal with excess capacity	27	2.00	5.00	3.6667	.8321
Beneficial to stakeholders	27	2.00	5.00	3.7778	.8006
Insight for cost causation	27	3.00	5.00	3.8889	.5774
Valid N (list wise)	27				

A significant positive gap has been observed for the feature 'dealing with high overheads' at p=0.001<0.05. In addition, a significant negative gap has been found for the feature 'Identifying idle capacity' at p=0.47<0.05. The respondents had exhibited a fair amount of agreement on the instrumentalities of all the identified features attributing relevance to ABM for HEIs in India except the potency to deal with the idle capacity.

The output of paired t-test in Table-4.9 reveals that no significant gap exists between the means of the dealing with high overheads and capacity to quantify true costs whereas gaps are significant in rest of the cases. Thus, it is inferred that the appropriateness of ABM model for HEIs in India is chiefly attributed to its potency to deal with high support overheads and quantification of true cost of outputs at any level of requirements along with other features except the identification of excess and idle capacity.

Table- 4.8  
ONE-SAMPLE t- TEST

Attributes	Test Value = 4 (agreed on 5 point rating scale)					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Dealing with high support overheads	3.606	26	.001	.3333	.1433	.5234
Quantifies true costs	.000	26	1.000	.0000	-.3801	.3801
Identifying idle capacity	-2.082	26	.047	-.3333	-.6625	-.4.185
Beneficial to stakeholders	-1.442	26	.161	-.2222	-.5389	9.450
Insight for cost causation	-1.000	26	.327	-.1111	-.3395	.1173

Table- 4.9  
PAIRED SAMPLES t- TEST

Attributes differences		Paired Differences					T	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Dealing with high overheads - Quantifies true costs	.3333	1.0742	.2067	-9.159	.7583	1.612	26	.119
Pair 2	Dealing with high overheads - Beneficial to stakeholders	.5556	.6980	.1343	.2794	.8317	4.136	26	.000
Pair 3	Dealing with high overheads - Insight for cost causation	.4444	.6980	.1343	.1683	.7206	3.309	26	.003

Testing of H5

H5: A framework of ABM can be developed for higher educational institutions in India.

The prime objective of this hypothesis H5 is to explore the possibility of developing a framework of ABM model for higher educational institutions in India. In addition, an effort has been made to find out the factors influencing the development process. Logistic Regression/ binary logit analysis was used to test this hypothesis. The binary logit analysis was used to compare two important groups: framework of ABM cannot be developed and those who perceive that a framework of ABM can be developed. To identify the discriminating variable(s), respondents were asked to display their agreement / disagreement on a five point rating scale about their perceptions towards the factors influencing the development process of ABM.

The estimated coefficients for the independent variables are estimated using the logit value as the dependent measure. The model formulation is as follows:

Ln [Prob( Y=1)/ ( 1-Prob(Y=1))] = b0 + b1(Support from top management)+ b2 (Employees commitment)+ b3 (Training)+ b4 (Well-communicated objectives)+ b5 (Adequate resources)+ b6 (Psychological costs)+ b7 (Psychological barriers)+ b8 (Cross-functional team)+ b9 (Support from the regulatory authority).

Prob (Y=1) is the probability that the ABM model can be developed.

Table- 4.10

LOGISTIC REGRESSION: ABM CAN BE DEVELOPED VS. ABM CANNOT BE DEVELOPED  
BLOCK 0: BEGINNING BLOCK

VARIABLES IN THE EQUATION

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 0	Constant	.074	.385	.037	1	.847	1.077

VARIABLES NOT IN THE EQUATION

Step 0	Variables	Score	Df	Sig.
	Top management support	.365	1	.546
	Employees' commitment	4.616	1	.032
	Training	3.825	1	.050
	Well-communicated objectives	1.579	1	.209
	Adequate resources	15.406	1	.000
	Psychological costs	.083	1	.773
	Psychological barriers	12.818	1	.000
	Cross-functional team	.127	1	.721
	Support from regulatory authorities	.014	1	.905
Overall Statistics		20.583	9	.015

Block 1: Method = Forward Stepwise (Likelihood Ratio)

OMNIBUS TESTS OF MODEL COEFFICIENTS

		Chi-square	Df	Sig.
Step 1	Step	19.982	1	.000
	Block	19.982	1	.000
	Model	19.982	1	.000
Step 2	Step	4.582	1	.032
	Block	24.565	2	.000
	Model	24.565	2	.000

MODEL SUMMARY

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	17.410	.523	.698
2	12.828	.597	.797

HOSMER AND LEMESHOW TEST

Step	Chi-square	Df	Sig.
1	.832	2	.660
2	.584	4	.965

VARIABLES IN THE EQUATION

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step1 <sup>a</sup>	Adequate resources	2.875	1.039	7.661	1	.006	17.719
	Constant	-11.608	4.306	7.266	1	.007	.000
Step 2 <sup>b</sup>	Adequate resources	2.472	1.226	4.065	1	.044	11.842
	Psychological barriers	2.049	1.209	2.872	1	.090	7.756
	Constant	-18.652	7.860	5.631	1	.018	.000

a Variable(s) entered on step 1: Adequate resources

b Variable(s) entered on step 2: Psychological barriers

MODEL IF TERM REMOVED

Variable		Model Log Likelihood	Change in -2 Log Likelihood	Df	Sig. of the Change
Step 1	Adequate resources	-18.696	19.982	1	.000
Step 2	Adequate resources	-10.674	8.521	1	.004
	Psychological barriers	-8.705	4.582	1	.032



ASSESSING OVERALL MODEL FIT

The reduction of -2LL value from 17.410 in step-1 to 12.82 in step-2 ; Chi-square value of 0.832 (p value=0.660>0.5) in Homers and Lemeshow test; improvement in the R2 values of 0.523 & 0.698 for Cox & Snell and Nagelkerke respectively in the step-2 over their corresponding values of 0.597 & 0.797 in step-1, respectively; reflect the fitness of the predicted model.

STATISTICAL SIGNIFICANCE OF THE COEFFICIENT

The logistic coefficient for adequate resources (2.472) and psychological barriers (2.049) and the constant (-18.652) are significant at the 0.1 level based on the statistical tests of the Wald statistic. Thus, the final regression model included two important variables viz. adequate resources and psychological barriers that are pivotal for the development of ABM in HEIs of India. The positive signs for both the variables, suggest that higher the degree of attention on the identified variables, the higher is the likelihood of ABM model development.

CONCEPTUAL DEVELOPMENT OF ABM MODEL

Based on the inputs received by testing the hypotheses, a conceptual development of ABM framework for HEIs in India has been undertaken. A detailed phase wise development of ABM framework for HEIs in India is described in Figure- 4.1

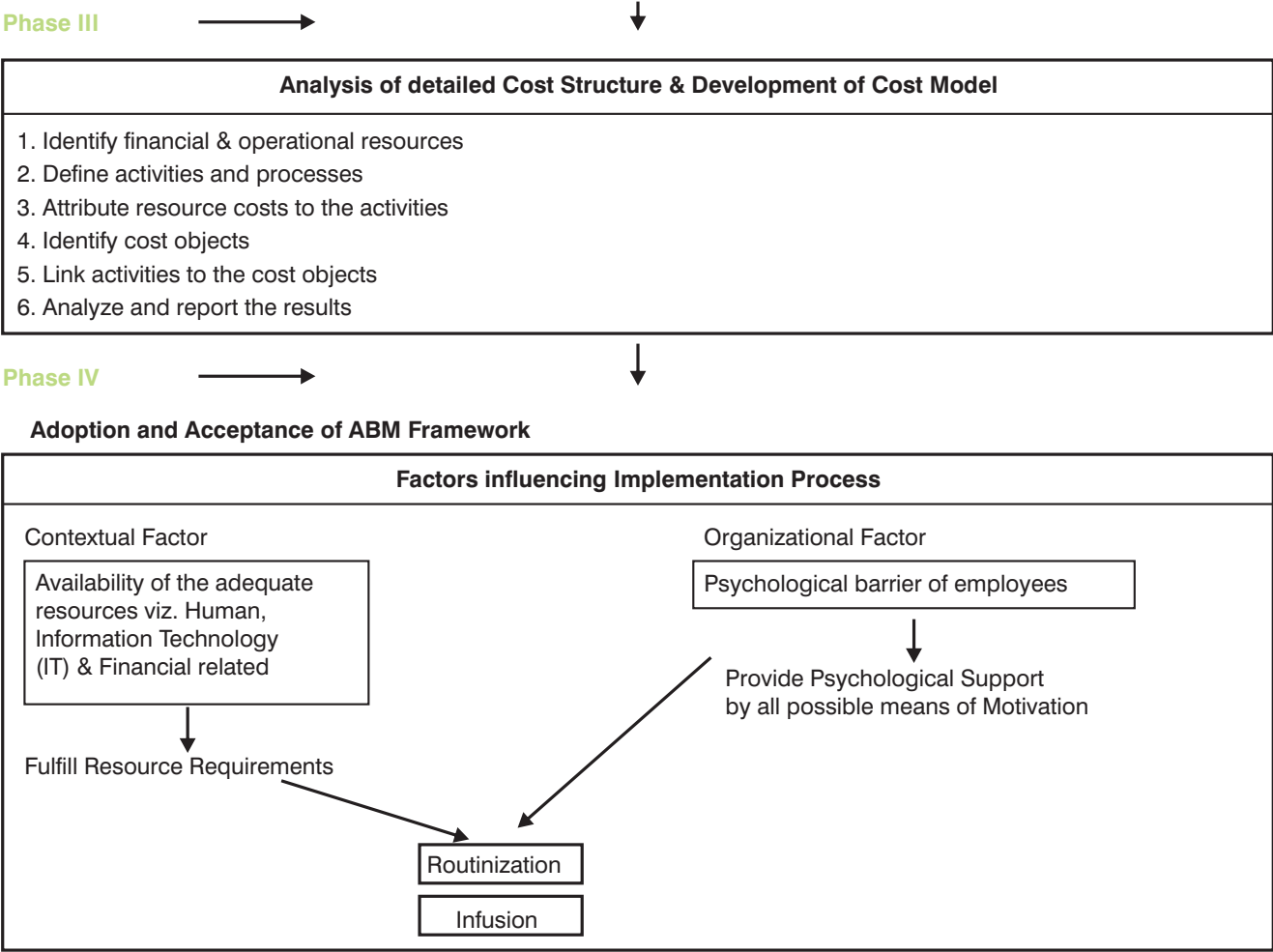
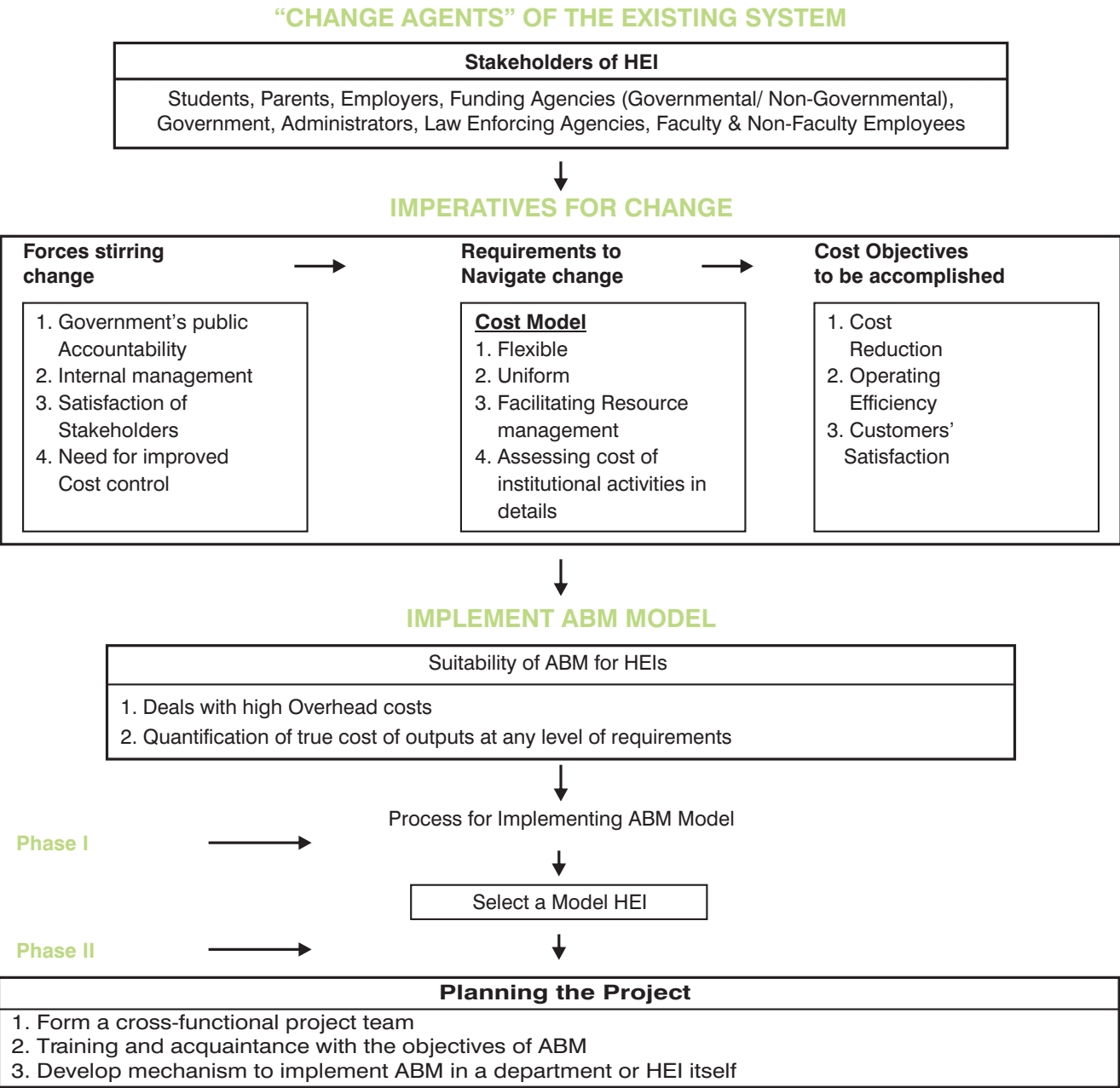


Figure-4.1: Proposed Conceptual Design of ABM Framework for HEIs in India

CONCLUSION

Considering the number of higher educational institutions increasing year after year and the growing budgetary shrinkage in terms of fund allocation to higher educations by the government over the past decade, a robust cost management mechanism is highly essential to root out inefficiencies in the system. The findings reveal that HEIs in India require a suitable cost control mechanism that can support resource mobilization effectively. An ABM model is relevant for HEIs in India in the sense that it is potent to deal with high support overheads and having ability to quantify true cost of outputs at any level of requirements. An ABM model can be developed and implemented successfully for HEIs in India if the Contextual factor - Availability of adequate resources viz. human related, IT related & financial related, and Organizational factor – Psychological barriers of employees are suitably administered.

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# Talent Management in IT Sector

Arun Kumar Pandey<sup>1</sup>

## ABSTRACT

It is important to identify the staff or employees (people and positions) that are critical to the organization. They do not necessarily have to be senior staff members. Many organizations lost a lot of "organizational knowledge" in the downsizing exercises few years ago. The impact of the loss was not immediately apparent. However, it did not take long for many companies to realize their mistake when they did not have people with the knowledge and skills to either anticipate or solve problems that arose.

The skill shortages and the ageing population are also helping organizations to focus on the talent management issue. It may not be possible to simply go out and recruit new people to meet operational needs. Many leading companies have decided to develop their own people, rather than trying to hire fully skilled workers.

Every organization should be implementing talent management principles and approaches.

The research mainly focused on 2 objectives. First is to compare the talent management process at TCS, INFOSYS and HCL. Second was to benchmark talent management practices to suit the present generation of employee. There are 3 main broad parameters attraction, retention and re-employment. The score on these three parameters were studied

**Keywords:** Talent management, attraction, retention and re-employment.

## INTRODUCTION

### TALENT

It requires talent to spot talent. In an organization, there is nothing more crucial than fitting the right employee in the right position. Talent management implies recognizing a person's inherent skills, personality and offering him a matching job. Talent attraction and retention is viewed as a significant driver of shareholder value and bottom line results.

### TALENT MANAGEMENT

The creation and execution of a coordinated array of programs, processes and tools, co-owned by the line and HR, to enhance the value of human capital in the organization by sourcing, assessing, deploying, engaging, rewarding and developing talent at every phase of an individual's career. Talent management is the process of attracting, hiring, training, developing, and managing an organization's people for the purposes of maximizing organizational performance. Talent management implies recognizing a person's inherent skills, traits, personality and offering him a matching job. Every person has a unique talent that suits a particular job profile and any other position will cause discomfort.

Talent management is beneficial to both the organization and employees. The organization benefits from – Increased productivity and capability, a better linkage between individuals' efforts and business goals, commitment of valued employees, reduced turnover , increased bench strength and better fit between people's

jobs and skills. Employees benefit from: Higher motivation and commitment, career development, increased knowledge about and contribution to company goals, sustained motivation and job satisfaction. Talent management is an evolving process, enabled by technology that integrates a set of previously independent and disconnected processes. The ability to identify, develop, manage and retain talent as an integrated and disconnected processes. The ability to identify, develop, manage and retain

talent as an integrated set of processes across the organization allow organization to drive new levels of value from its talent. This value in strategic measures such as higher productivity, increased accomplishment of business plan objectives and ultimately, increased shareholder value.

In a survey conducted by Knowledge Infusion and IHRIM, respondents ranked the top talent management initiatives as follows:

- Talent acquisition
- Leadership development
- Aligning people and goals
- Performance management
- Talent management metrics

### RELEVANCE OF THE TOPIC

Many organizations lost a lot of "organizational knowledge" in the downsizing exercises of a few years ago. The impact of the loss was not immediately apparent. The skill shortages and the ageing population are also helping organizations to focus on the talent management issue. It may not be possible to simply go out and recruit new people to meet operational needs. This study tries to find the talent management practices in three IT companies and benchmark them.

## LITERATURE REVIEW

### HUMAN CAPITAL MANAGEMENT

Sl. No.	Article/Book/Journal/Magazine	Author(s)
1.	Human Capital Management-How Top Organizations Drive Company Profits Efficiently	Katharina Müllers-Patel, PhD

Recently HR organizations are looking towards a more value adding and strategic focus for HR rather than its traditional outlook. These organizations are aligning human resources and workforce planning functions with the overall business strategy to help increase profit margins and support long-term goals. The Americas' SAP Users' Group (ASUG) and SAP have established a Human Capital Management Benchmarking Forum to understand the changes and momentum in Human Capital Management (HCM). This study analyzes the various dimensions like staffing, cost, organizational model, IT deployment and best practices adoption. .

This study by ASUG and SAP examines the best-practices record of more than 200 companies ranging in size from less than \$ 1 billion in annual revenues to more than \$ 10 billion. This benchmarking study analyzes the HR performance of these 200 companies across 17 key sub processes in three categories: process and transactional support, expertise based business support, and strategic decision support. This study has tried to answer two key questions i.e. how can companies reduce HR costs and increase HR efficiency and how can organizations create value for the business and optimize effectiveness. This study included companies with an overall employee strength ranging from 1000 to more than 10,000 across diverse sectors like services, engineering, high tech, telecommunications etc. This study further analyzed key performance indicators (KPIs) across a number of different areas including HR Staffing, HR Costs, organizational model and Best Practices. The KPIs included for example HR costs per company employee and HR full-time equivalents (FTEs) per 1000 employees. The study also covered the level of best-practice adoption across the full range of HR functions, this study used the companies' quantitative KPI results and qualitative best-practice coverage ranking to rate them against the other participants, and categorized each company as first quartile (top performers), average and fourth quartile (bottom performers). Finally, after analyzing both qualitative and quantitative measures key findings and insights related to the drivers of top performance were inferred.

- Top performing companies looked for competitive advantage in HR by adding capabilities to increase their effectiveness of service delivery and bring HR more in line with business processes and strategies, while at the same time strived for the right balance with cost control. This study found that the best HR organizations follow three main imperatives:
- Alignment of HR closely to the business
- Outsourcing wisely and with effective control
- Leveraging IT

## PERFORMANCE AND TALENT MANAGEMENT

Sl. No.	Article/Book/Journal/Magazine	Author(s)
2.	Performance and Talent Management Trend Survey 2007	BPM Forum

Organizations are struggling to find, retain, motivate, and develop their people adequately. Adding to the challenge are growing numbers of aging retiree candidates, shifting business requirements, and attractive competing job offers that keeps executives and HR professionals up at night. According to RHR International America's largest 500 companies will lose 50 percent of their senior managers in the next five years. Also, as per a recent survey conducted by Society for Human Resource Management 83 percent of the workers are likely to search for new jobs in the recent years.

### SURVEY ON TRENDS, CHALLENGES, PRIORITIES AND SUCCESSES

The Business Performance Management Forum and success factors in cooperation with the Human Capital Institute conducted a survey of more than 725 performance and HR professionals in order to study the issues affecting companies in their effort to retain their talent. This Performance and Talent Management Trend Survey 2007 is a year-end audit and assessment of talent management trends and trajectories for 2007. This study benchmarked the critical issues impacting businesses in their effort to improve their performance by recruiting, engaging and retaining talent across the enterprise.

### TOP LINE FINDINGS

This survey was launched in November of 2006 and included online responses from 726 HR and performance professionals primarily in North America along with perspectives from interviews of a half dozen representative corporate executives, talent management experts, and organizational performance authorities on the concerns, priorities, drivers and predictions in the talent management landscape.

- Increasing competition for talent is universal (98 percent agree out of which 65 percent agree to a very high degree)
- Talent Acquisition & Retention costs are increasing
- Need for Talent Development and Succession Planning are growing in all organizations
- Organizations with Talent Management in place are reaping benefits in the form of reduced attrition, improved goal alignment and achievement and highly engaged and performing employees.
- Veryfewcompanieshavetalentscorecardsandonly29percentcanlinktalentperformancetobusinessperformance

Respondents are of the opinion that talent management is a strategic corporate focus. Employee development, employee engagement and employee productivity are being emphasized to drive further growth, success and sustainability. Leadership Management topped the list as the kind of competency most valued among many organizations followed by Technical knowledge and People Skills. The participants polled that the upcoming talent management challenges in order of importance are Talent Development, Talent retention

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and turnover, Talent Acquisition, employee engagement and Performance evaluation. Apparently, a growing and more global work environment is creating more opportunities for exiting talent while at the same time driving a need to nurture talent from within.

Finally the interviews with the experts yielded that effective on-boarding and succession planning are creating a competitive edge. They were also of the opinion that the costs for acquiring talent are rising dramatically. The challenges in finding good staff are leading to additional emphasis on internal development.

RETAINING TOP TALENT

Sl. No.	Article/Book/Journal/Magazine	Author(s)
3.	Retaining Top Talent	Rachel Remley

The high cost of turnover has arisen many companies to refine their hiring and retention policies. Managers and trainers have found many ways such as communicating job expectations, company culture and education to make sure their best employees stick around. According to Roger Weiss, chief Operating Officer for CACi in St. Louis, appreciation goes a long way in retaining critical talent. Rigorous classroom training focusing on job skills coupled with punctuality, attendance and attitude would ensure the best of the lot survive and are highly engaged. When employees are made to feel that the organization is providing an ongoing investment in their future financially and developmental wise, they feel more responsible and motivated.

Continuing education to employees keeps them motivated and their morale high. Setting prior job expectations also helps make employees aware of their roles and responsibilities and helps them inculcate the company’s culture. It is also found that employees who are confident in their understanding of company expectations and have the tools to meet those expectations will be more focused on reaching their goals. The rewards from adapting to the culture should be more stressed than the corrective action to be taken. It is also stressed that company culture should become a part of company’s DNA. Behavior has always been a challenge to measure. So, once the new hire leaves training the supervisor must monitor and coach to ensure that the employee demonstrates the correct behavior. Thus, measuring in turn will result in productivity, turnover as well as evaluations received in exit interviews. The feelings of employees are to some extent captured in the employee satisfaction surveys. Measuring success on the job is also important because a successful employee is also a satisfied employee.

However at times turnover is not a bad thing because companies experiencing little to no turnover might be too conservative in whom they hire or might be too tolerant of poor performance, attitude or skills. Also it has been identified that turnover can be attributed both to a down economy and because the industry is getting better at identifying the right people for the right job. With the high price tag associated with turnover, it’s important to get the right people for the job and keep them there as long as possible. A little more due diligence on the front end can help reduce the long term turnover cost.

TALENT MANAGEMENT

Sl. No.	Article/Book/Journal/Magazine	Author(s)
4.	Talent Management	Lance Berger, Dorothy Berger

Talent Management creates a sustainable and competitive advantage. To create a sustainable competitive advantage, organizations must first create a culture of excellence. These are basically characterized by creativity, innovation, sustainability, engagement, achievement, collaboration, diversity and ethics. The primary way to create such a culture is to implement a proactive talent management process. This should comprise of Creed, Strategy and System. The TM creed is composed of a widely publicized set of core principles, values and mutual expectations that guide behavior. The principles of the creed are embedded in both the TM strategy and system by incorporating its doctrines into selection criteria, competency definitions, performance criteria, and internal selection and development processes. The TM Strategy makes explicit the investments made on the people who are believed will best help it achieve competitive excellence. The talent management strategies for most high performing organizations include three directives. Organization should cultivate the people who will make the biggest contribution now and in the future. They should also retain the key position backups and allocate training, rewards, education, assignments and development based on the actual and potential contribution of people. Finally a TM system is required to implement the creed and strategy. The best TM systems have: assessment tools (competency assessments, performance appraisals, potential forecasts, and succession and career planning); multi-rater assessments; and diagnostic tools that identify: high-potential employees, key position backups, key positions with no back-ups, positions with surpluses. Developmental resources are allocated based on the actual and potential contribution of employees to success. Lastly Quality, Timeliness and Credibility are the three measures to monitor and fine tune any talent management system.

COMMITTED EMPLOYEES

Sl. No.	Article/Book/Journal/Magazine	Author(s)
5.	Committed Employees: Greatest Asset in Economic Downturn	Theresa Witham

During recession the companies that manage to survive and continue with their business are the ones those who hang on to their top talent by continuing to garner their loyalty every day. While it is a myth of companies to believe that employees will stick on to them in the event of a down turn and perform at their highest levels in order to save their jobs, actual data and case studies have shown otherwise. Even in the worst of times companies need to continue to keep their employees motivated and engaged. Divesting oneself from workers is not a long term sustainable solution to survive and succeed.

The most powerful strategy for long term success is to create a corporate brand that tells the top talent that their best career choice continues to be an ongoing investment of their innovation, dedication, creativity and enthusiastic contributions to the enterprise. They are the greatest competitive advantage now and will continue to do so when the market turns around. By this organizations know that they are doing everything to find them, retain them and keep them engaged regardless of what is going on in the economy. Great organizations need to have in place good strategies and tactics both in good and bad times.

Organizations should focus on cultivating leadership qualities in their people and concentrate time and money on those who have a natural talent and interest in leadership. The only way to effectively demand contribution is to show employees where their contribution adds to the big picture, where an employee’s contribution adds to the organization’s overall goals. Also organizations should have transparent financials, processes and decision making. That’s a key element for fostering teamwork, trust and camaraderie. Finally, whether change is perceived positively or negatively is often a matter of how change is communicated and experienced. The response to the change can be managed, if the reason for and benefits of the change are carefully articulated, and the expected outcome is seen in the light of these benefits.

RESEARCH METHODOLOGY

OBJECTIVES OF THE STUDY

The objectives of the research are:

- To compare the talent management process at TCS, INFOSYS and HCL
- To benchmark talent management practices to suit the present generation of employee

RESEARCH DESIGN

In this research, descriptive research is used for collection and analysis of data. The major purpose of descriptive research is description of the state of affairs as it exists at present.

DATA COLLECTION

For the descriptive research, two sets of questionnaire were prepared. For employees, a questionnaire consisting of 22 questions was prepared to assess the objectives and for HR, questionnaire consisting 15 questions was prepared.

SCALING TECHNIQUES

A likert scale has been used. The likert Scale is an ordered, one-dimensional scale from which respondents choose one option that best aligns with their view.

SAMPLE SPACE

Samples were taken from TCS, Infosys and HCL. Total 150 questionnaires were filled from employees, 50 from each company. In TCS 43 employees were software engineers and 7 were managers. In INFOSYS, 15 were Technology Leader, 21 managers, 8 system engineers, 3 business analysts and 3 consultants. In HCL 48 were software engineers and 2 were manager. HR questionnaire were filled by 3 HR Managers, one from each company.

SAMPLE SIZE

Sample size of 150 is taken.

SAMPLING METHOD

Convenience sampling is used. The sample is selected according to convenience.

DATA ANALYSIS AND DATA INTERPRETATION

RELIABILITY TEST

RELIABILITY STATISTICS

Cronbach's Alpha	N of Items
.949	22

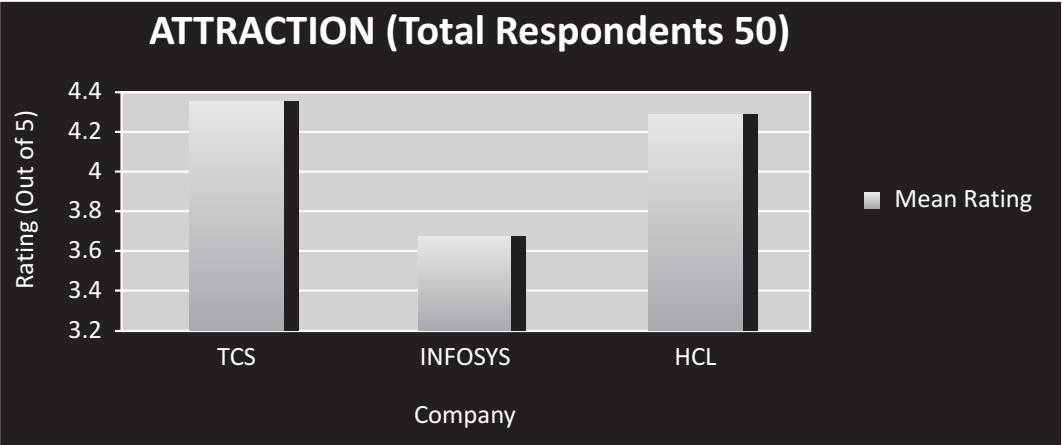
INTERPRETATION: The project is reliable.

COMPARISON OF TALENT MANAGEMENT PROCESS AT TCS, INFOSYS AND HCL

COMPANY NAME		Attraction	Retention	Reemployment
TCS	Mean	4.3467	3.8412	2.9600
	N	50	50	50
	Std. Deviation	.44140	.64441	.59625
INFOSYS	Mean	3.6667	3.3012	3.3400
	N	50	50	50
	Std. Deviation	.56344	.75627	.66578
HCL	Mean	4.2933	3.7118	2.8700
	N	50	50	50
	Std. Deviation	.45496	.60390	.56070
Total	Mean	4.1022	3.6180	3.0567
	N	150	150	150
	Std. Deviation	.57664	.70564	.63862

ATTRACTION

TCS	INFOSYS	HCL
4.3467	3.6667	4.2933

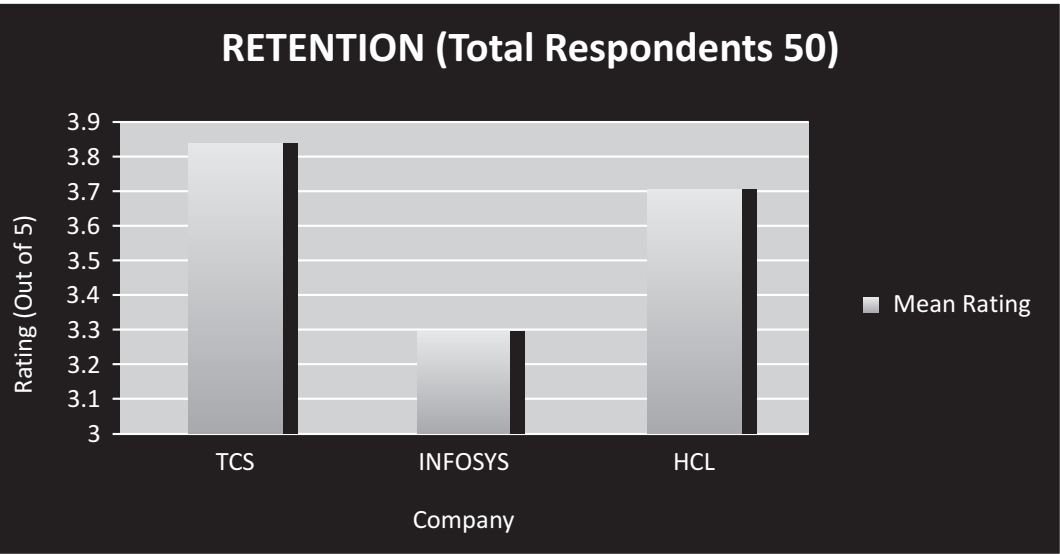


ATTRACTION

INTERPRETATION: Employees and potential employees are more attracted to be part of TCS than in INFOSYS and HCL because of company’s way of doing business and so they recommend employment at the company to a friend.

RETENTION

TCS	INFOSYS	HCL
3.8412	3.3012	3.7118

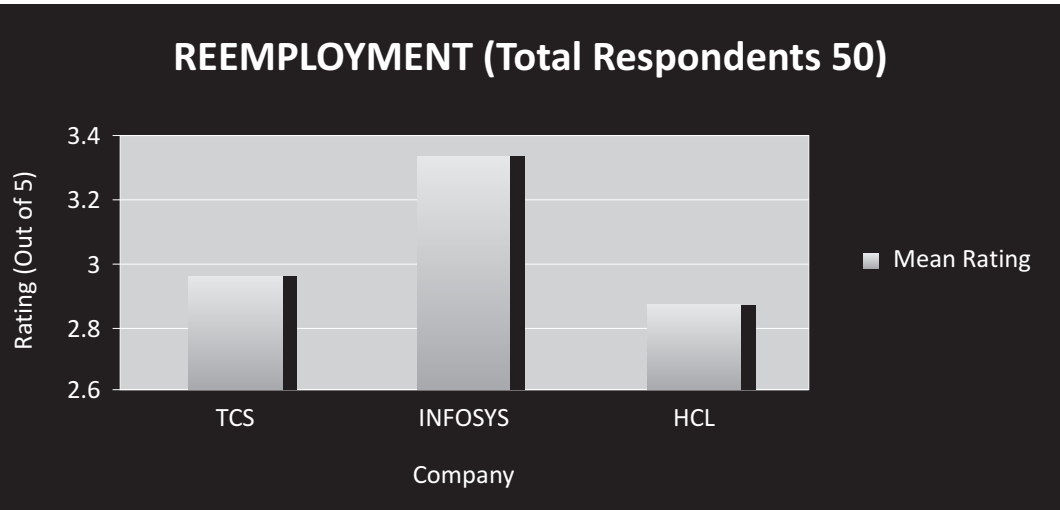


RETENTION

INTERPRETATION: TCS practices are able to retain their employees. This is possible due to better engagement practices, compensation system, succession planning, work-life balance and job rotation. The retention of INFOSYS is lowest and because of this it has highest attrition rate.

REEMPLOYMENT

TCS	INFOSYS	HCL
2.9600	3.3400	2.8700



REEMPLOYMENT

INTERPRETATION: INFOSYS is best in reemploying its ex-employees by making exit process easy and by trying to bring back to the company by giving better job profile or salary.

TALENT MANAGEMENT PRACTICES AT TCS, INFOSYS AND HCL

FACTORS	TCS	INFOSYS	HCL
methods of attraction	Employee Referrals, College Campus , Hiring & off campus, Lateral hiring	Campus from colleges, Walk ins, Lateral Hiring, Career sites	Internal(IJP) + external (Referrals + lateral hiring+ campus, off campus drives)
career development programs	Training and development	training and development, career mapping	career power system
employee performance evaluations	Continuous	Annual	Yearly appraisal (July-Jun cycle)
succession planning	Appraisal Process	forecasting demand and supply needs	Appraisal Process
FACTORS	TCS	INFOSYS	HCL
new hires in last fiscal	60,000	50,000	10000
rate of voluntary turnover	10%	17%	14%
average number of hours a new employee spends	56 hr	60hr	2hrs
average number of annual training and development hours	Depends on the requirement	Varies from employee to employee	at least 100hrs
company loose critical people	No	effectively manage our talent	try to retain by coming to common conditions
more time and money on retention program or recruitment	Recruitment	Resources are balanced	Retention

RANKING OF COMPANIES IN ATTRACTION

COVARIANCE= (STANDARD DEVIATION/MEAN)\*100  
COVARIANCE OF  
TCS= (.44140/4.3467)\*100  
=10.1548  
INFOSYS= (.56344/3.6667)\*100  
=15.366  
HCL= (.45496/4.2933)\*100  
=10.596

As the co-variance of TCS is least it ranks 1st in attraction, HCL second and INFOSYS third.

RANKING OF COMPANIES IN RETENTION

COVARIANCE= (STANDARD DEVIATION/MEAN)\*100  
COVARIANCE OF  
TCS= (.66390/3.8412)\*100  
=15.7216  
INFOSYS= (.75627/3.3012)\*100  
=22.908  
HCL= (.64441/3.7118)\*100  
=17.3611

As the co-variance of TCS is least it ranks 1st in retention, HCL second and INFOSYS third.

RANKING OF COMPANIES IN RE-EMPLOYMENT

COVARIANCE= (STANDARD DEVIATION/MEAN)\*100  
COVARIANCE OF  
TCS= (.59625/2.9600)\*100  
=20.1435  
INFOSYS= (.56670/3.3400)\*100  
=16.9670  
HCL= (.66578/2.8700)\*100  
=23.197

As the co-variance of INFOSYS is least it ranks 1st in re-employment, TCS second and HCL third

FINDINGS

The study reveals that to attain a high performance organization, talent management is required and companies have started giving it attention and importance. The present study was undertaken in TCS, INFOSYS and HCL. In the study it has been found that TCS ranks first in attraction and retention. HCL ranks second in attraction and retention. INFOSYS ranks first in re-employment. INFOSYS tries to bring back its ex-employees in ways better than TCS and HCL. It has been seen that in all the companies' attraction is better than retention and reemployment. The number of employees hired per year in each company is very high. The methods used for attracting the talent in the companies are almost same. The companies are working on retention strategies. It is also seen that companies don't try hard to bring back its employees back to the companies, once they leave it.

CONCLUSION

Talent management is the process of attracting, hiring, training, developing, and managing an organization's people for the purposes of maximizing organizational performance. Talent management implies recognizing a person's inherent skills, traits, personality and offering him a matching job. Every person has a unique talent that suits a particular job profile and any other position will cause discomfort. Talent management is beneficial to both the organization and employees. The organization benefits from – Increased productivity and capability, a better linkage between individuals' efforts and business goals, commitment of valued employees, reduced turnover , increased bench strength and better fit between people's jobs and skills. Employees benefit from: Higher motivation and commitment, career development, increased knowledge about and contribution to company goals, sustained motivation and job satisfaction. Talent management is an evolving process, enabled by technology that integrates a set of previously independent and disconnected processes.

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# Problems and Employment Prospects in Small Scale and Cottage Industries in Uttar Pradesh

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S. P. Kala<sup>2</sup>

## ABSTRACT

*The most important factor for economic development of a country is its industrialization. In the process of industrialization, emphasis is given to the three major groups of industries; large-scale industries, small-scale industries and cottage industries.*

*This paper explores the problems and prospects of small-scale and cottage industries in Uttar Pradesh, where large and medium scale industries are completely absent and whose development is vitally linked with various programmes and policies designed to remove poverty, unemployment and backwardness of the rural people.*

**Keywords:** SSIs, Problems, Employment Prospects, Uttar Pradesh.

## INTRODUCTION

Cottage and small-scale industrial sector plays a dominant role in the economic development of both developed and developing countries. In developing countries cottage and small-scale industries are especially important in context of employment opportunities, equitable distribution of national income, balanced regional growth and development of rural and semi urban areas. They provide immediate large-scale employment, offer a method of ensuring a more equitable distribution of the national income and facilitate effective mobilization of resources of capital and skills which might otherwise remain unutilized.

Small-scale industries play a very vital role even in industrialized and advanced countries like the U.S.A., the U.K., Canada, and West Germany and more particularly in Japan. This sector is considered to be an engine of growth, especially in a developing country like India due to their contribution to income generation, employment, GDP and export earnings.

Small and cottage industries are those industries whose capital is supplied by the proprietor or through means like partnership or from financing agencies setup for this purpose etc. Those industries generally use power driven machines and also employ modern methods of production, engage labour on wage, produce for expanded market. Their work pattern is on permanent basis. Such industries can be managed with little resources and in terms of returns provide much better results.

Cottage industries, on the other hand also called household industries, are organized by individuals with private resources and with the help of family members and are pursued as full-time or part-time occupation. The capital investment is small and the equipments used are simple. These industries generally use locally available resources, raw materials and indigenous skills. The output produced in each industrial unit is generally sold in local market.

Small scale industries, including traditional cottage and village industries and modern small enterprises have been given an important place in India's economic planning for ideological

and economic reasons. Our late Prime Minister Mrs. Indira Gandhi once remarked, "*Small scale industries offer many opportunities; besides adding to production, they broaden the industrial base. They enable the process of modernization as well as entrepreneurship to spread to more regions and layers of society*". Father of our Nation, Mahatma Gandhi ji had strongly advocated the development of Indian villages by making them financially viable through small and village industrial units.

Small and Medium Enterprises (SMEs) are showing their impact on national and regional economies throughout the world. They have been recognized in both developed and developing countries as an effective instrument for creating employment opportunities with a small amount of capital investment.

The small scale and cottage industries also play an important role in removing regional disparities. The industrial development in a backward area can only be achieved by the rapid development and promotion of small scale industries. Besides economic aspects, the social role of small scale and cottage industrial units are quite significant in achieving various social goals such as removal of poverty, attainment of self-reliance, reduction in disparities in income, wealth and standard of living and regional imbalances.

In 1995, Government grouped small scale industries into two categories- those using power but employing less than 50 persons and those not using power but employing less than 100 persons. All small scale enterprises had capital investment of Rs. 5 lakh. This limit was revised to Rs. 10 lakh in 1975 and Rs. 15 lakh in 1980. In March 1985, the Government has again revised the investment limit of small scale undertakings to Rs. 35 lakh. As per the Industrial Policy Resolution of 1990, the investment limit for small scale industries has been revised to Rs. 60 lakh and correspondingly for ancillary units from Rs. 45 lakh to Rs. 75 lakh.

During 1997, on the recommendation of Abid Hussain committee, the Government has raised the investment limit on plant and machinery for small scale industrial units and

ancillaries from Rs. 60/75 lakh to Rs. 3 crore and that for tiny units from Rs. 5 lakh to Rs. 25 lakh. The investment limit on plant and machinery was reduced from Rs. 3 crore to Rs. 1 crore for small scale units in 2000. However the investment ceiling for tiny industries remained unchanged to Rs. 25 lakh.

According the provision of Micro, Small and Medium Enterprise Development (MSMED) Act, 2006 the micro, small and medium enterprises are classified into two classes (a) Manufacturing Enterprises- The enterprise engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951.

The manufacturing enterprises are defined in terms of investment in plant and machinery and Service Sector- The enterprises engaged in producing or rendering of services and are defined in terms of investment in plant and machinery.

The limit for investment in small manufacturing enterprises is more than Rs. 25 lakh but does not exceed Rs. 5 crore and that of service enterprises is more than Rs. 10 lakh but does not exceed Rs. 2 crore.

Traditional small scale industries includes Khadi and Handloom, Handicraft, Village industries, Bamboo based industries, Sericulture and coir etc. Modern small scale industries produce a wide spectrum of goods ranging from comparatively simple items to sophisticated products such as television sets, electronic control system, mixer grinder and various engineering products particularly as ancillaries to the large industries. The traditional small industries are highly labour intensive, while the modern small scale units use highly sophisticated machinery and equipments.

The New Industrial Policy of 1991 announces a number of measures to promote small scale industries. Presently, 836 items have been reserved for exclusive manufacture in the small scale sector. A new scheme of Central Investment Subsidy exclusively for the small sector in rural and backward areas capable of generating higher employment at lower capital cost would be implemented.

Programmes for modernization and upgradation of technology in the small scale sector to improve their competitive strength will be implemented. A new Apex bank known as Small Industries Development Bank of India (SIDBI) has been established to channelize need based higher flow of credit, both by way of term loan and working capital to the tiny and rural industries. To help the artisans working with Khadi and Village Industries Commission (KVIC) and KVI Board, special Marketing organization at the Centre and State level shall be created.

## IMPORTANCE OF THE STUDY

Uttar Pradesh is considered to be an underdeveloped state. One among the many reasons for its underdevelopment is the low growth rate of industrialization. Industrialization plays a vital role in economic development of any region. Development of industries can increase income, output and employment and can accelerate the rate of growth of a backward area. Further industry tends to exercise profound influence on other sectors of the economy including agriculture. That is why industrialization is considered as an indicator of economic growth and hence the underdeveloped countries give highest priority to industrial development.

In the traditional UP Villages, agriculture was the sole occupation. There was no alternative occupation worth mentioning as the village pottery, blacksmithy, bamboo works, handicrafts were carried out on part time basis. At present about 70 percent of the population is engaged in agriculture. There is a discontent among the farmer community; they do not want to remain in the traditional sector and are very much keen to find out an alternative occupation to support the growing needs of their expanding family members.

The secondary and the tertiary sectors of the economy has not yet fully developed to absorb all willing work force at once; the shifting of people from primary sector results in unemployment and under employment in the economy. As a result of poverty and lack of technical Knowledge, the unskilled people in rural area cannot move from the traditional sector to a new sector. This in turn results in heavy pressure on agriculture which gives rise to disguised unemployment in the economy. Small scale and cottage industries are best suited to the State as they require less capital, low level of technical skill and use local resources. It has been seen that the shifting of people from the traditional agricultural sector leads to unemployment, underemployment and disguised unemployment in the economy. The numbers of jobless persons are increasing year after year. People who came out of the agricultural sector, search jobs in Government offices and other non-government agencies but they cannot be absorbed suddenly due to lack of vacancies and so remain unemployed.

There is a problem of educated unemployment in the state, a large numbers of youths coming out from colleges and universities every year are hanging around without any permanent job. So far this section of the work force is concerned, starting small scale and cottage industry is best suited as their career. This is the reason why people in the state having no other substitute jobs are trying to enter into this sector of the economy.

People are choosing any small scale and cottage industry without technical knowledge, its viability and profitability etc. Sometimes they succeed in getting loans from financial agencies to start a small scale or cottage industry. Loans received without knowledge of its proper and optimum utilization often leads to poor recovery by the lending agencies which also creates problems in smooth functioning of these financial institutions.

At this juncture of transition from primary sector to the secondary sector, a comprehensive study for the future planning of balanced regional development and self sustained growth of this sector of the economy is the crying need of the present situation. The natural resources of the state to be exploited, the people have to be educated and trained; the government needs advice and suggestions in policy making. The problems, barriers and obstacles to development have to be detected and eradicated, markets have to be created, industries suited to the area with regards to the availability of raw materials, skills and capital suitability have to be identified.

The present study aims to provide a concrete and proper idea and information about all the factors discussed above. This work may prove to be the pathfinder to the new generation who are roaming here and their and chasing jobs. This research would be of immense help to the common people, the policy

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makers, government officials, researchers and also to other non governmental organizations who are engaging themselves in the upliftment of the poor in particular and the socio economic development of Uttar Pradesh as a whole.

## REVIEW OF LITERATURE

A thorough review and survey of related literature forms an important part of research. It deals with the critical examination of various published and unpublished works related to the present study. Knowledge of related research enables the researcher to define the frontiers of his fields; it helps in comparing the efficiency of various procedures and instruments used. Further review of literature avoids unintentional replication of previous studies and also places the researcher in a better position to interpret the significance of his own results.

In the early literature on economic growth and development, industrialization as a source of employment and capital accumulation has been recognized by various economists. Here I highlight the review of works by various authors as well as different committee reports related to the small scale and cottage industries at international, national and local levels.

For the first time, **J.M. Keynes (1936)** has focused his attention on the forces that determine employment policy followed in industrialization. He propounded the theory that entrepreneurs will offer the amount of employment which maximizes their output and profit. Here he stressed the productivity of labour as the determining factor of the level of employment. There is a positive relationship among productivity of labour, output and employment.

According to Keynes *“employment can only increase pari-pasu with an increase in investment”*. **W.A. Lewis (1954)** has strongly advocated the application of labour intensive techniques of production to have a steady and smooth economic growth. He opined that many important works can be done by human labour with very little capital. Efficient labour could be used to make even capital goods without using any scarce factors. In this sense, small scale and cottage industry should be developed and promoted especially in an economy where capital is scarce. He recommends the use of capital intensive techniques only when they are necessary.

**Leibenstein and Galenson (1955)** took an opposite stand and tried to show that labour intensive techniques might generate immediate output but little surplus since the wage bill would be large. Economic development preceded investment but the use of labour intensive techniques leaves little surplus for investment.

Hence, according to them, use of capital intensive techniques in the process of production will increase the re-investible surplus by minimizing the wage bill.

**A.K. Sen (1957)** had propounded the surplus maximization criteria advocating the capital intensive techniques. Choice of technology depends on the nature of the economy whether developed or developing. According to him, a high wage rate will dictate a capital intensive technique, but a low wage rate, such as may be operative in the less developed countries will mean that a relatively labour intensive technique will maximize the surplus for further investment.

**Ranis and Fei (1961)** focused on the nature of the output-employment conflict in the Indian context. They feel that only after ‘a critical minimum effort’ greater emphasis should be

given to output rather than employment. By this criterion, they meant that the rate of labour absorption (L) in industry should be greater than the rate of population growth (G), i.e.  $N > G$ .

**Dhar and Lydall (1961)** made their study on the data collected from Census of Indian Manufactures, 1956 and the study prepared by the Perspective Planning Division of the Planning Commission in respect of capital, labour and output relations in various industries. They concluded that the issue of choice between large and small industries for the purpose of an employment-oriented industrialization strategy is largely irrelevant, and it should aim at making the best use of scarce resources, instead of aiming at creating employment for the sake of employment.

**Professor Gunnar Myrdal (1968)** the recommends the adoption of a strategy based on predominantly labour-intensive techniques in less developed countries on the ground that *“the large volume of unutilized labour possessed by these countries has a productive potential, capable of creating capital and increasing production”*.

According to the **Village and Small scale Industries Committee Report (1955)**, popularly known as Karve Committee Report, since a substantial number of employed and underemployed belongs to the village and small industries group, setting up of small scale and village industries will provide employment to them in occupations in which they have been traditionally trained and for which they possess equipments. The committee realizes the necessity of introducing better techniques in the village industry, so that they can keep pace with the progressively expanding economy and do not become unsuitable tomorrow.

**Professor A.M. Khusro (1999)** holds that *“if you attempt to create only employment without regard to efficiency, output and surplus, you will soon end up with neither employment nor output or surplus”*. Accordingly, Khusro suggests formulation of a strategy that depends on *“self-financing surplus generating schemes”*. A World Bank Study (1978) has shown that all important requirements of more jobs and higher incomes are met by rural non-farm activities. The study suggests that these activities, which have capital-labour ratio of less than \$50 at 1969 prices, deserve a high place in any employment oriented industrial strategy.

**Prasad (1983)** in his study found that the small scale industrial sector is an integral part of not only the industrial sector, but also of the country’s economic structure as a whole. If small scale industries are properly developed, they can provide a large volume of employment, can raise income and standard of living of the people in lower income group and can bring about more prosperity and balanced economic development.

Small scale industrial sector has vast potential in terms of creating employment and output, promotion of export, expansion of base for indigenous entrepreneurship and dispersal of industries and entrepreneurship skills in both rural as well as backward areas.

**Desai (1983)** also stated that rapid industrialization in India depends on the growth of small scale industries. Most of the small scale industries are operating under certain handicaps like shortage of raw materials, low levels of technical knowledge and counseling, poor infrastructure, inadequate capital and credit facilities, improper distribution system, lack of facilities for

market analysis, research and development. They are also weak in marketing their products beyond their localities especially in international markets.

Moreover, there is a need for the setting up of specialized bank branches for small scale industries, the absence of which has led to serious bottlenecks. Further, the system of providing term loan and working capital by two kinds of institutions, viz. Banks and State Financial Corporations (SFCs) has given rise to a host of problems of co-ordination among them. **Abid Hussain Committee (1997)** Report on small enterprises has examined and suggested institutional arrangements, policies and programmes for meeting long term and short term requirements of the small scale industries. The Committee found that the reservation policy of specific products for exclusive manufacture by small scale Industries did not serve much purpose as most industrialization had occurred in items not reserved for small scale industries. Moreover, it had resulted in low efficiency and productivity and restricted the expansion and export potential of important industries like light engineering, food processing, textiles and others. Credit to small scale industrial sector had become more and more expensive especially after interest rate deregulation. Institutions and regulatory policies responsible for technical assistance, human resources development, industrial standardization etc. expected to play a provocative role in halting technological obsolescence particularly among tiny units did not prove so effective.

**Mali (1998)** in his study has observed that small and medium enterprises (SMEs) and micro enterprises have to face increasing competition in the present scenario of globalization, they have to specifically improve themselves in the fields of management, marketing, product diversification, infrastructural development, technological upgradation. Moreover, new small and medium enterprises may have to move from slow growth area to the high growth area and they have to form strategic alliance with entrepreneurs of neighbouring countries. Data bank on industries to guide the prospective entrepreneurs including investors from abroad is also needed.

## OBJECTIVES OF THE STUDY

Uttar Pradesh is bestowed with rich agricultural resources. Most of the state’s wealth lies untapped yet, and these could provide a strong base for industrial development. Despite enormous latent potentialities for setting up of various resources based industries, no significant progress could be achieved in the field of industrialization in the state. With a view to bring about sustained and balanced regional development of this region and also to improve the living standard of the UP’s, the present study aims to focus on problems and prospects of industrial development especially that of small scale and cottage industries in the state. In order to make the study not only of academic interest but also of practical utility, the following objectives have been set.

- To study the structure and growth of small scale and cottage industry in the state.
- To examine the level of contribution of these units in providing employment and income opportunities to the people.

- To examine the problems of small scale industries related to finance, marketing etc. in the study area.
- To analyze the impact of Government Policies towards the development of small scale and cottage industries in the region.
- To suggest suitable measures for the development of small scale and cottage industries in Uttar Pradesh.

## HYPOTHESES

To meet the objectives of the study, the following hypotheses are postulated for empirical verification in the study:

- The area suffers from excessive and acute unemployment and under employment problem.
- Persons suffering from underemployment are interested in taking up complementary jobs to uplift their level of living.
- There is a lack of innovations and entrepreneurship in the state.

## METHODOLOGY AND DATA BASE

In order to achieve the objectives, present study required both primary and secondary data. Accordingly, a field survey has been conducted to obtain primary data adopting a sampling design of “two stage purposive sampling” with the selection of industries at the first and industrial units at the second stage. Information was obtained from the eight districts namely Lucknow, Kanpur, Sultanpur, Faizabad, Barabanki, Sitapur, Hardoi and Unnao about the existing cottage and small scale industries. For this purpose an aerial survey of the district head quarters has been done. Various cottage and small scale industrial units were visited and informal meeting and interview was conducted with the owners and workers of these units. Information has been gathered from the Directorate of Industries, Government of Uttar Pradesh from the personal interview with the Director, Joint Director, Project Officers and the Dealing Assistants of different sections. A total of 120 units have been randomly selected as sample units. The entire eight districts have been included in the sample according to the relative strength of their existing industrial units. Care has been taken to include the maximum number of trades and activities in these groups so that we can draw results for all the categories.

In order to accomplish the objectives, the present study is mainly based on both primary and secondary sources of information. The secondary data is mainly congregated from published and unpublished works on the related topics. Census reports, economic surveys, journals, news papers, government and non government organizations (NGOs) associated with the industrial sector especially the Directorate of Industries, Directorate of Economics and Statistics, Directorate of Agriculture and Minor Irrigation, 49 Directorate of Industries, Government of Uttar Pradesh.

In addition, personal interviews and informal discussions also held with the government officials, policy makers and NGOs to know their reactions and suggestions. The primary data has been collected mainly from extensive field survey of the sample units. To obtain primary information, personal interview has been conducted through well designed questionnaires especially prepared in view of the objectives of the study. Quick survey of 15 SSI unit located in Lucknow has been conducted to make the required modifications in the questionnaire.



Consequently, the final questionnaires were distributed among the owners, entrepreneurs or managers. Besides, unstructured interview and informal discussions were also held with the owners and workers SSI units. Though the questionnaire was prepared in English, local language was also used during the interview.

Due to the fact that majority of the SSI units in the state do not maintain proper account of their business, it was not possible to gather time series data on the variables like investment, employment and production etc. from primary sources. The information collected from primary and secondary sources has been edited, categorized and arranged in logical order. In the process, certain errors and omissions were detected and corrected subsequently. Tabular analysis was done both manually and also with the 'Statistical Package for Social Scientists' (SPSS) and SYSTAT software.

The collected data so arranged has been examined with the help of appropriate statistical tools to draw the inherent facts. In analyzing data, simple statistical techniques such as percentage, comparisons, mean and coefficient of correlation has been used to deduce the association among variables, in order to reach conclusions. The correlation co-efficient between variables has been tested by employing the bi-variate model.

## RESULT AND DISCUSSION

Small scale and cottage industries are no doubt very important for the economy of the state in particular and the economy of India as whole. Recognizing the important role that small scale industrial sector play in the national economy, both the central and state government have taken active steps to develop, promote and foster their growth. Some of these initiatives have been effective: but most of the problems of SSI still continue to afflict the sector. They can play their rightful role only if they are on sound lines. Small scale and cottage industries are suffering from a number of problems; some are more or less common to a wide range of industries while others have particular relevance to a group of industries located in rural and backward areas.

## INTERNAL AND EXTERNAL PROBLEMS

The problems offsetting small scale and cottage industries can broadly be divided in two major groups- internal and external. Internal problems are those which are not influenced by external forces; mainly crop up from within the industry and can be controlled internally. External problems on the other hand, are those which are the outcome of external factors and are beyond the control of a particular unit. The availability of power, communication and other infrastructural facilities etc. are examples of external problems while organizational structure, production, distribution, management, training etc. are internal problems. Most of the internal problems coupled with external problems put a major threat to the smooth functioning of the SSI units. A few internal problems of small scale and cottage industrial units are given below:

- Most of the small scale industries belong to individual proprietorship form of organization. The owners come with personal egos and ideas, proprietarily attitudes and ineffective delegation.
- To a large extent the development of the units depends on the attitude, audacity and spirit of the owners which in turn influenced by personal and family requirements.

- There is a lack of expertise, professionalism and planning and the dealings are informal. The emphasis is on short term gain even at the cost of quality.
- There is no logical reasoning, proper career plan and strong motivation. Pay scales are generally lower, goodwill and job security is absent.
- In many cases, business ideas and exposures are not up-to-date and adequate, rules and regulations are not complied, product and market knowledge are not up to the mark and business remains confined to the local level.

Some of the major external problems of SSI and cottage industrial units are mostly related to:

- Financial support and investment promotion.
- Consultancy and counseling services.
- Quality control, market promotion, testing, scientific research and development facilities.
- Entrepreneurship development, training and skill formation.
- Technology development and applications.
- Infrastructure development.
- Establishment of linkages between various industries and other sectors of the economy.
- Information collection and dissemination of technology.

Despite these problems the small scale and cottage industrial units continue to survive due to the efforts of the owners but remain limited in their progress mainly because of the non application of right corporate approach and team work.

## INHERENT PROBLEMS OF SMALL SCALE AND COTTAGE INDUSTRIES IN NORTH REGION

The problems faced by the industrial sector in this area are different from their counterparts in the other parts of the country. The SSI sector in this region suffers from a number of innate constraints like financial, social, political, infrastructural and entrepreneurial. Although the rate of growth in terms of number of units registered in this region has been higher than all India growth rate, the status of SSIs can be expressed as unhealthy in terms of size, bank finance, market access, entrepreneurial excellence, etc. The development of SSIs in this region is lagging far behind as compared to the other regions especially western and southern part of the country. Despite the vast potential for different types of resource based industries; the pace of industrialization is too slow due to the unique geographical location, poor availability of funds, inadequate infrastructure, apprehensive investment climate, remoteness of market and lack of entrepreneurial skill, etc. There has been a significant growth of small scale industries in the country; a disconcerting feature is that the growth is uneven and biased towards relatively advanced states than in the backward areas.

## FINANCIAL PROBLEMS

The paucity of adequate and timely finance and credit is the main setback in the development of SSI units. It is even worse in case of cottage and village industries. The capital base of the small industrial units is usually very weak since they generally

have partnership or sole proprietorship form of organization. The initial investment of these units mainly comes from their own fund or borrowed fund from unorganized sectors like friends, relatives and professional lenders. Much lesser proportion of required investment comes from organized sectors like banks, financial institutions and government channels. The artisans running cottage industries either run their units with whatever capital they posses or take loan from local moneylenders or the traders who supply raw material to them. Such types of credits are often obtained at a very high rate of interest and are thus exploitative in nature.

Recognizing the importance of smooth credit flow for the development of small scale and cottage industrial sector, the Government of India nationalized all the major commercial banks in the country. It has also set up SFCs (State Financial Corporations) and SIDBI etc. to look after the financial needs of the small scale sector. Banks were mandated to provide 40 percent of their lending to priority sectors including small scale industry. However, banks claims to meet their lending target on pen and paper but in reality they are reluctant to lend to the SSI units due to low recovery rates and higher cost of lending to small firms.

Moreover, banks insist on collateral security against the spirit of RBI guidelines. Sometimes the market value of collateral could be as high as five times the value of the outstanding loan or credit limit. The small scale units are not in a position to offer the guarantee required by the banks. Small loans can be raised from government agencies but the procedure is so cumbersome that most of the entrepreneurs hesitate to avail these facilities due to their poor educational level.

The flow of credit to the SSI sector is affected because of *“a weak financial base, which eventually prompts the entrepreneurs to bring in funds by way of loan rather than capital, improper maintenance of books of account, inability to provide collateral security, delay in payments by the larger units, lack of appreciation of financial data required by banks or financial institutions etc. high mortality rate, high administrative cost of lending to small units and the concessional interest rate does not basically motivate the financial institutions to invest in SSI units.”*

SSI units in the sample are seriously affected by financial problems while 47.50 percent are moderately affected by it. Moreover, the District Industries Centers make lots of recommendations to the banks from time to time regarding needs and requirements of fund by the small scale industrial sector. It is found that the banks and financial institutions in the state does not give due importance to those recommendations forwarded to them by the DICs and always been overruled. The specialized bank branches like IDBI, NABARD, SIDBI and NEDFI etc. are located only in the state capital while the small scale and cottage industrial units in the state are located across the state. Thus it prevents the access to adequate and timely credit to the units which are located in rural and backward areas of the state.

## MARKETING CONSTRAINTS

Market is the ultimate destination of all industrial concerns whether small or big where the produced are being bought and sold. Marketing is a broad process of linking the gap between the producer and consumer. The vital role of marketing in accelerating industrial development lies in selling the goods

and services produced by these units. The goods have no value for the manufacturing units unless these are sold. Marketing is a tricky technique involving detection of what the consumers wants, then planning and developing a product or service which satisfies those demands and ultimately determining the best way to price, promote and distribute that product. The expertise of entrepreneurs in marketing their product plays a vital role in the success and growth of his enterprise. Entrepreneurs without marketing techniques are supposed to have a greater chance of failure than others with this skill. Marketing has been identified as an important aspect affecting the performance of small scale industrial sector. Besides finance, marketing is the key element which, if not pragmatically assessed leads to sickness and ultimately closure of the units.

Small scale industrial sector faces a number of difficulties in marketing their products due to growing competition among themselves and in recent years due to the emergence of stiff competition from foreign goods in the era of liberalization. It is due to weak financial base of the small scale units they cannot afford to spent as heavily as the large units does on marketing their product. Owing to the limited resources and lack of experience small scale units cannot incur heavy selling cost on publicity, advertisement and other sales promotion measures. Moreover, market analysis is almost absent in the sectors which leads to failure in marketing the products. Many problems which the SSI units face in marketing their products related to lack of demand, poor quality and design, poor bargaining power, poor service to customers, brand preferences and ignorance of potential market areas, etc.

In absence of a marketing channel and cooperatives for selling of their own products, most of the small scale and cottage industrial units in rural areas are forced to sell their products produced to the middlemen or money lenders to whom they depend for finance and raw materials at low prices due to poor bargaining power. Many small scale units even in urban areas sell their products to large industrial houses having wide and improved marketing network. The well known business house of the country like Britannia, Bata, and Hindustan Unilever etc. markets a good number of products produced by small units. Thus the large companies make huge profits from marketing the products of small scale units by charging much higher prices from the consumers.

Therefore, there is a need for a larger number of marketing consortiums for marketing promotion of the products of small industrial units.

## PROBLEMS REGARDING RAW MATERIALS

Adequate and timely availability of required raw materials that also at reasonable prices affects the entire operations of small scale industrial sector. Because of their smallness and weak financial base and poor bargaining power small scale industrial units required to utilize the services of middlemen to get raw materials on credit. Such an arrangement results in higher costs due to the high margins of the middlemen. This in turn induces small industrialists to use cheap and low quality materials, which in turn affects the quality of their finished products. Moreover, irregular supply of certain raw materials adversely affects their production schedules and delays in delivery. The availability of raw materials has been a major problem



in our country. Some of them are very scarce at times and abundant at others causing great price variations. There are often artificial shortages created by dishonest manufacturers and suppliers to rig the prices up. This is particularly true for small scale and cottage industries. Bad conditions of road networks especially during rainy season leads to uncertainties in the procurement of essential raw materials and construction materials from outside which creates artificial shortages.

INFRASTRUCTURAL BOTTLENECKS

Infrastructural adequacies are necessary to subsist in order to aid the smooth and continuous economic growth in general and industrial growth in particular. Industrial production requires not only machinery and equipment but also skilled manpower, management, energy, banking and insurance facilities, marketing facilities, transport services which include railways, roads and waterways, communication facilities, etc. All these facilities and services which facilitate industrial and agricultural production and accelerate the overall economic development of a country constitute collectively the infrastructure or economic and social overheads of the economy. Unfortunately, the state of Uttar Pradesh is suffering from insufficient social overheads like power and roads. Strictly speaking, industrial development is the effect for which infrastructure is the cause. The inadequacy of infrastructure facilities holds back the state from reaping the benefits of whatever it has in terms of natural resources.

TRANSPORT PROBLEMS

Efficient, cheap and quick means of transport of wide varieties is essential for the expansion of trade and commerce. Inadequate transport system in the entire region have resulted in crippling disincentives of excessive transportation cost, undue delay in movement of materials and problems of marketing. It has been observed that the study area- Uttar Pradesh suffers from inadequate transport facilities, which is the major obstacle to the socio-economic development of this region.

POWER SHORTAGES

Power and electricity is the basic infrastructure around which all economic activities moves. The degree of economic growth is highly related with the generation and consumption of electric power. Growth of industry in a particular region depends upon adequate and uninterrupted power supply. Power shortage, power shutdown and power cuts could paralyze industrial activity, throw thousands of workers out of job and cause inconvenience to consumers.

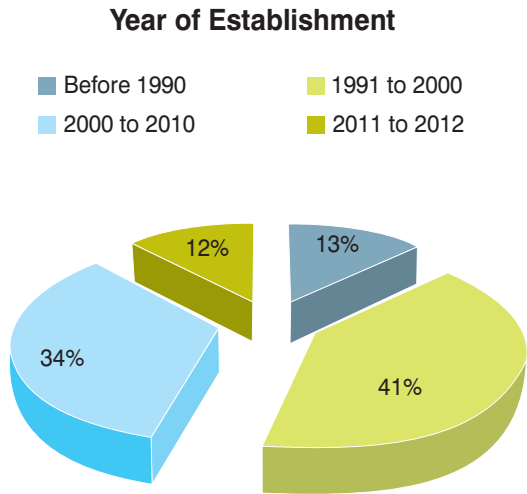
Although Uttar Pradesh posses a vast hydel potential, the progress in this sector is very slow, thus creating a huge gap between demand and supply of electricity. Achievements made so far in terms of installation and generation of power could not keep pace with the growing demand of power. Subsequently, the power situation in the state continues to remain unsatisfactory.

GENERAL PROFILE OF ENTREPRENEURS

YEAR OF ESTABLISHMENT

The survey shows that majority of the small scale units i.e. 41%

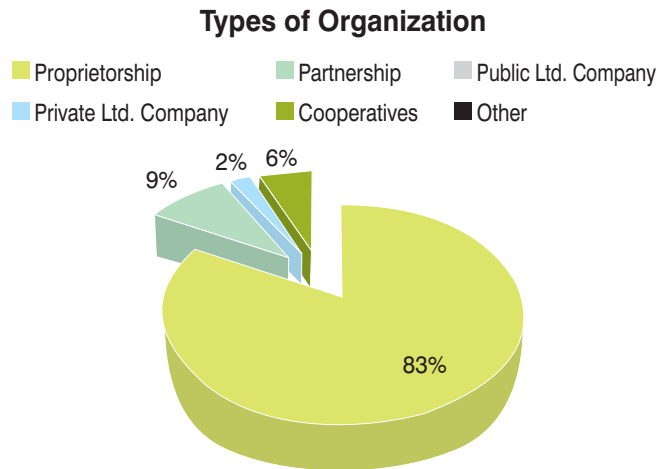
in the Uttar Pradesh were established between 1991 and 2000 followed by 34% in 2000 and 2010, 13% in 2011 and 2012 and 12% before 1990. A tremendous growth has been seen in recent years. Around 46% enterprises have started amongst chosen in last decade say after year 2000.



TYPES OF ORGANIZATION

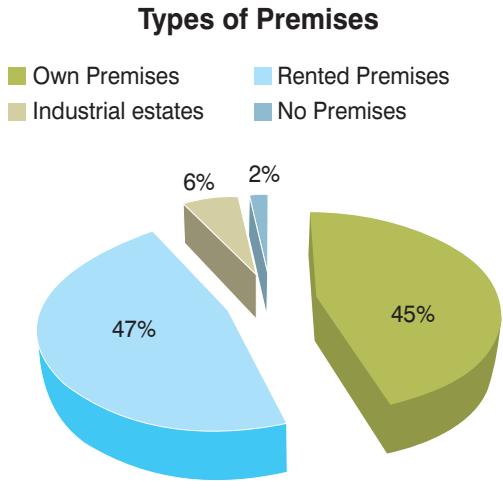
There are various types of organization like individual proprietorship, Partnership, Public Limited Company and private Limited Company, cooperatives etc. are found in small scale industrial sector.

Sole proprietorship form of organization is the oldest and most common form of organization for small scale industries. 83% of the respondents owe proprietorship form of organization followed by partnership, cooperatives and private sector company.



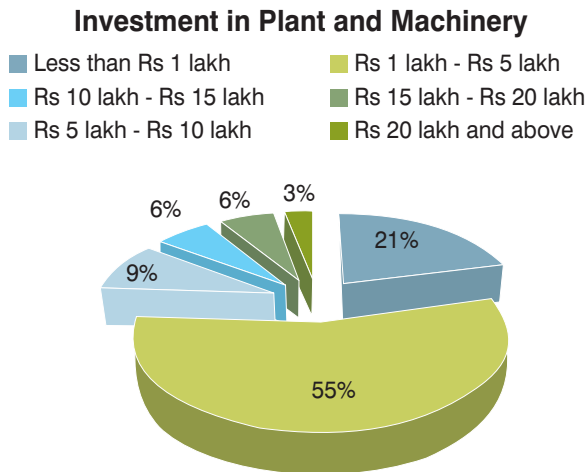
TYPE OF PREMISES

Majority (47%) of the small scale units are operating in rented premises. Nearly 42 percent of the units under study are having own premises. Units operating in industrial estates are only 6 percent while 2 % units have no premises, they are operating at home. Food products like pickle making, chips making and incense stick making are under this category.



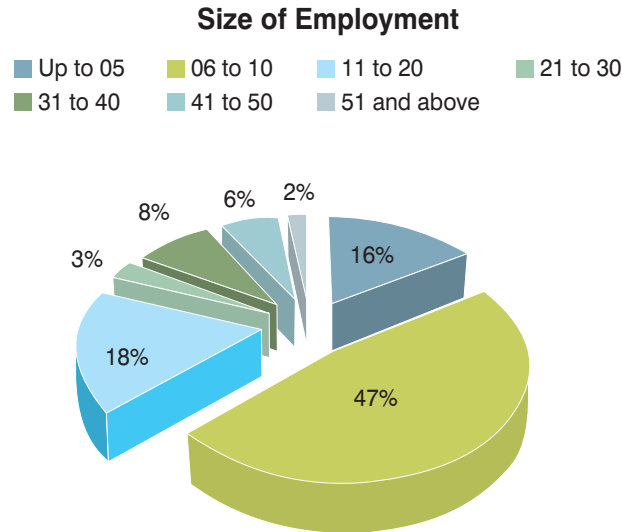
INVESTMENT IN PLANT AND MACHINERY

Investment in plant and machinery of an industry indicates its strength. Larger the industry, larger is the size of investment in plant and machinery. Majority of the sample small scale units are having investment in plant and machinery. 55% enterprises invested between 1 to 5 lakhs followed by 51% invested less than 1 lakh.



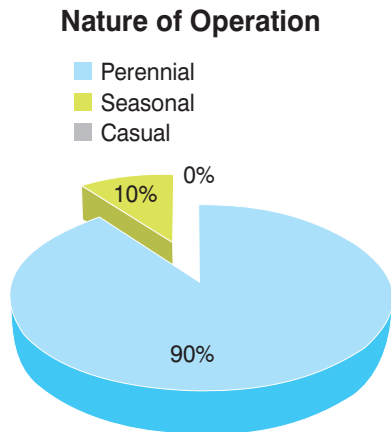
SIZE OF EMPLOYMENT

The number of persons working in an industrial concern indicates the overall strength and capacity of the industry. 47% enterprises have six to ten employees followed by 18% eleven to Twenty, 16% up to five, 8% thirty one to forty, 6% forty one to fifty, 3% twenty one to thirty and 2% fifty one and above.



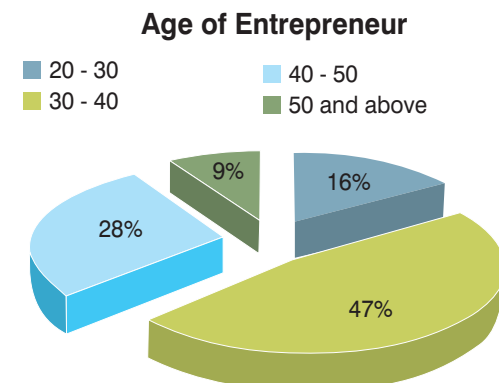
NATURE OF OPERATION

Most of the small scale industrial units in the state are operating on perennial basis. Majority (90%) of the small scale industrial units are operating on perennial basis while 10 per cent are operating on seasonal basis. Ice Plants, Brick making units and units which depends on seasonal raw materials for their production like fruit juice units, gur making etc operates on seasonal basis. No casual units found operating within the sample units.



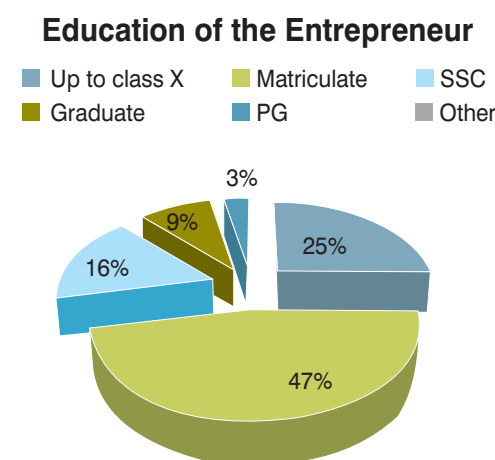
## AGE OF ENTREPRENEUR

The age of the entrepreneur plays an important role in the overall growth and expansion of any industrial concern. Innovative spirit, adoption of new methods and techniques of production, progressive outlook, risk taking ability etc. are very closely related to the age of the entrepreneur. 47% entrepreneurs are in the age group of 30 to 40 followed by 28% in the age group of 40 to 50, 16% in the age group of 20 to 30 and 9% in the age group of 50 and above.



## EDUCATIONAL QUALIFICATION OF ENTREPRENEURS

Education is a major factor which determines the quality of human resources of an area. Economic development largely depends on the quality of human resource; this is particularly true in case of entrepreneurial growth. Literacy affects the decision of a prospective entrepreneur in selection of an enterprise, location and cost of project and application of modern technology. It also helps in day to day decision making as well as in running of a project. Education keeps him aware of various facilities, incentives and policies of the government. 47% respondents were matriculate followed by 25% up to class 10th, 16% SSC, 9% Graduate and 3% Post Graduate.



## RECOMMENDATION & SUGGESTION

In the light of the above finding the study suggests the following policy prescriptions and measures for the growth and development of small scale and cottage industries as well as entrepreneurship development in the state of Uttar Pradesh:

- Uttar Pradesh has the natural advantage in setting up plywood industry, other timber-based units. Once the Government takes the initiatives; private entrepreneurs will come forward; both forward and backward linkage will be established with other sectors of the economy which ultimately give rise to economies of scale both internal and external.
- Though agriculture is not developed in Uttar Pradesh to become self sufficient in rice production, yet other agricultural and horticultural products are produced in the state in huge quantities which can be efficiently utilized by setting up small scale and cottage industries based on these resources. Fruits like passion fruit, lemon, banana, papaya etc. spices like ginger, turmeric, cardamom, cinnamon, black pepper etc. are grown intensively all over. Besides, oilseeds like mustard, soyabean, sesame is also grown in the state.
- Poor infrastructural facilities barriers rules out the viability of major industries in the state. The agriculture-industry linkage can only be established by starting small and medium scale industries. Government of Uttar Pradesh should come forward with attractive schemes and incentives to attract the potential talent of the young entrepreneurs of the state in this sector; encourage collaboration with big industrial houses of the country or even foreign collaboration to promote industrialization in the state.
- To accelerate the process of industrialization, the adequacies of infrastructural facilities are necessary to exist. It is a proven fact that if infrastructural facilities are adequate and in desired shape, the economy progress but if they are inadequate, it halts the progress of the economy. Unfortunately, the infrastructure facilities in Uttar Pradesh are very poor and the industrial sector has equally been the victim of infrastructural bottlenecks especially in electric power and transportation. If the state is concerned about its industrial development, the development of infrastructure should be taken seriously. Power and electricity is the basic infrastructure around which all economic activities moves.
- Though the state has vast hydro-electric potential, the progress in this field is very slow creating a huge gap between the demand and supply of electricity.
- The small scale and cottage industries in the state are suffering from adequate and timely finances. The problem of finance is widespread and one of the major constraint towards industrial growth which needs immediate remedy. Being 'No industry state', the state deserves much more assistance from All India Financial Institutions. To channelize smooth credit flow to small scale and cottage industrial sector, specialized bank branches like SFC, SIDBI, IDBI, IFCI etc. should be opened at the district level. All major commercial banks operating in the state have to set up their branches at all district headquarters. Simplification in the existing procedures of granting loan to

SSI, minimal paper work, delegating more power to the branch manager etc. are some of the ways and means expected to ease the financial setbacks of SSI in the state to a large extent.

- The growth of industrial activities largely depends on harmonious relationship between employer and worker. All the industrial units in the state should initiate labour welfare measures like medical benefit, payment of bonus, retirement benefit etc. This will not only create a healthy environment among the workers but also increase their productivity and promote industrialization.
- Most of the small scale industrial units in the state belong to individual proprietorship form of organization. To pool the skill and to spread the risk involved in the business; partnership and company type of organization are preferred. Therefore, partnership and company type of industries are to be encouraged in the case of small scale industrial units in Uttar Pradesh. Similarly operation on rented premises should be discouraged and industrial estates and Growth Centers should attract the entrepreneurs by providing sufficient facilities to locate their units in these centers.
- Most of the workers in SSI sector of the state are unskilled. To solve the problem of skilled workers proper man-power plan is to be prepared at the district level and steps are to be taken to promote the required skills through education, training and other human resources development programmes. Steps are also required to be taken to minimize the dependency on migrated and foreign workers. Strict administrative action and inducement of local manpower may prove to be fruitful in this regards.
- Training is necessary but not sufficient for the development of entrepreneurship in the state. Training alone is not development; it may result in mere entrepreneurship but does not guarantee success until and unless it is backed by conducive external environment. The socio-political and administrative set up helps to mould the mind set of a prospective entrepreneur to a large extent. Once an enterprising youth comes out with right attitude, zeal and technical know-how suddenly finds him struck in the administrative red tap, corruption and non-cooperation by the officials, consequently his enthusiasm and interest slow down and finally make exit. So the social, political and administrative system should be put in order and in right shape to achieve the greater goal.

## CONCLUSION

Reorientation in the attitude of the people of the state in general, the educated youths and capitalist class in particular is the urgent requirement for paving the way of industrialization in the state. It is an accepted fact that people with right attitude, total commitment and right conception can change the existing system. People of the state must give up the lure to earn easy money and set their mind to take risk. They should learn from the past. We cannot deny that with "obsession over industrial liberalization", the crucial matter of employment creation has taken a backseat.

This is not at all good for the country. If the small scale sector is to act as an agent of decentralization in rural and sub-urban areas, the government should come forward by strengthening

the infrastructure in the rural and semi-urban areas and improving the transport facilities, raw materials facilities, providing more financial help in the form of loans by establishing more co-operative banks and also opening the branches of various other nationalized banks which could meet both the short term and long term credit needs of the existing and also the potential industries.

Packages of incentives and the inherent talents of the Uttar Pradesh in the form of a big push are required to move the economy on industrialization path. A gradual approach is necessary, apart from the government, the capitalist class and the educated youth must come forward with a new vision and energy to break the vicious circle of non-industrialization in the state.

## LIMITATIONS OF THE STUDY

Researchers usually come across many constraints and barriers in the course of their studies. The present study on the small scale and cottage industries in Uttar Pradesh was not an easy task as the units are dispersed over a wide geographical area with unique characteristics, managed and run by persons with moderate level of education. During the course of present study, the researcher faced many problems which were resolved to the desired level; however these were very cumbersome and time consuming. The following are the main limitations of the study:

The main difficulty faced in the present study is lingual in nature. Most of the sample units are run by Ups while the researcher is a non-UP, not fluent enough in the local UP language. There was a communication gap which some how overcome with the cooperative and amicable nature of the UP people who worked as an interpreter.

- Majority of the units do not maintain proper and uniform records or accounts of their business. Moreover the sector is unorganized and disclosure of accurate information by entrepreneurs left doubt. However, efforts on the part of the researcher managed to gather the adequate information as much as possible for the purpose of data analysis.
- All the aspects relating to the cottage and small scale industries in the state could not be covered in the present study leaving scope for further research in the field.



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A Study of Cost Leadership Strategy of Retail Firms in A Shopping Mall with Special Reference to The Great India Place (TGIP) Shopping Mall, Noida (UP), India

Dr. Sanjeev Tandon<sup>1</sup>

ABSTRACT

Retailing is one of the largest industries in India and one of the biggest sources of employment in the country. The retail sector is controlled by traditional and modern retail formats. These formats have emerged and developed with the growth of population in the country. Various retail models exist in the world of retail. Modern retail formats such as superstores, hypermarkets, specialty stores, supermarkets, convenience and discount stores are widely present in the developed world, where as such forms of retail outlets have begun to spread to developing countries in recent years. The Indian modern retail sector, which witnessed a phase of consolidation from the second half of 2008 till well into 2012, has gone through a learning phase. In the last one and a half years retailers consolidated their operations by shutting down unviable strives reassessing catchments and renegotiating rentals. The rampant constructing of shopping malls at an available space in a metro has stopped. The modern retail formats (including shopping malls) in India have started penetrating down to small cities and towns. The shopping malls getting constructed are comparatively small and more customized according to the environmental factors in towns/ cities. The present study has considered an analysis of one of the largest shopping mall of India and has given an insight on the strategic placement of various retail formats. The study was conducted on a leading shopping mall of India, The Great India Place (TGIP) Shopping Mall, located at NOIDA (UP). The research investigates the relevance of a shopping mall as a business entity. The cost leadership strategy of the retail firms and their attractiveness compared to other retail firms within mall was analysed. The growing intensity of retail competition in a shopping mall due to emergence of new formats and technology plus shifts in consumer needs is forcing retailers to devote more attention to long-term strategic thinking. The study reveals the competitive advantages with respect to cost leadership strategy of big and small retail firms.

**Keywords:** Retail tenant mix, retail zoning, anchor-stores, shoppertainment, footfalls, ticket size.

INTRODUCTION

Organized retailing in India is at an early stage compared to the economically developed countries. Many retail formats such as, convenience / departmental / specialty stores, super / hyper markets, shopping malls etc are emerging. Shopping malls (as business centers) in India are not widely penetrated upto smaller town and cities. It is evident that the development of a shopping mall entails several strategic decisions from the conception, localization, construction and finally to the operational stages. According to rating agency Crisil, as much as 96 million sq ft of retail area is expected to be added over the next three years, against the demand of 34 million sq ft, spelling a significant mismatch. At present in India, there are 155 shopping malls across the country with a combined retail space of 60 million sq ft, of which 8.04 million sq ft was added last year. In Mumbai, 1.5 million sq ft of mall space is expected to be added over the next 12 months. Organized retailing is witnessing a wave of national and international players experimenting with various retail formats. The Indian modern retail segment is worth \$28bn and is clocking a 25 to 30 percent growth y-o-y, according to the “IMAGES India Retail Report 2011.” India offers a huge and promising market driven by increasing consumption levels, the demographic dividend, and the rising per capita income. The huge growth story in Indian consumption makes retail attractive to many investors in the

long run. The retail strategy provides the direction retailers need to deal effectively with their environment, customers and competitors. The three important elements of retail strategy: the target market segment, retail format and sustainable competitive advantage. Retailers talk about their merchandise strategy, promotion strategy, location strategy and private-brand strategy. In retailing, there are three generic strategies to acquire competitive advantage. They are based on getting an edge in the following three dimensions: operational excellence, product differentiation and customer intimacy. Operational excellence is achieved when all the operating process of the retail organization is well defined and it is able to satisfy customers in a progressive and cost–effective manner. The organization can attain operational excellence if it sets for itself and achieves high standards in its area of operations. Product differentiation strategy comes into play when there is product innovation or when the merchandise has unique characteristics exclusive to the retail organization. Pricing strategy differentiation can be done by a distinctive offering of merchandise through an effective pricing strategy. To analyze cost leadership strategy of a retail firm in a shopping mall in which it is operating, its position in the mall and its

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attractiveness has been the driving point for this research. A retail firm in a shopping mall can perform profitably, if it can employ its resources optimally. A retail firm is dependent on its areas of strength for its business in the market.

The present status of retail FDI policy and the downfall of GDP of India have put on hold a number of projects across this country. Big shopping malls are fast losing sheen among builders, who have put on hold a number of projects across the country to rising costs and dwindling demand in a slowing economy. India's largest realty firm DLF has shelved a luxury mall in Mumbai and another in Chennai to unlock value, while other builders such as Sheth Developers, Nirmal Lifestyle and Sonal Group have deferred the completion of their new malls by two to four quarters. Developers such as RMZ, Ozone, Landmark, Embassy Property Developers and K Raheja have also deferred projects by a year or put them on hold until the retail market revives (The Economic Times, New Delhi, 6 June 2012).

In India, people are amazed to experience the phenomenon of shopping malls. The shopping malls in metros are now in abundance. It has become a copy cat syndrome for real state developer to build another shopping mall in an available space in a metro. The researcher is trying to study the cost leadership dimension of the retail firms in one of the largest shopping mall of India. The shopping mall under study, The Great India place (TGIP) is located in Noida (UP), a vibrant part of Delhi-NCR. It is being chosen for the research because of its size, unique design and the availability of other small malls within 5 km periphery. TGIP is one of the largest shopping mall in India with an area of 15 lakh Sq ft (139400 meter sq). This shopping mall was developed by the Unitech Group. It is a world class integrated shopping destination with multi theme park, cinemas, restaurants and chain of various stores on multiple floors. It is hard to miss the structure located opposite Noida's sector 18, parallel to the main road. Not only because it is the longest building in the vicinity but because of its exclusive design, given by Callison Inc.

## REVIEW OF LITERATURE

Many studies have been conducted on the shopping malls internationally. Organised retail in India has been at its nascent stage and shopping malls is an up growing concept, if you compare its spread across India. Shopping malls from metros has started penetrating down the line to small towns and city's. No significant work has been done on shopping malls highlighting Indian perspectives.

**Kuruvilla, Jose. Shelja. and Ganguli, J. (2008)**, "mall development and operations: an Indian perspective", the researchers have given an insight of Indian perspective of shopping malls. This study was based on interviews with practicing retailers and mall managers and secondary data was used to understand the analytical and financial steps involved before setting up a mall. Based on the findings some suggestions were also put forth to enable a better relationship between tenant and mall management. The researchers concluded that right blend of good locations, good research on consumers and the right tenant mix vis-à-vis the catchment makes a mall successful in India.

**Tripathi, P. Aditya, (2008)**, "emerging trends in modern retail formats and customer shopping behaviour in Indian scenario: a meta analysis and review", the researcher analysed the

emerging trends in shopper's behavior by studying 30 shopkeepers from 6 malls operating in Delhi-NCR. The primary data collected from the respondents, led to the key observations about customers shopping behavior in Indian scenario among the modern retail formats. Serving class employee, never shop at the same store, though lower middle class visits hypermarkets and discount stores. The upper middle class frequents department stores, specialty chains and super markets. For India two, the clean and shiny environment of modern retail stores creates the perception that such stores are two expensive and exclusive so they are not meant for them.

**Hendrik, Meyer – Ohle (2006)**, "two Asian malls: urban shopping centre development in Singapore and Japan", this study explored the factors underlying the development of urban shopping malls in Singapore and Tokyo. The study focused on the criticality of two propositions ie, independent mall developers increasingly drove mall development in Singapore and Japan. These developers differentiate their malls and experiment with concepts, where tenants play a lesser role. Secondly, mall developers increasingly found strong counter parts in quickly growing tenant chains that were often operating a variety of stores in the same shopping centre and were also developing their activities internationally. The study focused on the intention of mall developers and the tenants. Further the study concluded that factors that needed to be taken into account were the redevelopment of city spaces, the emergence of strong shopping centre developers and the emergence of powerful tenant chain operators.

**Majumdar Aveek (2005)**, "A model for customer loyalty for retail stores inside shopping malls – an Indian perspective", the researcher studied the Indian perspective of organized retail formats (shopping mall in particular) and worked specifically on the customer loyalty parameter. The study was conducted in two metropolitan cities: Chennai and Kolkata covering a wide demographic profile of appeared shoppers. The researcher had looked into store loyalty in a holistic manner incorporating factors such as service quality, locations factors, value perceptions and store image. Apart from the research on measuring loyalty of the consumers on frequently purchased goods (brand loyalty), the service loyalty and store loyalty factors were also studied. In this study the researcher had considered apparel stores to test and validate their model. He revealed the following major factors in customer loyalty study viz. accessibility, ambience, amenities, retail mix (which includes price, assortment, and variety retail store personnel service) and store promotional activities.

**Tabak, Ozgen and Aykol (2005)**, "High school girls shopping mall experiences, perceptions and expectations: A qualitative study", the researchers had focused on the expectations, experiences and perceptions of high school girls to understand what attracts them to the malls. They designed a qualitative study that included six focused groups and a questionnaire. The aim was to identify image attributes of participant's ideal shopping malls, shopping motives and expectations of high school girls. In this study, the researchers used focus groups; the most widely employed qualitative research method and a short questionnaire. The result of the questionnaire showed that girls mostly visited movie theatres, restaurants / café's boutiques and other entertainment venues respectively. The researchers identified six themes as "duration timing companion, frequency, spending money the reasons for visiting

the favorite shopping mall. The researcher also analyzed the participant's positive and negative perceptions and their expectations. The analysis of the study was that adolescent girls usually find the prices of the stores within the mall higher.

**Kim Eonsoo and Nam Dae-il, Stempert J.L (2004)**, in their research work, "testing the applicability of Porter's Generic Strategies in the digital age: a study of korean cyber malls", the researchers examined the traditional strategic management theory evolved in the context of brick and mortar firms operating in a physical space. They proposed that Porters (1980) generic strategy framework was still applicable albeit in need of some modifications competition in the digital age. This study tested that assertion in a sample of Korea online shopping malls. The results suggested that porter's generic strategic were applicable to e-business and they indeed explained performance differences across firms contrary to the conventional wisdom, but consistent with the logic of business in the digital reason the cost leadership strategy exhibited the lowest performance. Firms pursuing a hybrid cost leadership / differentiation strategy, exhibited the highest performance. The research findings suggested that cost leadership and differentiation can be combined at the same time and must be combined to be successful in e-business.

**Ozhan Entekin, Vedia Dokmeci, Tuba Unlukar and Evren Ozus (2003)**, "spatial distribution of shopping malls and analysis of their trade Areas in Istanbul", the researchers investigated the spatial distribution of shopping malls with respect to populations and analyzed the factors, which effect the shopping mall location. The researchers tried to establish relationship between the shopping mall space and income population and distance to the central business district (CBD) of the locations using the regression analysis. The special distributions of three shopping malls and their trade area from different zones of Istanbul were analyzed and their consumer behaviours were compared. The hypothesis framed was the leasable space to be a function of population, income and accessibility. The result revealed that income was the only factor affecting the location of shopping malls. The results fell within the concept of central place theory.

**Shim, Soyeon and Eastick, Ann. Mary (2003)**, "the hierarchical influence of personal values on mall shopping attitude and behaviour", the primary objective of this study was to employ a value attitude – behavior model in order to investigate the role personal values play in the patronage of regional shopping malls. A secondary objective was to examine whether one's ethnic group membership and ethnic identification serve as important factors that influence personal values as well as attitudes and patronage behavior in the context of regional shopping malls. The sample of regional shoppers consisted of white and Hispanic consumers residing in ten metropolitan cities of the south west. The research findings revealed that both dimensions of personal values (i.e., self-actualizing and social affiliation) were significantly related to a favourable attitude towards the shopping attitude of a regional mall.

**Ford, Ken (2002)**, "shopping as it should be: welcome to the mall", the researcher had studied various facets of shoppers buying behavior with respect to retail formats. The researcher studied the benefits earned by the shopper if the retail format is a

shopping mall. The researcher surveyed through questionnaire about the Mall brand in the B2B context: amongst investors, retailers, brand partners, local authorities and suppliers. Based upon at mall research asking the shoppers, what they expected from their shopping experience, the researcher devised a brand customer journey through the malls and introduced mall brand touch points. The conclusion drawn was that from entrance thresholds of shopping mall and car parks to toilets and 'Ask Me' point's mall brand standards were applied across the portfolio. These touch points were tested through colorful and fun loving mall environment created to support high – level customer focus and marketing campaigns.

**LeHew, Melody L. Adkins, Burgess, Brigitte and Wesley, Searlett (2002)**, "expanding the loyalty concept to include preference for a shopping mall", the researchers attempted to describe the loyalty concept of a particular shopping mall. This paper is an initial investigation into the feasibility of customer loyalty towards an enclosed mall. The purpose of the research was to determine whether a group of loyal mall shoppers could be identified. The study examined the supply side determinant of shopping options by investigating characteristics of a mall that might influence a loyal shopper's predisposition for that mall. The researcher believed that to capture mall loyalty, respondents must have a choice of several shopping malls in which patronage would be possible. The conclusion drawn after the analysis of data that in order to determine whether loyal mall customers could be identified, the behavioral mall loyalty measure was collapsed into categorical data transforming the percentage of product category purchases (PURCH) into two groups, loyal customers and non-loyal customers. The researchers could find through respondents behavior and especially attitude that the answer was yes.

## RESEARCH METHODOLOGY

### RESEARCH DESIGN AND THE PRESENT STUDY – THE GREAT INDIA PLACE (TGIP) SHOPPING MALL, NOIDA (UP)

#### Importance of the Research:

Research attempts made so far in the subject are deprived of Indian perspective and insights on shopping malls. As concept of organized retail and shopping malls are still in its infancy in the country, no substantial and comprehensive studies have been done. The latest "shopping mall" culture is spreading faster from metros to the rest parts of India. The past studies being done in India in organized retail segment had not focused on the competitive advantages of the various retail formats available in a shopping mall. Moreover, the relevance of studying cost leadership strategy in the organized retail environment of a shopping mall is a starting point to explore more about shopping malls in India.

The present research focuses on studying the cost leadership strategy with special reference to the retail firms (various formats of retail) in The Great India Place (TGIP) Shopping Mall, Noida (UP). This retail and entertainment complex houses practically all modern formats of retail to meet the demand of all ages. It is a world class integrated shopping destination with theme park, cinemas, restaurants and chain of various stores on multiple floors.



### Objectives of the Research:

The present study aims to achieve following objectives:

- To undertake a detailed review of literature on the strategic dimension of retail firms in shopping malls.
- To study the alignment and relevance of the retail firms within TGIP and their business orientation.
- To analyze the cost leadership strategy of retail firms in The Great India Place (TGIP) shopping mall, Noida (UP) with respect to income of respondents.

### Research Design Formulation:

The research design employed to satisfy the objectives in this research is descriptive research.

### Data Collection Methods:

Data involves the collection of both the secondary as well as primary data.

**Primary Data:** Collected by the survey method using a structured and non disguised questionnaire for the consumers and the TGIP retailer stores. The questionnaire contains 26 variables which denote the various parameters which impact the consumer attitude towards different promotional activities performed by the apparel retail outlets. On these 26 variables first I have applied the factor analysis for reducing the data, and got 9 components from 26 variables. These 9 components are the linear combination of 26 original variables. The collection of information was by way of researcher's own observation in TGIP shopping mall.

**Secondary Data:** collected through various magazines, books, journals and websites.

**Designing the Sample:** Sample Frame: For this research work, the sample selected was from the total consumer's visiting the TGIP shopping mall. The consumer's surveyed were 1069, visiting various retail stores in TGIP on week ends and on working days.

**Sample Size:** For consumer survey: 1069 and for retail survey- 30, 10 retailer's from each floor of TGIP (Ground, I & II floor).

**Sample Extent:** The scope of the study is restricted to The Great India Place (TGIP) Shopping Mall, Noida (UP) India.

### Hypotheses of the Study:

To achieve the objectives of the present study, following hypotheses were formulated and tested:

**Customer's perception on cost leadership strategy :** Analysis of Data Related to the Applicability of Cost Leadership (Parameter of Porter's Generic Competitive Strategies) for TGIP Shopping Mall.

The 12 variables of cost leadership as perceived by various:

- Occupational groups (Students, Business Person, Professional, Govt Employee and Private Job)

For validation of the hypothesis the demographic component chosen are:

- **Income wise** (Rs 50,000 – 1.5 lacs, Rs. 1.5-2.5 lacs and above Rs. 2.5 lacs)

The results of each variables of cost leadership strategy with reference to the above-mentioned demographic variables are presented with proper interpretation.

Hypotheses framed to test Cost Leadership Strategic Variables of Porter's Generic Competitive Strategy with

respect to the Income of Respondents:

- There is no significant difference in the opinion of respondents when analysed (income wise) on the preference given by customers for the lowest cost of product in TGIP shopping mall.
- There is no significant difference in the opinion of the respondents when analysed (income wise) with respect to their preference to the special consideration given to rebate and discount on purchase.
- There is no significant difference in the opinion of the respondents when analysed (income wise) with respect to their preference to the consumer promotion offers in retail firms.
- There is no significant difference in the opinion of the when analysed (income wise) respondents with respect to their plan of buying on a low price day.
- There is no significant difference in the opinion of the when analysed (income wise) respondents with respect to their preference to maximise low cost related factor through exchange offers in certain stores.
- There is no significant difference in the opinion of the when analysed (income wise) respondents with respect to their preference to opt to, "buy more and save more" kind of offers in order minimise unit cost of product.
- There is no significant difference in the opinion of the respondents when analysed (income wise) with respect to their preference to encash on the types of schemes such as Zero percent financing, reward points etc.
- There is no significant difference in the opinion of the respondents when analysed (income wise) with respect to their search for a product bearing lowest cost rather than being a store loyal purchaser.
- There is no significant difference in the opinion of the respondents when analysed (income wise) with respect to their preference to the nearest store (Location convenience) bearing low cost of merchandise in TGIP.
- There is no significant difference in the opinion of the respondents when analysed (income wise) with respect to their preference given to get the best price for the product.
- There is no significant difference in the opinion of the respondents when analysed (income wise) with respect to their preference given to check the price of even the small items.
- There is no significant difference in the opinion of the respondents when analysed (income wise) with respect to their preference given to compare the prices of at least a few brands before they choose one.

## DATA ANALYSIS AND FINDINGS

TGIP shopping mall, the shining jewel in the crown of Noida (UP) is one of the largest malls in the country. Designed by Callison Inc the interior theme is "shoppertainment", which integrates shopping and entertainment in the same premises. M/s International Recreation Parks Pvt Ltd, joint venture organization by Unitech Limited and International Amusement Ltd, is developing the project. This mall is part of the larger entertainment city announcement park. TGIP follows a zoned concept with home and grocery on the basement level,

women's apparel on one side, men's on the other; the 180000 sq ft food and entertainment zone (Bars, Disco Theaters and Multiplex) on the top floor. This shopping mall has a 6-screen Ad labs multiplex, with total seating capacity of 1220 seats. A total number of 297 units at TGIP exemplify a vivid range of diversity offering, a perfect blend of brand mix cutting across all genres. With 4 entry and 4 exits, the mall boasts of a huge parking facility that can absorb 6000 cars at one go and a matchless feat that puts TGIP in a different league altogether. The parking area of this mall is 6, 00,000 sq ft. From the recent data in "Retailer Magazine (May 2011 issue)", the footfalls of this mall (per day) on week days are approx 45,000 and on week end's 135,000.

Top performing anchor stores of Pan India are available at this mall. The area allotted to the 7 anchor stores is 4, 21,824 sq ft. The unprecedented experience that TGIP offers to every customer visiting here is further testified by the fact that mall witnesses the highest footfall both on weekdays and weekends. During March' 2011, TGIP created an all India record of 3, 37,000 footfall on a single day. The average footfall on weekdays is 65,000 and on weekends is 300,000. The total area of this shopping mall is 147 acres, with a total built up area as 35 acres. The leasable area is 20 acres with 4 atrium area. The availability of total outlets (as on June'2011) is 258 units. The area covered by Food court is 75,000 sq ft (Retailer Magazine, June' 2011 Issue).

## ANALYSIS OF DATA RELATED TO THE APPLICABILITY OF COST LEADERSHIP (STRATEGIC) PARAMETER OF PORTER'S GENERIC COMPETITIVE STRATEGIES FOR TGIP SHOPPING MALL

This section deals with 12 variables of cost leadership as perceived by various occupational groups (Students, Business Person, Professional, Govt Employee and Private Job) and income wise (Rs 50,000 – 1.5 lacs, Rs. 1.5-2.5 lacs and above Rs. 2.5 lacs). The results of each variables of cost leadership with the above respondent's background variables are explained by giving proper interpretation.

### Comparison of variables of cost leadership among three income group respondents (I1= Rs. 50,000-150,000, I2= Rs 150,000-250,000 and I3 = above Rs. 250,000)

The 12 variables of cost leadership and the interpretation of each variable with respect to the income of respondents is deliberated below (Table 4.1):

**Attention to lowest cost of product (A1):** The F-value indicates that there has been significant difference in the opinion of the respondents (income wise) with respect to the cost leadership variables that is, preference given by customer for a lowest cost product in TGIP shopping mall.

The significant pairs identified are:

- (a) Rs. 50,000-150,000 (I1) Vs Above Rs. 250,000 (I3)
- (b) Rs 150,000-250000 (I2) Vs Above Rs. 250,000 (I3)

These pairs differ significantly in their opinion with respect to giving preference to the lowest cost product at the retail store in TGIP shopping mall. The significant pairs found are:

- (a) Rs. 50,000-150,000 (I1) Vs Above Rs. 250,000 (I3)
- (b) Rs. 150,000-250,000 (I2) Vs Above Rs. 250,000 (I3)

The above pairs differ significantly (at 0.05 % level of significance) in their opinion on the above cost leadership variable.

**Special consideration to rebate and discounts (A2):** The F-value in Table 4.1 indicates that there has been significant difference in the opinion of the respondents (income wise) with respect to the cost leadership variable i.e., special consideration given to the various rebate and discounts in the TGIP shopping mall.

The significant pairs identified are:

- (a) Rs. 50,000-150,000 (I1) Vs Above Rs. 250,000 (I3)
- (c) Rs. 150,000-250,000 (I2) Vs Above Rs. 250,000 (I3)

These pairs differ significantly in their opinion with respect to the above cost leadership variable.

**Look for consumer promotional offer (A3):** The F-value in Table 4.1 indicates that there has been significant difference in the opinion of the respondents (income wise) with respect to the cost leadership variable mentioned above. The significant pairs found in this case are:

- (a) Rs. 50,000-150,000 (I1) Vs Above Rs. 250,000 (I3)
- (d) Rs. 150,000-250,000 (I2) Vs Above Rs. 250,000 (I3)

Thes pairs have significant difference in their opinion on the cost leadership variable that, they visit TGIP shopping mall more attracted by the consumer promotional offer.

**Plan purchase on low price day (A4):** The F-value indicates that there is significant difference in the opinion of the respondents (income wise) with respect to the cost leadership variable i.e., planning purchase from TGIP on a low price day. The significant pairs identified are:

- (a) Rs. 50,000-150,000 (I1) Vs Above Rs. 250,000 (I3)
- (b) Rs. 150,000-250,000 (I2) Vs Above Rs. 250,000 (I3)

These pairs are significantly different in their opinion on the above-mentioned cost leadership variable.

**Maximize low cost related factor through exchange (A5):** The F-value here indicates that there has been significant difference in the opinion of respondents (income wise) on the cost leadership variable i.e., customers maximize low cost related factor through exchange of goods in TGIP shopping mall. It is also evident from the mean values of the 3 income groups. The significant pairs identified are:

- (a) Rs. 50,000-150,000 (I1) Vs Above Rs. 250,000 (I3)
- (b) Rs. 150,000-250,000 (I2) Vs Above Rs. 250,000 (I3)

These respondents (pairs) have significant difference in their opinion on the above cost leadership variable.

**Opt "buy more and save more" kind of offers (A6):** The F-value again indicates that there has been significant difference in the opinion of the respondents (income wise) with respect to the cost leadership variable, "opting buy more and save more" kind of offers from TGIP shopping mall. The significant pairs (at 0.05 level of significance) identified are:

- (a) Rs. 50,000-150,000 (I1) Vs Above Rs. 250,000 (I2)
- (b) Rs. 50,000-150,000 (I1) Vs Above Rs. 250,000 (I3)
- (c) Rs. 150,000-250,000 (I2) Vs Above Rs. 250,000 (I3)

These respondents (Income group pairs) have significant difference in their opinion on the above cost leadership variable.



**Encash schemes like, zero percent financing, reward points (A7):** The F-value indicates that there has been no significant difference in the opinion of the respondents (income wise) with respect to the cost leadership variable, encashing schemes like, zero percent financing reward points, while purchasing products from TGIP shopping mall. The significant pairs observed are:

- (a) Rs. 50,000-150,000 (I1) Vs Above Rs. 250,000 (I3)
- (b) Rs. 50,000-150,000 (I1) Vs Above Rs. 250,000 (I3)

These respondents (pair of income groups) have no significant difference in their opinion on the above cost leadership variable.

**Search for a product bearing lowest cost with no store loyalty (A8):** The F-value in Table 4.1 indicates that there has been significant difference in the opinion of the respondents (income wise) with respect to cost leadership variable, “search for a product bearing lowest cost with no store loyalty”. The significant pairs identified are:

- (a) Rs. 50,000-150,000 (I1) Vs Above Rs. 250,000 (I3)
- (b) Rs. 150,000-250,000 (I2) Vs Above Rs. 250,000 (I3)

Here, these respondents with the above income slabs have significant difference in their opinion on the above cost leadership variable.

**Nearest store bearing lowest cost – location convenience (A9):** The F-value indicates that there has been significant difference in the opinion of the respondents (income wise) with respect to the cost leadership variable. “Preference given by customers to the nearest store bearing lowest cost of product (location convenience)”. The significant pairs analysed are:

- (a) Rs. 50,000-150,000 (I1) Vs Above Rs. 250,000 (I3)
- (b) Rs. 150,000-250,000 (I2) Vs Above Rs. 250,000 (I3)

The respondents with the above salary slabs, significantly differs in their opinion on the above cost leadership variable.

**Best price bargain (A10):** The analysis of the data and the F-value indicates that there has been significant difference in the opinion of the respondents (income wise) with respect to the cost leadership variable i.e., availing best price bargain by the respondents (customers) from the retail firm in TGIP shopping mall. The significant pairs of the respondents (income wise) identified are:

- (a) Rs. 50,000-150,000 (I1) Vs Above Rs. 250,000 (I3)
- (b) Rs. 150,000-250,000 (I2) Vs Above Rs. 250,000 (I3)

The respondents with the above salary slabs, significantly differs in their opinion on the above cost leadership variable.

**Check the price of even smallest item (A11):** The F-value indicates that there has been significant difference in the opinion of the respondents (income wise) with respect to the cost leadership variable i.e., checking the price of even smallest item by the customers in the TGIP shopping mall.

The significant pairs of the respondents when analysed income wise, indicates the following pairs:

- (A) Rs. 50,000-150,000 (I1) Vs Above Rs. 250,000 (I3)
- (b) Rs. 150,000-250,000 (I2) Vs Above Rs. 250,000 (I3)

The respondents having the above salary slabs, significantly differs in their opinion on the above cost leadership variable.

**Comparing prices of few brands across stores (A12):** There

has been significant difference in the opinion of the respondents (analysed income wise) with respect to the cost leadership variable i.e., comparing prices of few brands across stores in TGIP shopping mall. This has become evident by analyzing the mean values and the F-value. The significant pairs identified are:

- (a) Rs. 50,000-150,000 (I1) Vs Above Rs. 250,000 (I3)
- (b) Rs. 150,000-250,000 (I2) Vs Above Rs. 250,000 (I3)

These pairs of income slab of the respondents, significantly differs in their opinion on the above cost leadership variable.

## CONCLUDING OBSERVATIONS

The tenant-mix of this shopping mall has strategic placement of the anchor stores. The placement of these anchor stores is attracting the customers from the 4 entry gates. Globus and Lifestyle covers the right and the left side of the main entrance of the mall (the original entrance which was the only single entrance till 2008). During 2011 the mall opened from the four sides. Marks & Spencer is located at ground floor (the mid area of the mall), again attracting the customers entering from the mid gates. Shopper’s Stop and Pantaloon’s are placed at the opposite side (of the main entrance described above) of Globus and Lifestyle on the ground floor. The ground floor is for the masses which attracts the customers from the varied demographic profile. The retail firms on this floor have more promotional schemes/discounts/price off’s/seasons sale available to attract the major target audiences (lower and upper middle class of the society- refer table 4.1).

## HYPOTHESES FRAMED TO TEST COST LEADERSHIP STRATEGIC VARIABLES OF PORTER’S GENERIC COMPETITIVE STRATEGY WITH RESPECT TO THE INCOME OF RESPONDENTS (REFER TABLE 4.1)

**Hypothesis 1-** There is no significant difference in the opinion of respondents when analysed (income wise) on the preference given by customers for the lowest cost of product in TGIP shopping mall.

From the analysis of cost leadership strategic variables, it was observed that respondents with respect to their income significantly differs (significant at 0.01 level) in their opinion in giving attention to the lowest cost of the product purchased from a retail firm in TGIP shopping mall. Hence, the formulated hypothesis mentioned above is rejected. Thus, the 3 income groups don’t agree to this cost leadership variable that they give preference to the lowest cost of product in TGIP shopping mall. The higher income slab customers visits TGIP and buy high price (premium priced) products as well. For them cost is not a detrimental factor.

**Hypothesis 2-** There is no significant difference in the opinion of the respondents when analysed (income wise) with respect to their preference to the special consideration given to rebates and discounts on purchase.

The researcher did the analysis of the cost leadership variables. The data reveals that respondents with respect to their income significantly differ (significant at 0.01 level) in their opinion in considering rebates and discounts on purchase. Therefore, this hypothesis is rejected. Lowering of price because of rebates and discounts is not the factor which influences their visit to a

retail firm in TGIP. This proves the fact that the customers with high income never plan their visit because of the available rebates and discounts in TGIP. Neither are they attracted by the retail firms which have rebates and discounts. They prefer visiting TGIP to buy products of their choice and likings

**Hypothesis 3-** There is no significant difference in the opinion of the respondents when analysed (income wise) with respect to their preference to the consumer promotion offers in retail firms.

From the analysis of cost leadership strategic variables, it was observed that the respondents with respect to their income significantly differ (significant at 0.01 level) in their opinion in searching consumer promotion offers in retail firms in TGIP. Therefore, this hypothesis is rejected. This justifies the fact that the customers with high income never plan their visit because of the available promotional offers at a retail firm/s in TGIP. Neither are they attracted by the retail firms which publicize promotional offers. They prefer visiting TGIP to buy products of their choice, lower price because of promotion offers is not the influencing factor for their visit to a retail firm in TGIP.

**Hypothesis 4-** There is no significant difference in the opinion of the when analysed (income wise) respondents with respect to their plan of buying on a low price day.

The researcher did the analysis of one of the cost leadership variables. The data reveals that respondents with respect to their income significantly differ (significant at 0.01 level) in their opinion to plan their purchases on low price day in certain stores in TGIP. Therefore, this hypothesis is rejected. Again, the high income customers don’t wait for low price day in TGIP.

**Hypothesis 5-** There is no significant difference in the opinion of the when analysed (income wise) respondents with respect to their preference to maximise low cost related factor through exchange offers in certain stores.

From the analysis of cost leadership strategic variables, it was observed that the respondents with respect to their income significantly differ (significant at 0.01 level) in their opinion to maximise low cost related factor through exchange offers in certain stores in TGIP. Therefore, this hypothesis is rejected. Thus, the customers (with 3 different income slab) don’t agree to this cost leadership variable that they maximise low cost related factor through exchange offers in certain stores in TGIP. The higher income slab customers visits TGIP and buy products of their choice, rather waiting for exchange offers for their visits. For them cost benefit because of exchange offers is not a detrimental factor.

**Hypothesis 6-** There is no significant difference in the opinion of the when analysed (income wise) respondents with respect to their preference to opt to, “buy more and save more” kind of offers in order minimise unit cost of product.

The researcher did the analysis of the cost leadership strategic variables. The data reveals that respondents with respect to their income significantly differ (significant at 0.01 level) in their opinion to go for “buy more and save more” kind of offers to minimise unit cost of product. Therefore, this hypothesis is rejected. The customers with higher income are not attracted by “buy more and save more” kind of offers to plan their visit of TGIP.

**Hypothesis 7-** There is no significant difference in the opinion of the respondents when analysed (income wise) with respect to their preference to encash on the types of schemes such as

Zero percent financing, reward points etc.

From the data analysis of cost leadership strategic variables, it was observed that the respondents with respect to their income had similar views to encash on the types of schemes such as Zero percent financing, Reward points etc. Therefore, this hypothesis is accepted. Here all the customers (with different income slab) visit those retail firms in TGIP which provides zero percent finance, reward points types of benefit.

**Hypothesis 8-** There is no significant difference in the opinion of the respondents when analysed (income wise) with respect to their search for a product bearing lowest cost rather than being a store loyal purchaser.

The researcher did the analysis cost leadership variables. The data reveals that respondents with respect to their income significantly differ (significant at 0.01 level) in their opinion in searching a product bearing lowest cost rather than being a store loyal purchaser. Therefore, this hypothesis is rejected. This proves the fact that the customers with high income never plan their visit because of the available low cost at retail firms in TGIP. Neither have they searched the retail firms which give cost benefit to customers.

**Hypothesis 9-** There is no significant difference in the opinion of the respondents when analysed (income wise) with respect to their preference to the nearest store (location convenience) bearing low cost of merchandise in TGIP.

From the data analysis of cost leadership strategic variables, it was observed that the respondents with respect to their income significantly differ (significant at 0.01 level) in their opinion in preferring the nearest store (location convenience) bearing low cost of merchandise in TGIP. Therefore, this hypothesis is rejected. Usually the higher income earning customers don’t give importance to the location convenience of retail firms providing low cost merchandise.

**Hypothesis 10-** There is no significant difference in the opinion of the respondents when analysed (income wise) with respect to their preference given to get the best price for the product.

The researcher did the analysis of the cost leadership variables. The data reveals that respondents with respect to their income significantly differ (significant at 0.01 level) in their opinion in giving importance to the best price of the products they buy from TGIP. Therefore, this hypothesis is rejected. This justifies the fact that the customers with high income never plan their visit because of the availability of economical pricing at a specific retail outlet. Neither are they are lured by the retail firm with the best prices. They prefer visiting TGIP to buy products of their choice and likings.

**Hypothesis 11-** There is no significant difference in the opinion of the respondents when analysed (income wise) with respect to their preference given to check the price of even the small items.

From the analysis of cost leadership strategic variables, it was observed that the respondents with respect to their income significantly differ (significant at 0.01 level) in their opinion in checking the price of even for the small items in TGIP. Therefore, this hypothesis is rejected. This proves the fact that the customers with high income never plan their visit at TGIP to check the low price of the smallest item. Neither are they attracted by the retail firms which strategies low prices of products every now and then.



**Hypothesis 12-** There is no significant difference in the opinion of the respondents when analysed (income wise) with respect to their preference given to compare the prices of at least a few brands before they choose one.

The researcher did the analysis of the cost leadership variables. The data reveals that respondents with respect to their income significantly differ (significant at 0.01 level) in their opinion in comparing the prices of at least a few brands and they choose one from TGIP. Therefore, this hypothesis is rejected. This elaborates the fact that the customers with high income never plan their visit to compare prices of products in TGIP.

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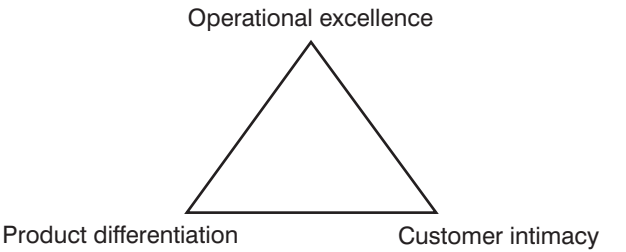
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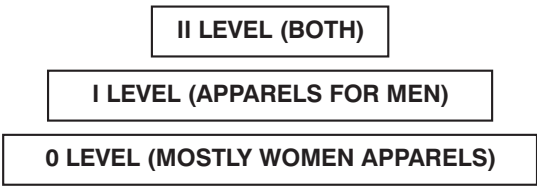
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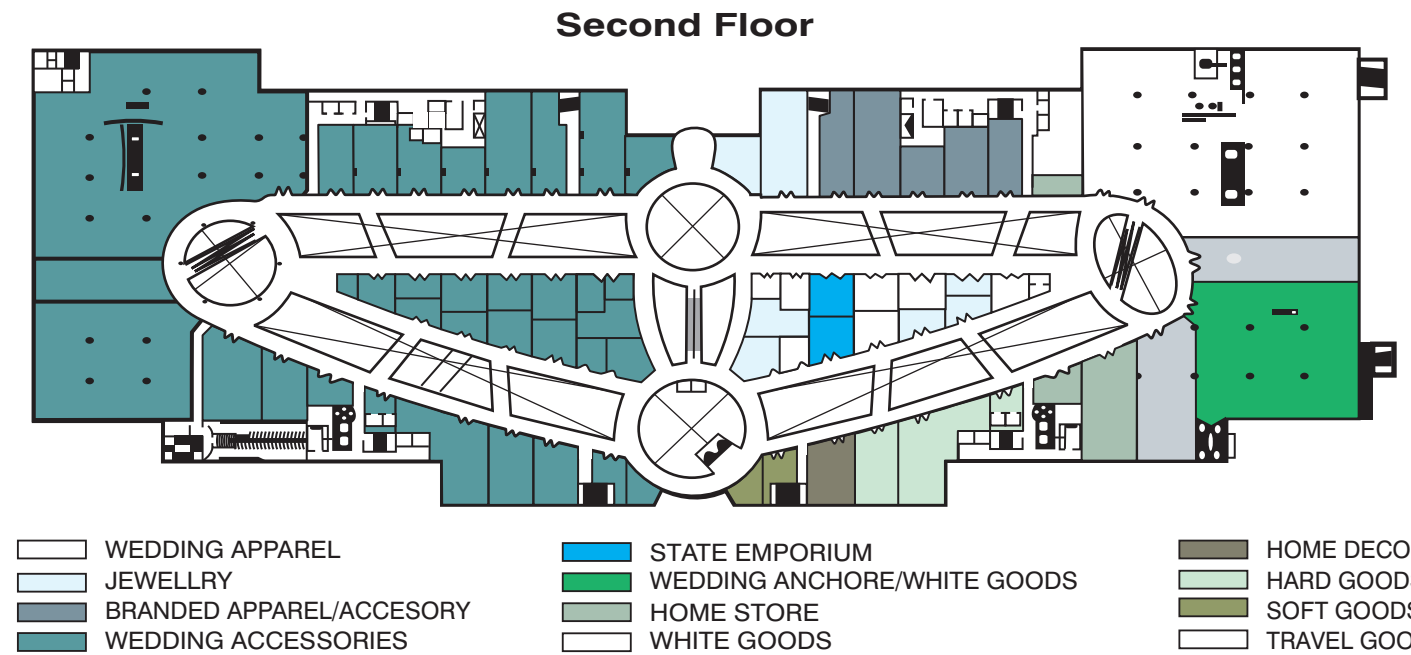
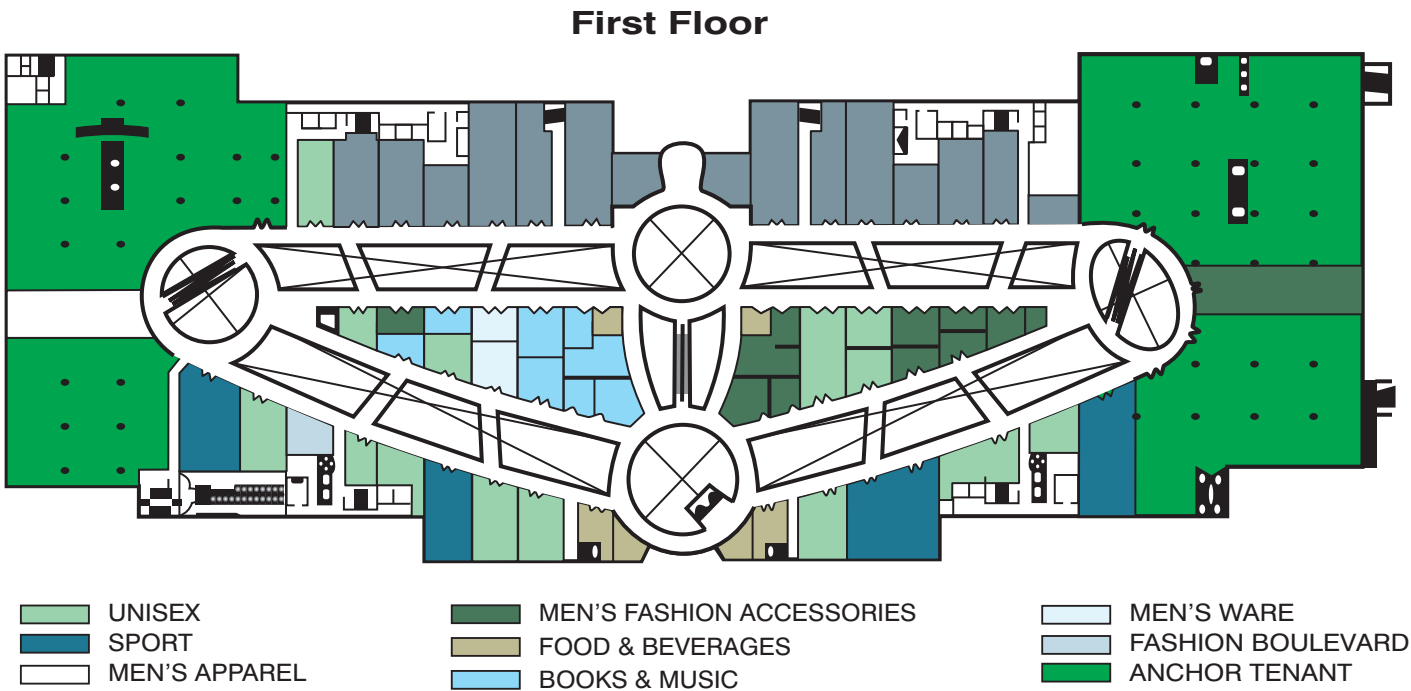
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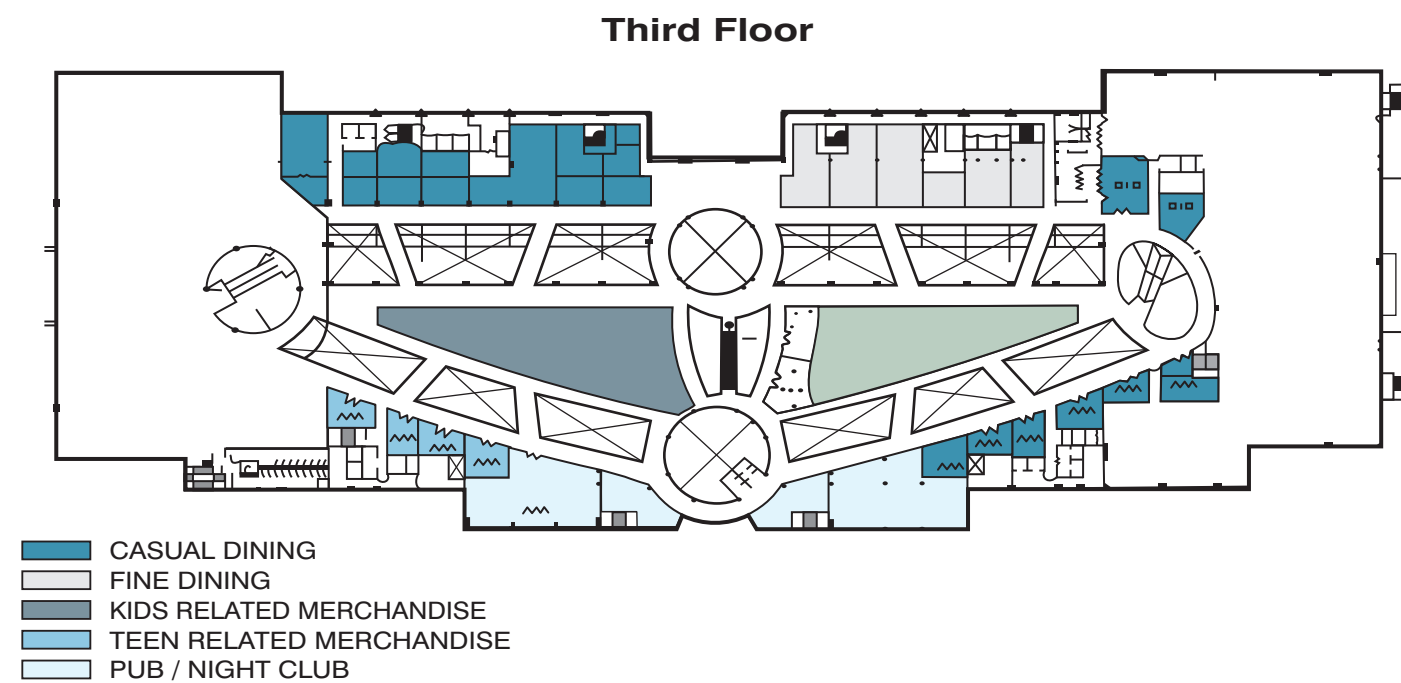


**Fig. 1: Strategies to Achieve Competitive Advantage**  
**Source:** Gibson. G Vedmani, "Retail Mgt", Jaico Impression, 3rd Edition, Page 81.



**Fig.2: Retail Stores in TGIP (Floor levels described)**





**Fig.3: Floor wise Description of Retail Stores**

**Table 1 : Competitive Strategies of Retail**

	Price			
		High	Medium	Low
	High	Premium strategy	High value strategy	Super value strategy (Loss Leader)
	Medium	Over charging strategy	Medium value strategy	Good value strategy
	Low	Rip-off strategy	False economy strategy	Economy strategy

**Source:** Gibson G. Vedmani, Retail Mgt, "Retail Strategies" Jaico Impression, 3rd Edition, Page 81.

**Table 2: Tenant Mix of the TGIP Shopping Mall (Apparel Stores)**

ANCHOR STORES	FASHION FOR ALL (APPARELS)	LADIES EXCLUSIVE APPARELS
Life style	Marks & Spencer	Biba Apparels
Max Lifestyle	Monte Carlo	Bizzarre
Pantaloons	Numero Uno	Bombay Selection
Shopper's Stop	Octave Apparels	CTC Emporium
Globus	Pepe Jeans	Enamor
Big Bazaar (apparel section)	Provogue	Nehel's
FASHION FOR ALL (APPARELS)	FASHION FOR ALL (APPARELS)	LADIES EXCLUSIVE APPARELS
Allen Solly	Spykar	Good Things
Bossini	Tedlapidus	Jean Paul
Celio	United Colors of Beneton	Kalpana
Freelook	Uni Style Image	Kilol
Fab India	Van Heusen	Kazo
Giovani	Wills Lifestyle	La Lingarie
Rockport	Wrangler	Madame
Adidas	Reebok	Meena Bazar
Inexcess	Lacoste	Nun
Lee	Lerros	Ritu Kumar
Cantabil	<b>LADIES EXCLUSIVE APPARELS</b>	Satya Paul
Levi's	Zardozi	Shaw Brothers
Levi's Signature	Reebok-Performance	Tana Bana
Louis Philippe	Afsana	W
Flying Machine	Miss Morella	GFO
Color Plus	Mi-Clothing	Akaar
Puma	Fi	Faiei
Raymonds	Sangrah	
Blackberry's		

Table 3: The Floor Wise Retail Tenant Mix of TGIP

(a) GROUND FLOOR OF TGIP.

1. Lifestyle	26. Pantloons	51. Hi-design
2. Bossini	27. Allen Solly	52. Kalpana
3. Metro Shoes	28. Celio	53. Espirit
4. Woodland	29. Kazo	54. D & A Shoes
5. Tanas bania	30. Lilliput	55. Bizzare
6. P-3	31. Adidas Casual	56. Meena Bazaar
7. Bombay Selection	32. Wills Lifestyle	57. Meena Bazaar
8. Dockers	33. Kilol	58. Zodiac
9. M & B Footwear	34.	59. Reebok Performance
10 Nakshatra	35.	60. Free Look
11. Creative Lifestyle	36. Costa Coffee	61. Bg's
12. Hush Puppies	37. KFC	62. Bg's
13. Marks & Spencer	38. Pizza Hut	63. Optique
14. marks & Spencer	39. Zardozi	64. Maya Toys
15. marks & Spencer	40. Feradini	65. Cygnus
16. United Colors of Benetton	41.	66. Da Milano
17. Feminine	42. W	67. Foot Steps
18. levis Flag Ship	43. Om Book Shop	68. Biba Apparels
19. Levi's	44. CTC Plaza	69. Archies Ltd
20.	45. Globus	70. Fi
21. Giovani	46. GFO	71. Dimensions
22. Shopper's Stop	47. GFO	72. Swiss Military
23. Pantaloons	48. Vansons	73. Hallmark
24. Pantaloons	49. Vansons	74. Titan
25. Pantloons	50. Bonton	75. Tedlapetus

(b) FIRST FLOOR OF TGIP

101 Lifestyle	128 Spykar	147 Wrangler
102 Lifestye	129 Reebok Classic	148 Blackberry's
103 Monte Carlo	129 A In Excess	149 Blackberry's
104 Gujralsons	130 Nike	150 Parx
105 Reid & Tailor	131 Lives	151 La Lingarie
106 Pall Mall	131A Jean Paul	152 Ritu Kumar
107 Louis Phillip	132 Slurt Food	153 Portland
108 Color Plus	133 Swatch	154 Pitu Kamgi
109 Provogue	133 A Rockpit	155 Satya Paul
110 Luxor	134 Poloclub	156 Satya paul
111 CCD	135 Lee	157 The time factory
112 Nokia	136 The Body Shop	158 Himalaya Optical
114 Peter England	136 A The Mobile Store	159 Reebok Juniors

115 Study by Jannak	137 Numero Uno	160 Lacoste
116 Raymond	138 Planet M	161 Kodak
117 Samsonite	139 United Colors of Benetton	162 Cantabil
118 Lerros	140 Reebok	163 Unistyle Image
119 Mohanlal Sons	141Globus	164 Flight Shop
121 Kapoor Watch Co	142 Paisley	165 Madame
122 Shopper stop	144 Zod	166 Liberty
123 Van Huesen	145 Moustache	167 Crocs
124 Pantaloons	146 Gili World	168 Liberty
125 Pantaloons	147 Wrangler	169 Levi's Signature
126 Adidas		170 VIP
127 Poze		171 Aakar

(c) SECOND FLOOR OF TGIP.

201 Life style	227	244 IFB
202 Me n Mom	228 Splash	245 Mardigrass
203 Casio	222 Shopper Stop	246 Brite
204 Toonkids	223 Max lifestyle	248 Bose
205	229 Pepe Jean London	247 Stepping Stone
206	230 Sangagh the design	250 Focal Point Optician
207 Carlton London	231 Studies	251 Fab India
208	231A	252 Zest
209 Haunted House	232	253 Vivid
210 Bikano	232 A	254 Vivid
211	233 Panasonic	
212	234	
213 Samsung	235 A Philips	
214 Octave Apparels	237	256 Soffie
215 Fundoo Place	238 Blond & Bliss Spa	257 Skope
216 Catmoss	239	258 Indigo
217 Fahren Heit	240 Odyssey	259
218 Gatha	241	260 Men.Xs
219 Afsana Collection	242 Gordon Max	261 Healing Touch
221 Shopper Stop	243 Gordon Max	262 LG
222 max Lifestyle		263 LG
223 Max Lifestyle		264 Unique Pet
224 bata India		265 S Chand Publishing
225 Sales House		266 Raha Spring Matress
226 GKB Optical		267 Tamara (Furniture)
		269 Shaw Brothers
		270 Enamor
		271 Hoop



(d) THIRD FLOOR OF TGIP

300 Food Court	308 Yo China	322 Mandarin
300 Co Bowling Alley	309 Sagar Ratna	320 A Masakali
300 O'Bar	309A Sagar Ratna	323 Sbarro
300 Noodle Bar	310 Rajdhani	324 Sharro
300 Adlabs	311 Rajdhani	325 Cocoberry
301 A Motimahal	312 enLive N Art	327 My Dollar Store
301 A Curry Express	313 Ice Cube	327 B Jumbo Electronics
302 A Daily Breads	314 Big Cinema's	327 C Osim
303 Nirulas	315 Big Cinema's	328 Staples
304 Chonas	319 Music Land	328 A Fits & Active (Gum & Sparsh & Spa)
305 Reverb (Disco)	321 B Pind Baluchi	
307 Tandoori Village		

Table 4.1 : Comparison of variables of Cost leadership among three income group  
Respondents (I1 = Rs 50,000 – 150,000, I2 = Rs 150,000 – 250,000, I3 – above Rs 250,000)

Variable Cost Leadership	I <sub>1</sub> = (N=108)		I <sub>2</sub> = (N=108)		I <sub>3</sub> = (N=487)		Significant Pairs (*)			F – Value
	Mean	SD	Mean	SD	Mean	SD	I1 Vs I2	I1 Vs I3	I2 Vs I3	
Attention to lowest cost of product (A1)	4.10	1.17	3.89	1.22	2.75	1.20		*	*	94.80**
Special consideration to rebate and discounts (A2)	4.10	1.00	4.00	0.83	3.29	1.09		*	*	47.41**
Look for consumer promotional offer (A3)	4.11	1.04	4.08	1.00	3.26	1.08		*	*	58.02**
Plan purchase on low price day( A4)	3.94	1.00	3.73	1.00	2.94	0.90		*	*	80.31**
Maximise low cost related factor through exchange (A5)	3.95	1.05	3.90	1.13	3.20	1.16		*	*	35.01**
Opt “Buy more and save more” kind of offers (A6)	4.14	1.00	3.8	1.14	3.60	1.04	*	*	*	13.00**
Encash schemes like, zero percent financing, reward points (A7)	3.80	1.09	3.52	1.13	3.57	1.02	*	*		2.57 NS
Search for a product bearing lowest cost with no store loyalty (A8)	3.81	1.03	3.58	1.14	3.01	0.94		*	*	40.13**
Nearest store bearing lowest cost—location convenience (A9)	3.48	1.04	3.42	1.11	2.75	1.01		*	*	40.34**
Best price bargain (A10)	3.89	0.95	4.06	0.91	3.25	1.01		*	*	53.84**
Check the price of even smallest item (A11)	3.84	1.00	3.83	0.89	3.09	1.00		*	*	53.96**
Comparing prices of few brands across stores (A12)	3.86	0.99	3.92	0.91	3.06	0.95		*	*	70.31**

\* Significant at 0.05 level

\*\* Significant at 0.01 level

NS- Not Significant

Note: Figures in parenthesis are the percentages of total respondents in each category shown in column heading.

## Opportunities in Non Fuel Retailing in India

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### ABSTRACT

With the dismantling of the administered price mechanism (APM) and opening up of the Indian petro retail market for the private companies, the competition in the oil retail market have heated up. Every company is trying to find out measure to attract and retain the customers. For this, they have introduced many promotional schemes like petro card, loyalty card and other brand building activities. But these activities are not helping them to increase their revenue as the world oil prices are continuously increasing and the companies are restrained from increasing the prices of petrol beyond a certain limit. Also diesel and LPG is still under APM and hence their price is not under the control of oil marketing companies (OMC). The only option left with the oil companies to increase the revenue, so there is need for the search for the allied business or the non fuel retailing (NFR). As these businesses had given very good results in countries like US, Europe, UK, and France, they can help in increasing the revenue of the companies in India also. The organized retail sector is already growing at the rate of 30% per annum. At present, the penetration of NFR is only 4% in India, whereas, in the US, it is 90%. The oil marketing companies (OMC) have their presence in each and every corner of the country and they can harness the advantage of this by tying up with major brands. This paper attempts to indentify the opportunities available in the areas of NFR for oil marketing companies in India.

**Keywords :** Non Fuel Retailing (NFR), Oil Marketing Companies (OMC), Administered Price Mechanism (APM)

### INTRODUCTION

The oil and gas industry in India began in the year 1867 when an oil well was dug accidentally at Makum near Margherita in Assam by a group of laborers when they were laying the railway tracks for the Assam Railway and Trading Co. Ltd. But the first commercial discovery of crude oil in India was made in 1889 near Jaypore in upper Assam. In the year 1980, the production started from this well but the systematic drilling of oil begins in 1891. Asia's first oil refinery was started in the year 1901 in Digboi. After independence, the government realized the importance of oil and gas in the industrial development and its strategic role in defense and in the 1948 Industrial Policy Resolution declared the oil industry to be reserved for state ownership and control as it is believed to be important for national security. By the early 1990s, Indian Oil refined, produced, and transported petroleum products throughout India. Indian Oil produced crude oil, base oil, formula products, lubricants, greases, and other petroleum products. It was organized into three divisions, the refineries, pipelines and the marketing division. The oil industry in India changed dramatically throughout the 1990s and into the new millennium. Reform in the downstream hydrocarbon sector began as early in 1991 and continued throughout the decade. In 1997, the government announced that the Administered Pricing Mechanism (APM) would be dismantled by 2002. In April 2002 APM was dismantled and private companies were also allowed into exploration and production activities. Because of this the Public Sector (PSU) oil marketing companies (OMC) had to find out different ways to increase their revenue and compete with these PSUs

### OIL RETAILING IN INDIA

Oil retailing in India started in the year 1882 by Standard Oil Company of USA. They used to retail kerosene in the country. In the year 1959, Indian Oil Ltd. was registered as the first

marketing company of India. In the year 1964, Indian Refineries Ltd and Indian Oil Co Ltd. were merged as Indian Oil Corporation (IOC). Initially all the activities related to the Petroleum Business be it exploration, refining, distribution or selling were strictly regulated and protected by the government but after April 2002 with the dismantling of APM (Administered Price Mechanism) private sector companies were also allowed to operate in the Indian market. This brought competition in the market.

### CHARACTERISTICS OF PETRO RETAILING IN INDIA BEFORE DISMANTLING OF APM

Before dismantling of APM, the Indian petroleum market was ruled by public sector oil marketing companies, there was no competition in terms of price and quality of the product, they all were selling same product at the same price, customer was indifferent towards them, and there was no competition in the market. For these OMCs, marketing mean strengthening the distribution network and increasing the number of outlets at different geographic locations in their network.

The demand of petrol has always been more than the domestic production. India imports about 75% of the petrol it uses to meet the domestic demand.

Up to the year 2002, petrol was considered as a product of national significance and the private sector was not allowed to work in the exploration and distribution of petroleum products. It was only the PSUs who were working in this area. FDI was not allowed in this area.

### CHARACTERISTICS OF PETRO RETAILING IN INDIA AFTER DISMANTLING OF APM

Entry of private players- After the APM was dismantled in the April 2002, government of India allowed FDI up to100% in

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exploration of oil and natural gas. The private sector companies who owned and operated refineries with an investment of at least Rs 20 Billion or were in the exploration and production of at least three billion tons of crude oil was entitled to the marketing rights for the transportation of fuel. This fueled up the competition in the oil retailing market. With the entry of private and multinational companies, the national oil companies had no other options but to compete with these companies.

The private companies started putting huge investment in infrastructure as well as marketing. They brought with them new techniques and technologies in oil retailing from other countries. This made them more customers centric.

The three PSU oil companies constitute about 83% of the total fuel sales in the country and about 94.6% of the total number of retail outlets in the country. Out of these three major OMCs, IOCL is having the highest number of petro retail outlets followed by BPCL. HPCL is at the third place in the list of total number of retail outlets. The table given below gives record of total number of petro retail outlets up to year 2011.

Table 1.1  
Major OMC (Oil Marketing Companies) in India

Companies	Market share (%)
Indian Oil Corporation Ltd. ( IOCL)	48.4%
Bharat Petroleum Corporation Ltd. (BPCL)	22.5%
Hindustan Petroleum Corporation Ltd. (HPCL)	23.7%
Reliance	1.90%
Others	3.5%

Table 1.2  
Number of Retail outlets of major OMC in India

Companies/ Year	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
IOCL	11754	16607	17574	18278	18643	19643
HPCL	7313	7909	8329	8539	9127	10212
BPCL	7332	7537	8251	8402	8692	9289
Total	26399	32053	34154	35219	36462	38964

Source: Annual report 2011, IOCL, BPCL, HPCL

NON – FUEL RETAILING (NFR) IN INDIA

Non fuel services include all offerings, products and services other than auto fuels and those used along with auto fuel i.e. petrol, diesel, auto LPG, CNG, Lubricant, and fuel additors

which do not affect the norms of petro retail outlets and are sold on petro retail outlets. These include departmental stores, coffee shop, restaurants, courier services, medicine shops, music stores, auto service stations, pay telephones etc.

Non fuel retailing is also known as forecourt retailing. In India it started in late 90s. It started in the form of convenience store. BPCL is the leader in the forecourt retailing with 209 ‘In & Out’ store (BPCL Annual report, 2011). The total forecourt market in India is estimated at just under Rs 400cr, however the potential size of the market in the non fuel retailing sector is expected to be much higher and is also expected to grow exponentially over the next decade. This is because of the fact that in US and UK, the penetration of non- fuel retailing (NFR) is ninety percent but in India it is just four percent.

Also because of fluctuating fuel prices in the international market and with decrease in profit margin from fuel sales, these retailers are constantly looking out for some allied activities that can be started to generate additional revenue. In the fiscal year 2008-09, the IOCL has to suffer a loss of Rs 1000 billion (Business Standard, 7 August 2009) as they were restrained from increasing the fuel prices under the political pressure that exists in the country. Therefore, they have to look out for other areas from where revenue can be generated. NFR is such an area. It helps the OMC to generate additional revenue by leasing up or renting the real estate. Joint venture with the leading retailers is also a way to generate the additional revenue.

Also with increase in number of working women population and double income families, people have started looking out for one stop shop, from where they can meet all their needs and NFR is a good option.

NFR helps in generating additional revenue in the form of rental income by leasing the space for the retail outlets and via profit sharing arrangement with the service provider. For instance BPCL has leased out some of its outlet to Mc Donald and is generating revenue from it.

NFR also helps in creating brand image by providing superior experience to the customer. It also enhances retention of the customer as well as adds new customers by attracting them to their outlets for one or the other reason. This helps in pushing fuel sales also as the people who come there to buy the products are likely to purchase fuel also from these outlets. In this way companies are trying to attract the customers by converting their fuel buying experience in to a whole lot of fun. They also help in brand building and act like a differentiating factor in the profit enhancing.

NFR INITIATIVE BY MAJOR OMC IN INDIA

The three major OMC in India are IOCL, BPCL and HPCL which constitute about 83% of the total oil retail business in India. These companies initiated various NFR initiatives in urban and rural areas and on highways. These initiatives are mainly classified into three categories namely convenient store, vehicle care services, refreshment. IOCL had tied up with brands like Hindustan Uniliver Ltd, Dabur, ICICI Bank, Ferns and Petals, MTR Food, PVR Cinemas, UAE Exchange, Reliance Capital and DHL. It is making the effort to utilize 195 million square feet space available. BPCL is the leader in the in NFR in the Indian market. Keeping in mind the different need of the customer it has specially designed the services for different categories. In the urban area it is providing NFR services through its

convenience stores “ In &Out” which is selling grocery, gifts and other impulse buying items beside selling fast food and snacks. On the highway it has started various facilities like dhaba, dormitory, and hauda facility for the truckers and parks and eating joints for the tourists and other commuters. HPCL which holds almost 24% share in the petrol retail sector is providing its convenience facility with the name “Club HP”. In club HP they provide a variety of value added services which include efficient and expert services, quick care point, digital air towers, vehicles finance and insurance related services. The “club HP” outlets are categorised in to standard, mega and max stores depending upon the level of facilities and services available.

OPPORTUNITIES FOR NON- FUEL RETAILING IN INDIA

GROWING RETAIL SECTOR

India being the second fastest growing economy of the world possesses a huge potential for the growth and diversification of the NFR services. Also India has the largest number of young population in the world which forms a good base of ready consumers. With increasing disposable income the purchasing power increases and the consumer starts spending more. All these factors together are creating a good opportunity for non fuel retailing. The Indian retail industry is growing at a rate of 30% per year which is a good indicator for the success of NFR.

USE OF EXTRA RETAIL SPACE

With constantly increasing population and decreasing land availability for retail activities, these outlets can provide required space for such activities. Also they can earn good revenue from the lease or rent of the available space.

READYMADE CUSTOMER

Also the people used to come to the petrol pump to get their car filled hence these outlets have readymade customer base with a good footfall and hence cost of promotions will also decrease and a good profit can be made from these outlets.

PARTNERSHIP WITH RETAIL FIRMS

New business houses are entering into to retail business and they are looking for the space, these OMCs can take the advantage of it and attract them to their outlets in this way both of them can flourish in their business by each other’s customers.

INTERCITY TRAVELLERS

A large portion of the Indian population is constantly travelling or on the move. This section requires service like rest rooms, Quick service restaurants and other related facilities. The OMCs can invest in such facilities. Till now very few such facilities are available.

RURAL MARKET

The OMCs have good presence in each and every nook and corner of the country and same is true for the rural market. They have very good presence in the rural market and they can utilise this presence by providing additional facilities. IOCL has already started KSK (Kishan Seva Kendra) and HPCL is running Godrej Agrovet in the rural areas where they are selling fertilizers, seeds and other products used in agriculture. There is lots of scope in this area.

CONCLUSION

Though in the beginning these companies aggressively entered in to the business on NFR, the pace of penetration is not as aggressive as it should be. The main reason for this was that the companies were still finding it hard to understand the market dynamics. They had started many services but were unable to gather the expected footfall. Also while starting any new service in and around petrol pumps, they had to take permission from different government departments which itself is a very time consuming process and all the services cannot be started in all the areas. Hence a thorough study is needed in this direction to understand the need, requirement and attitude of people towards these services. It is a good source of earning additional revenue with little or no investment and these companies should harness it. Keeping in mind the three types of consumer namely urban, highway and rural, appropriate retail services can be started, which is customised as per their need.

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# Islamic Banking as a Medium of Inclusive Growth in India: Issues and Opportunities

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## ABSTRACT

*A well developed banking system is a prerequisite for the smooth and effective functioning of an economy. During the last few decades, great changes have taken place in the Indian financial system. The most significant changes are deregulation of Indian banking sector, entry of new banks, and internationalization with the objective of increasing competition and tapping new growth opportunities. Islamic banking a popular global phenomenon is now being introduced in India along with conventional banking. This study is carried out to establish the relevance of Islamic banking in India with special reference to present regulatory and market scenario. The study has suggested a structured introduction of Islamic banking and further seamless integration into mainstream banking in India.*

*The paper makes an attempt to explore the background and issues of Islamic banking in India's economy. The analysis of implications and an assessment of the benefits and viability of Islamic banking as potentially a genuine alternative to a formal conventional banking system in India have been done.*

**Keywords :** Islamic Banking, Shariah, Mufawada, Profit and loss sharing, Banking regulation.

## INTRODUCTION

### ISLAMIC BANKING IN THE WORLD:

Islamic Banking is a value-based system that primarily aims at ensuring moral and material well being of the individual and society as a whole (Naqvi, 1982; Zarqa, 1983; Ahmed, 1994). The idea of Islamic banking goes back to as early as the 7th century, but it was only commercially implemented in the last century (De Jonge A, 1996). Interest-free Islamic banking is a worldwide trend with over 500 Islamic banking institutions operating all over the world from Africa and Europe to Asia and Australia. According to International Islamic Finance forum, the total assets under management in Islamic Banking in the world are expected to increase to \$1 trillion by 2013. The banking system in Iran has moved over to the Islamic system since the early 80's and Pakistan is "Islamising" its banking system. Islamic banking is not just for Muslims but a mechanism for financing business to all without charging interest. In Malaysia, more than 40 percent of the investors and 60 percent borrowers in Islamic banks are non-Muslims. One-fifth customers of Islamic Bank of Britain are non-Muslims. (Segrado, 2005) observe that Islamic banking is growing at an average rate of 15 percent a year, which makes it the fastest growing sector in the financial markets of the contemporary world. (Zaher et al., 2001) explains that currently Islamic banking is making waves in all corners of the world from Malaysia, through the Middle East and Africa, to Europe and America.

### ISLAMIC BANKING IN INDIA

About 140 million Muslims live in India. A considerable number of people from Muslim population are generally reluctant in doing business with the present banking system. There are certain other people also who are also not comfortable with the

present system. They will be able to do their business according to the Islamic Guidelines of Banking. After Indonesia the maximum number of Muslims live in India and they maintain some distance from commercial banks. Banking experts say that the Muslim population will also benefit from the Islamic Banks and they will also be able to improve their economic conditions and this system must be helpful in eradicating poverty among Muslims and will certainly help in their overall uplift. Keeping that in mind, Government of Kerala launched interest free, full-fledged Global Islamic Banking in Cochin, Kerala. Islamic bank will be started with a share capital of Rs.1000 crores in which Kerala State Industries Corporation will have 11percent share and remaining 89 percent from private investors. The prime agenda for RBI is to create financial inclusion. The Raghuram Rajan Committee in their report "A Hundred Small Steps", for the first time advocated interest-free banking for India thereby necessitating an alternative form of banking to create financial inclusion. This is in consonance with the objectives of inclusion and growth through innovation. The non-availability of interest-free banking products till now resulted in some Indians, including those in the economically disadvantaged strata of society, not being able to access banking products and services. In view of the above, the banks in India are to be allowed to do Islamic banking. A recent survey by (Bagsiraj et al., 2002), observed that 80 percent of Muslims in urban India are willing to deposit or invest in Islamic Financial Institutions (IFI's) on a Profit/Loss-Sharing (PLS) basis and 67 percent of Muslims in urban India are willing to borrow from Islamic Financial Institutions. However, only 13 percent of Muslims in urban India currently have an account with an existing Islamic Finance Organization, with 57.5 percent totally unaware of their existence.

## BASIC FRAMEWORK

Islamic banking (or participant banking) is banking or banking activity that is consistent with the principles of Islamic law called "Shariah". Shariah prohibits the payment or acceptance of specific interest or fees (known as Riba or usury) for loans or deposits. Investing in businesses that provide goods or services considered contrary to Islamic principles is also Haraam (forbidden).

Islam as a religion prohibits charging of interest and practice of gambling, ambiguity and concealment of information, deceit and fraud, hazardous activity and hoarding, etc. in financial transaction between persons and institutions with a view to promote justice, equity and excellence in financial affairs of the society. It operates on the principle of sharing both profits and risks by the borrower as well as lender. The depositor cannot earn a fixed return in the form of interest as in conventional banking. But banks are permitted to offer incentives such as variable bonuses in cash or kind on these deposits. Unlike conventional banking the depositor who provides capital equally shares the risk with the bank which lends funds.

According to Islamic law, there should be an equal partnership in loss or gain. It is unjust for the bank to say to a lender whom you are lending money that whether he earns a profit or not he has to pay a fixed return in the form of interest. The underlying financial principles in Islamic finance have remained unchanged since 1,400 years. The prohibition on paying or receiving of interest is based on the Islamic tenet that money is only a medium of exchange and that it has no value in itself and therefore should not be allowed to give rise to more money. Muslims believe that all things have been provided by God and benefits derived from them are for man's use and so they are permissible except those prohibited in Quran. They are transactions in unethical goods and services, earning interest / returns from a loan contract, compensation-based restructuring of debts, excessive uncertainty in contracts, gambling and chance-based games, trading in debt contracts at discount and forward foreign exchange transactions.

## DIFFERENCES BETWEEN THE CONVENTIONAL BANKING AND THE ISLAMIC BANKING

The Main Differences between the Conventional Banking and the Islamic Banking are

- The main function of an Islamic bank is investment financing on profit sharing basis
- The overdrafts facility is not provided on the current accounts by the Islamic banks;
- The fixed interest bearing deposits are not provided by the Islamic Banks;
- The Islamic Banks purchase stock / asset on the behalf of their customers and sell it back to him at a price over and above the cost price which includes the profits;
- Islamic banks normally pay an annual wealth tax (known as Zakat) as a predetermined percentage on current assets and other modes of income as determined by the Islamic Law Supervisory Board.

## LITERATURE REVIEW

A number of economic concepts and techniques were applied in early Islamic banking, including bills of exchange, partnership

(mufawada) such as limited partnerships (mudaraba), and forms of capital (al-mal), capital accumulation (namaal-mal), cheques, promissory notes, trusts (see Waqf), transactional accounts, loaning, ledgers and assignments.

Interest-free banking seems to be of very recent origin. The earliest references to the reorganisation of banking on the basis of profit sharing rather than interest are found in **Anwar Qureshi (1946), Naïem Siddiqi (1948) and Mahmud Ahmad (1952)** in the late forties, followed by a more elaborate exposition by Mawdudi in 1950. The writings of Muhammad Hamidullah 1944, 1955, 1957 and 1962 should be included in this category. They have all recognised the need for commercial banks and their perceived "necessary evil," have proposed a banking system based on the concept of Mudarabha - profit and loss sharing.

The theme of Islamic dispensation of wealth is treated as a deeply moral study of self and society. The true nature of wealth in Islam requires social preferences and market exchange mechanisms that are ethicized by human consciousness of the Moral Law. Islam gives precise moral injunctions as to what are, and are not acceptable kinds of wealth. They point out how individual preferences on wealth formation ought to be utilized within the social meaning.

**Noraini Mohd Ariffin et al., (2009)** has studied 28 Islamic Banks across 14 countries to understand the perceptions of Islamic bankers about the nature of risks, risk measurement and risk management techniques in their banks using a questionnaire. The results indicate that Islamic banks are mostly exposed to similar types of risks to those in conventional banks, but that there are differences in the level of the risks. Credit Risk is high in Islamic banks because of asymmetric information and Liquidity risk is high because Islamic banks are not levered by deposits as conventional banks **Al-Omar et al., (1996)**. Interest rate risk is not applicable to Islamic banks which are considered to be a fair value exposure on fixed instruments, rather than a cash flow exposure. (Khan et al., 2001) examine risk in 17 Islamic financial institutions from 10 different countries and find that Islamic bankers rank the rate of return risk as the most critical risk they face. For example, a Murabaha contract cannot use swaps to hedge this risk. Murabaha is a form of contract in which one party brings capital and the other party puts in personal effort.

The proportionate share in profit is determined by mutual consent, but the loss, if any, is borne by the owner of the capital, unless the loss has been caused by negligence violation of the terms of the contract.

In India similar changes are expected for the Islamic banks to play a prominent role. According to **Khan, 1987**, there were few studies which focused on the policy implications of a financial system without interest payments. **Rima Turk Ariss et al., (2007)** has conducted a research on the challenges of capital adequacy and the implications of implementation of Basel I and II on Islamic banks and the risks associated with specifically Islamic banks. Three additional risks are identified for Islamic banks which include price, fiduciary and displaced commercial risks **Chapra U et al., (2000)**. Price risk refers to the risk that the price of the underlying asset might change over the course of the transaction. If a conventional bank acquires a commodity for trading purposes, it is a form of price risk. Islamic banks have to own different assets before they can sell them to clients in need of financing as per the Shariah rule that 'one cannot sell what one does not own'.

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This exposes the majority of Islamic banks' transactions to price risk. Fiduciary risk refers to the probability of the bank being guilty of negligence or misconduct in implementing the deposit. The depositors may, lose confidence in the bank and withdraw their deposits.

FINANCING MODES OF ISLAMIC BANKS WITH CATEGORIZATION

Islamic financing in its first stages used only the partnership modes of musharakah and mudarabah. Later it was realized that, to avoid moral hazards, yet compete successfully with conventional banks, it was necessary to use all permissible Islamic modes and so trade-based and leasing techniques were developed.The general rule is that all financial arrangements that the contracting parties agree to use are lawful, as long as they do not include an element of interest. Equity-holding and commodity and asset-trading are an integral part of Islamic financing.

The two basic categories of financing are:

- Profit-and-loss-sharing (PLS), also called participatory modes, i.e., musharakah and mudarabah
- Purchase and hire of goods or assets and services on a fixed-return basis, i.e., murabaha, istisna'a, salam and leasing.

Legitimate modes include financing trade, industry or budget deficits through domestic or foreign sources. Islamic banks may design diversified investment portfolios and instruments that generate profit with the required liquidity. To maximize its profits, a bank needs to look for investments that yield the highest return, minimize risks and provide adequate liquidity. At the same time, it is necessary for the bank's liabilities and assets to be matched.

A pyramid of financial assets can be built based on liquidity and profitability, which are the criteria of prudent banking. At the top would be high-risk and less-liquid assets, such as long-term investments out of its own equity or from deposits of its risk-accepting account-holders. At the bottom of the pyramid would be the least risky and most highly liquid assets, based on murabaha (leasing) or short-term (even overnight) Mudarabah Certificates (PLS).

Musharakah and mudarabah can be used for short, medium and long-term project-financing, import-financing, export financing, working capital financing and financing of single transactions. Diminishing musharakah can be used for large fixed assets such as houses, transport, machinery, etc. Murabaha can be used for purchases of goods needed by the bank's clients. Salam is useful for financing farmers, trading commodities for the public and private sectors and other purchases of measurable and countable things. But it must be kept in mind that buyback and rollover modes may not be used, because they are seen as a back door to interest.

ISSUES WITH ISLAMIC BANKING IN INDIA

India is a secular country and anything attached to any particular community or religion may create problem to the government. The challenges and critical issues involved are the varying interpretations of Islamic principles (Shariah) across regions, countries and even within the same country is a big

challenge. Shariah Council, an independent bank-appointed panel of scholars determines the Islamic practice and its interpretation. Therefore, based on the interpretation of what is considered Islamic in Malaysia maybe prohibited in India. This absence of uniform standards might affect the bank's ability to replicate and implement Islamic banks and products across geographies and expand to other states. This council must approve all innovative products but, without a uniform interpretation, it becomes very difficult.

The second issue is the regulatory framework governing these banks leading to operational problems like there is no accounting, auditing, and credit analysis standards for Islamic banks till now. To operate in globalised economy, RBI is looking to banks to meet international standards and Islamic business model might have a problem in complying with it. The Indian Banks are regulated by many laws like Indian Banking Regulation Act (1949), The Reserve Bank of India Act (1935), The Negotiable Instruments Act and the Cooperative Societies Act (1866). None of these laws accommodate the possibility of an interest free banking system in India. The western countries such as France and the UK have adopted Islamic banking and amended the regulatory framework to be conducive to Islamic banking. Introduction of Islamic banking in India also should bring in significant amendments as it is impacted by several regulations, such as Stamp duty, Banking Regulations Act, Corporate and other Tax Regulations to evolve a different system of regulation and control.

For example Section 6 of Banking Regulation Act, 1949, banks in addition to the business of "banking", are permitted to engage in business. In the case of Islamic banking, the very business of "banking" itself involves the bank in active trading, purchase and resale of properties and investment which is not permissible under the Banking Regulation Act, 1949.

Section 21 of the Banking Regulation Act requires payment of interest on deposits, thus, interest-free deposit and simple charging of premium is not permissible. Banking Regulation Act does not allow banks to invest money in equity funds. It does not allow any kind of profit-sharing and partnership contract which is the basis for Islamic Banking.

The Banking Regulation Act even disallows an Indian bank from floating a subsidiary abroad to launch such products, or offer these through a special window. Thus, Islamic banking is impossible without multiple amendments to the Banking Regulation and other connected enactments.

The third major challenge is winning investor's confidence. The conventional banks have the facility of deposit insurance and credit guarantee which develops sense of security and confidence among investors, which is not available for Islamic banks.

OPPORTUNITIES WITH ISLAMIC BANKING IN INDIA

In the year 2005, a working group was constituted by the RBI under the chairmanship of RBI Executive Director, Mr. Anand Sinha. The committee felt that India has the potential of an emerging market for Islamic banking, provided there is political will and increased awareness among people in India as a whole. The report also felt that there is a need to introduce changes in the regulatory system. Islamic banking is successfully implemented in countries like UK, Singapore, Japan and

Malaysia. The regulators can choose and implement any model which is feasible to the Indian scenario. Some of the advantages of Islamic banking over conventional banking are as follows.

- Volatile interest rates, high bank fees and payment defaults make people unhappy with conventional banking system. Interest-based loans go to those who are the most credit-worthy. They do not necessarily go to finance projects expected to be most profitable. Conventional banking system gives importance to credit worthiness of the client rather than expected profitability of the project. At times promising projects might fail to receive finance if it comes from one who does not have collateral to support the project. With a heavy emphasis on equity and profit sharing, the prime factor used to determine whether a project is worth financing in the Islamic banking system is the expected profitability of the project alone.
- Islamic banking can alleviate poverty bring down economic disparities as there is no interest commitment on the part of the lender. It can inculcate the habit of saving among people and create the financial inclusion required in India. Islamic banking draws finances from both Muslims and non-Muslims alike. Islamic banks offer financial instruments that are profitable but also affordable and ethical.
- Islamic banks in the global scenario are the solution to economic downturn. One of the important factors which resulted in international financial crisis are innovative financial products and transactions and short selling (Short selling occurs when stock market participants sell stocks / commodities which they do not own in order to profit later from an anticipated fall in prices). Islamic banks are insulated from interest based transactions because Islam as a religion prohibits interest and also prohibits short selling.

CONCLUSION

Islamic banks, while functioning within the Shariah, can perform the crucial task of resource mobilization and efficient allocation on the basis of both PLS and non-PLS modes. Sharing modes can be used for short, medium and long-term financing, import financing, pre-shipment export financing, working capital financing and financing of single transactions. There are a lot of benefits to India to open a full-fledged Islamic bank and encourage and allow Islamic banks to enter the market place. The entry of the Islamic banks raises important questions about its potential impacts. On the one hand, entry of Islamic banks is positive in terms of product innovations and financial inclusion and may encourage the adoption of best practices among the incumbent banks. Islamic banks would be beneficial for all entrepreneurs who have profitable proposals but lack collateral. On the other hand, competition from conventional banking system is expected to intensify, necessitating the smaller Islamic banks to establish their positions.

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# Benefits of HRIS and Its Application in Various HR Functions

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## ABSTRACT

Human Resources Management is indeed becoming a key contributor in helping organizations to deal with a rapidly changing competitive environment and growing demands. It helps organisation to differentiate themselves from competitors and to better deliver value to the bottom line. Today, HRM is not the traditional HRM as we once knew it -- a largely administrative function relegated to "staff" status within the organization -- but human resources is becoming more and more strategic business function and helping organisations to be an essential part of maximizing return on shareholder value. A well-designed computerized HRIS alone can provide the information and analysis within the shortest possible time. Hence, Now-a-days, many organizations are using the computerized HRIS. Sophisticated HRIS provide Drill down reporting to specific information with analysis tools for fast evaluation of human resources data; to quickly investigate critical areas such as salary, turnover, and performance issues. The aim of this paper is to provide the benefits of HRIS and its use in various HR functions.

**Keywords :** HRIS Defination, HRIS Benifits, HR Functions

## INTRODUCTION

HRIS may be defined as interrelated components working together to collect, process, store, and disseminate information to support decision-making, coordination, control analysis and visualization of an organization's human resource management activities. HRIS has grown in popularity since the 1960s (Lederer, 1984).

In the basic form HRIS is a system used to acquire, store, manipulate, analyze, retrieve and distribute pertinent information about an organization's human resources. It is often regarded as a service provided to an organization in the form of information Tannenbaum(1990).

According to (Broderick and Boudreau, 1992), The human resource information system (HRIS) is "the composite of databases, computer applications, and hardware and software necessary to collect/record, store, manage, deliver, present, and manipulate data for human resources"

HRIS is now used not only for administrative purposes but also for strategic and business decision-making purposes (Kovach et al., 2002).HRIS keeps track of all types of information related to the company and the human capital. An effective HRIS provides information on just about anything the company needs to track and analyze about employees, former employees, and applicants.

Businesses are usually prepared to undertake changes provided that they see a competitive advantage in doing so. However, many companies have problems implementing new technologies, including HRIS, due to a lack of sufficient capital and skills. Therefore, companies are reluctant to implement HRIS unless they are convinced of the benefits that this would bring to their organizations. The common benefits of HRIS frequently cited in studies included improved accuracy, the provision of timely and quick access to information, and the saving of costs (Wille and Hammond, 1981).

Martinsons MG (1994) classified different types of HRIS usage according to its degree of sophistication. He argued that payroll

and benefits administration, and the keeping of employee and absence records electronically was "unsophisticated", because of its electronic replication of the contents of the HRdepartment's filing cabinet. He also describes this as "simple minded automation" On the other hand, use of IT in recruitment and selection, training and development, HR planning and performance appraisal was characterized as "sophisticated", because of the information generated to provide support for decisions which involve expert judgment, and more advanced manipulation of information about the human resource which would reflect a "hard HRM" ethos.

## HRIS BENEFITS

The common benefits of HRIS frequently cited in studies included improved accuracy, the provision of timely and quick access to information, and the saving of costs (Wille and Hammond, 1981).

Broderick and Boudreau (1992) examined how HRIS can contribute to cost reductions, quality/customer satisfaction, and innovation.

Haines and Petit (1997) mentioned in their research that HRIS ease human resource professional routine paper handling tasks, and can hopefully develop a service orientation and participative more fully in strategic decision making.

Kovach et al. (2002) listed several administrative and strategic advantages to using HRIS. Similarly, Beckers and Bsat (2002) pointed out at least five reasons why companies should use HRIS. These were that HRIS can:

- increase competitiveness by improving HR operations;
- produce a greater number and variety of HR-related reports;
- shift the focus of HR from the processing of transactions to strategic HRM;
- make employees part of HRIS; and
- reengineer the entire HR function of companies.

Sadri and Chatterjee (2003) stated that when the HRIS function was computerized, faster decision making can be carried out on the development, planning, and administration of HR because data can be much easier to store, update, classify, and analyze. In addition, they noted that HRIS can strengthen an organization's character.

According to (Barron et al., 2004), HRIS automate and devolve routine administrative and compliancefunctions traditionally performed by corporate HR departments and can facilitate the outsourcing ofHR In doing so, HRIS not only make it possible for organisations tosignificantly reduce the costs associated with HR delivery, but also to reassess the need forretaining internal HR capabilities.

As per Erik Beulen(2009) HRIS contribute positively towards staff retention, he also found that HRIS minimizes turnover and support employee allocation to international engagements, including scheduling and training.

Wu Bo, Gao Xiang(2010)put forward application value of electronic HR as Cost Reduction, Improved productivity within HR organization, Optimize business process of HRM, Enhance employee communication because it gives employees a platform from where they can control their own personal information.

## HRIS APPLICATIONS

Leveraged by information systems and internet, at present, almost every function of HRM is automated. HRIS can be applied in the following areas of HRM.

## HR PLANNING

HRP emerge as a focal HR activity, it is an essential and prominent function Walker(1989). Planning by its nature is highly strategic. Human resource planning is about ensuring that the correct number and mix of employees is available at the right place at the right time (Parker and Caine, 1996). HRIS helps the organisations of forecast the work force. It facilitates to give answer by providing expert guess of the shape of the organisation. Fundamentally the success of forecasting is highly dependent upon the availability of right data. HRIS provide various report on employee turnover, which helps in forecasting. HRIS also helps in succession planning and Job Analysis.

## RECRUITMENT AND SELECTION

Recruitment process does not respond to line functions with desired speed, accuracy and efficiency. Recruitment is one of the most cumbersome task faced by most of the organizations in the current situation. HRIS can help Recruitment process by reducing information gap between job description and candidate profile, eliminate workflow delays, reduce demand on client time. With the growing number of applicants the job of the HR professionals also increases (Kovach and Cathcart, 1999). Recruitment is majorely manual and paper based activities. In many instances good candidates may be dropping off the recruitment chain, Process is inflexible and sometime leads to overload for recruiters to receive, searchand match resumes with job requirements, incorrect resume and job matches, declining client trust in the recruitment process to deliver consistently good results, poor overall image for the

company in the labor/job markets, too many calls from candidates to check status, frustration for a really potential candidate to not participate, lower turnout of candidates especially at the managerial/ professional vacancies, lack of time for recruiters to do good analysis and evaluation, lack of time for recruiters to develop contractors, job fairs, college/campus job drives, inconsistent hiring outcome.Ball, K.S. (2001)

## TIME CAPTURE AND ANALYSIS

Organizational productivity is not linked directly and in a measurable way with employee time productivity. However, HRIS can help Organizational productivity by Capturing time information at the source, deploying simple Activity Based Costing (ABC) tools, extensive analysis and integration into production/costing systems. Businesses are usually prepared to undertake changes provided that they see a competitive advantage to doing so. Lederer (1984) discussed why the accuracy and timeliness of HRIS is very important in terms of operating, controlling, and planning activities in HR. Time capture is a problem area for some of the organizations due to reasons like time capture is a departmental function and not a company wide effort, too many people (employees, supervisors, payroll/personnel) spend too much time in collecting time, attendance and leave usage information, too much effort to justify benefits, involves expensive time capture automation tools. This leads to departments with time based revenue function capture necessary information but others don't, overhead costs are not truly reflected in the activity costing, localized productivity measurement and not enterprise productivity, difficulty in getting an accurate picture of costing, affecting revenue and profitability, errors in compilation and reconciliation, problems in managing absenteeism, loss of productive employee hours, not enough information to accurately measure an employee's contribution or cost. Haines, V, Petit, A (1997)

## PERFORMANCE APPRAISAL

HRIS in PMS can help, by providing flexible, uniform and time driven appraisal workflow, linking goals to appraisal data, self service delivery. Performance appraisal is a very time consuming and a very lengthy process. Moreover many organizations also find it very expensive. It's a very important process in any organization. It leads to the overall development of the organization. Performance appraisal becomes major problem mainly in the big organizations as the number of employees is comparatively large. Some of the reasons why performance appraisal is a problem for many organizations is thatit takes too much time and effort to initiate and effectively complete a timely appraisal process, the employee performance and its appraisal happen at two different points in time and it is difficult to collate complete performance history at the time of appraisal, appraisers go by perception of performance than the performance itself, company goals are

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not systematically and logically scaled down to employee goals and targets. This leads to overload on HR department, overload on Appraisers, dissatisfied appraises, appraisal process achieves exactly the opposite result, it de-motivates employees more than motivating, forces the company to follow simple supervisor lead appraisal than more effective 360 degrees, lack of directions and targets for employees to align with company objectives, framework for measurements is difficult to implement. HRIS can help to simplify all these processes by automating them and making the work faster. Markus, M.L., Robey, D. (1983). Performance Management System enables HR departments to operate in a more proactive, timely and responsive manner throughout the performance management process. Additionally, it helps HR professionals to better service managers by putting performance information at their fingertips to identify professional growth opportunities and employee retention and satisfaction strategies. Employees can access current and historical review information as well as receive notification of upcoming reviews (Employeease, 2011)

## PLANNING AND MANAGING HR BUDGETS

HR department budgets come under pressure first. In a market situation like today, it helps to know your budgets, plan well and understand impact of a cut on the business. HRIS can help by providing Multivariate analysis for, cost codes and their budgets, classification and what-if analysis. HR budgeting is a pain area for some of the organizations because of lack of data and lack of analysis tools. This leads to wrong budget changes at wrong places, variance in expectation and results of budget changes, wrong budget changes at wrong places, variance in expectation and results of budget changes. HRIS helps in solving this problem by providing an access to most updated cost code budget and performance data online, helped the managers to analyze the budget information and subject it to what-if analysis in a consistent manner with help of a multivariate weights and ranks, DeSanctis, G. (1986)

## PAYROLL

Computing the payroll of the employees of the company is the most cumbersome activity in any organization. Lot of calculation needs to be done and a lot of details have to be maintained. HRIS can help by computing the payroll calculation activity and hence making it more flexible and systematic. This will not only save time of computing the payroll of the employees but will also make it effortless. Moreover the employees will be clear about the processes of computation of their salary. Kinnie, N.J. and Arthurs, A.J. (1996)

## TALENT MANAGEMENT

Job requirement and employee skill gaps are difficult to identify, manage and proactively fill. Talent Management is a throbbing area for many organizations because it takes too much time and effort to build a skill database of employees and requirements of job positions, there is no systematic way to gather training needs from managers and staff and effectively act on the needs through training program management, Line function managers do not have time to plan and fulfill training needs of

their staff. This leads to Reducing customer satisfaction, reduced productivity, lost time, managers with under trained staff, increase in accidents or errors, more complains from customers Disgruntled employee, lack of structured training program, expensive to manage training programs, is cost of not training higher than training, managers' lack of confidence in training programs, difficult to measure ROI on skill building expenses. HRIS helps organisations by identifying skill gaps between a position and its occupier, building and managing a learning environment, building an enterprise wide competency model. In knowledge-intensive organisations, employees are often described as the organisation's "greatest asset", so managers must make careful choices about the way they control and manage employees and their organisational tasks. This invariably takes us away from the notion of direct control, where employees are characterised as just another factor in production, to be managed as efficiently and tightly as any other resource, and more towards a notion of indirect control.

## BENEFITS ADMINISTRATION

The process of automating benefits administration is a big undertaking, but it is one where the results can be dramatic in their process improvement and financial impact.

Because the manual transactional efforts are removed from the benefits department, the benefits staff can focus on improving benefits delivery and reducing benefit costs by shifting the focus from transaction management to strategic benefits management (Valerie Gieseke, 2005)

## TRAINING AND DEVELOPMENT

Training is the most important activity or plays an important role in the development of human resources. To put the right man at the right place with the trained personnel has now become essential in today's globalised market. No organisation has a choice on whether or not to develop employees. Therefore training has nowadays become an important and required factor for maintaining and improving interpersonal and intergroup collaboration. According to Tao et al., (2006) training, especially, is an important strategic practice in the development of internal competence. HRIS help organisation to identify top employees early and use training and development tools to nurture and encourage talent. Allow employees to search for and enroll in training programs for professional growth. HRIS facilitates for Training Needs Analysis (TNA) to decide what training and development program might best meet the need, saving time and cost.

## CONCLUSION

HRIS systems are helping HR department to change its image as cost center to strategic business partner, they have indeed enabled the HR Department to focus on strategic issues by lowering its administrative burden. They help in better analysis and more effective decision making besides providing the routine benefits in terms of efficiency and quality. Today almost all the sector and across the size, organisations are using HRIS systems for various HR functions to eliminate personal biasness and bringing transparency.

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# Changing Practices of Talent Management in IT Industry: A Review of Conceptual Frameworks

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## ABSTRACT

The term Talent Management refers to different things to different Organization and different HR Professionals. To some it is about the management of high-worth Knowledge workers or "the talented" whilst to others it is about how talent is managed generally - i.e. on the assumption that all people have talent which should be identified and liberated. Talent management is a process that emerged in the 1990s and continues to be adopted, as more Organizations come to realize that their employees' talents and skills drive their business success. Organizations are struggling during this period of economic uncertainty, and HR leaders will play a crucial role in retaining top talent and investing in future talent. The present study intends to explore the various upcoming Talent Management practices which would be adopted by various IT Organizations in India.

**Keywords :** Talent Management, Recession, Recruitments, Compensation, Performance Management, Retention, Retrenchment, Downsizing.

## INTRODUCTION

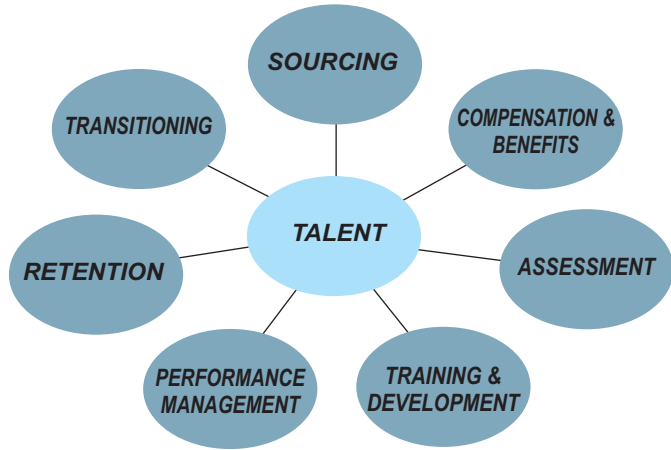
"Talent management is not an end in itself. It is not about developing employees or creating succession plans, nor is it about achieving specific turnover rates or any other tactical outcome. It exists to support the organization's overall objectives, which in business essentially amount to make money", **Cappelli P (2008)**.

Talent management is a professional term that gained popularity in the late 1990s, when McKinsey & Company first coined the term in their report The War for Talent (1997); Michaels, Handfield-Jones, and Axelrod( 2001), exposing the 'war for talent' as a strategic business challenge and a critical driver of corporate performance. Others have argued that many HRD practices commonly associated with Talent Management (such as assessment centers, succession planning and 360 degree appraisal) TM is the strategic management of the flow of talent through an organization'.

According to Chartered Institute of Personnel Development UK, Talent Management has been defined as 'the systematic attraction, identification, development, engagement/retention and deployment of those individuals with high potential who are of particular value to an organization'; talent is defined as 'those individuals who can make a difference to organizational performance, either through their immediate contribution or in the longer term by demonstrating the highest levels of potential'. This is a common 'exclusive' definition of 'TM', reserving the term for 'high-value' staff, high performers and/or high-potentials, in contrast to 'inclusive' perspectives, where 'talent' is often merely a synonym for 'staff' (David P and Chuai X, 2010)

In simple words companies that are engaged in talent management (human capital management) are strategic and deliberate in how they source, attract, select, train, develop, promote, and move employees through the organization. Talent management decisions are often driven by a set of organizational core competencies as well as position-specific competencies. The competency set may include knowledge, skills, experience, and personal traits. Talent management is the recruitment, development, promotion and retention of people,

planned and executed in line with our organization's current and future business goals. Taking the thought forward the study is an attempt to understand the Talent Management Practices in IT Industry



Talent Management Practices in IT Sector

(Source: <http://www.google.co.in/search?q=talent+management+images>)

Information Technology Industry is one of the flourishes industries in the world that provides job opportunity for millions of people and hastens the global economy. Human Resource is the major and vital resource which operates the IT industry. This resource has a direct impact in the growth of the organization. Managing the Talent in an efficient way is a biggest challenge in the IT industry. To understand importance of Human Resource in the IT industry, it is necessary to study the Talent Management practices and variables influencing it.

In last two decades IT Industry has been hit by Recession almost three to four times. Recent Recession was one of the worst as it impacted the IT Industry very badly. In India, despite

strong immunity to the crisis in the form domestic demand, millions of jobs have disappeared in few months and widespread salary cuts became the talk of the town. Software multinationals in India have started to freeze wage increases, slash salaries and postpone merit based hikes.

As this period of economic shock and awe comes to an end, the workforce is full of unhappy people. They've been expected to do a lot more with a lot less and, at countless companies, to pick up the slack created by layoffs. Recession brings out the fear of insecurity among the existing employees and also brings panic to the organization. Though the things are settling to normal but all the people who went through this period have developed a mindset which is resulting in lot of problems such as :-

- High attrition rate.
- Low level of motivation.
- Lower commitment level

According to Claire McCartney, advisor, resourcing and talent planning, effective talent management is even more important in a recession: "Employers have to know where their key talent is if they are to meet business -critical needs. It's about ensuring that your business is sustainable," McCartney acknowledges that this belief in the power of talent hasn't stopped organizations from imposing some stringent cuts on their development budgets. "This is frustrating for some talent managers but for others it has made them target resources more effectively, Lack of trust in Management/Organization.

## RESEARCH METHODOLOGY

The study is based on secondary data, collected from the literature review of various books, magazines, HR websites and also the annual reports of various Organizations.

## OBJECTIVES OF THE STUDY

The Main Objective is to study and analyze Talent Management and its significance in IT Sector especially when the Industry is going through a lot of economic ups and downs. Another Objective is to uncover the broad talent management areas and its strategies used in each area to manage Talent in various IT Organizations.

## LITERATURE REVIEW

**Peter Cappelli, George W. Taylor (2000)** paper talks about the fundamental new approach to talent management that takes into account the great uncertainty businesses face today. Fortunately, companies already have such a model, one that has been well honed over decades to anticipate and meet demand in uncertain environments – supply chain management. By borrowing lessons from operations and supply chain research, firms can forge a new model of talent management better suited to today's realities.

According to **Amrita Garg, Anshika Sharma(2010)**, the new avatar of talent is the knowledge professional who is innovative, business savvy, quick on the uptake, has an instinctive ability to network, and possessing unbridled ambition. They are propelled by an urge to experiment, scan new avenues that can spur their creativity. According to the research the knowledge professional will gravitate to an organization that is flexible, has strong values, a robust performance ethic and provides challenging work on latest technology.

**John et al. (2009)** expressed that retaining top talent is a primary concern for many organizations. Dana (2009) opined

that employees who read Talent on Demand will realize that they need to develop the talents and skills that are most in demand, and keep themselves updated to ensure that they are always valued.

A report in **The Hindu (2000)** examined the dimensions of talent management and the challenges that organizations face with regard to employee retention in an increasingly competitive labor market. The objectives were to benchmark retention rates, costs, and outcomes, identify the reasons why employees leave, determine which practices are most effective for improving retention, and understand how retention affects organizational outcomes.

**Anupam Rani, Upasna Joshi (2012)** say that the challenge of effective talent management to support business growth has been consistently identified as a top priority among global CEOs. While the phrase "Talent Management" is relatively new as a concept, however as a management focus it has always been at the core of strategic HRM. Strategic HRM performs an enabling and investment management role for organizations.

After a detailed review of literature, few Talent Management strategies have been identified which many IT Organizations use as a regular practice with an aim to attract, nurture and retain the top talent.

## STRATEGIES

### RECRUITMENT OR RESOURCING STRATEGY

Resourcing is recruiting the right candidate for the right job at the right place. It is the duty of Talent management drivers to ensure the best candidate is selected based on the defined criterion and the productivity of the employee is of the acceptable levels. Hiring could be a long and short term marketing strategy. During an economic downturn there would be a lot of options for hiring and lot of candidates to choose from. Some of the upcoming Recruitment trends from IT Industry are as follows:

**RPO (Recruitment Process Outsourcing):** Recruitment Process Outsourcing is one of the upcoming Practices adopted in IT Sector and has started gaining importance in the current business scenario. Companies can hand over the recruitment task to third-party specialists. This not only saves on cost and involvement, but also ensures that a specialized job is being handled by an expert of that field

**Poaching/Raiding:** "Buying talent" (rather than developing it) is the latest mantra being followed by the IT organizations today. A company can attract talent from another firm by offering attractive pay packages and other terms and conditions, better than the current employer of the candidate. But it is seen as an unethical practice and not openly talked about. Indian software sector is facing the most severe brunt of poaching today

**Rehiring:** It is also a good alternative to get your key people back. If Companies need to make an effort to rehire their ex-employees to give a new lease of life to the struggling organization. These ex-employees are ideal people to revive the struggling organization as they are well aware of the Organization and its management.

**Subcontracting :** An organization can use this alternative to meet a sudden increase in demand for its products and services. The firm may avoid expanding its capacity immediately.

**E-Recruitment:** Many big organizations use E- Recruitments a technology to assist the recruitment process. It helps in

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advertising, job vacancies, search resumes in the various job portals. The job seekers send their applications through e mail using the Internet. The basic advantages are low in cost, No intermediaries are required and also less time consuming.

**Employee leasing:** In this practice, permanent employees of a company possessing specialized skills are hired by another company on a lease basis to meet short-term requirements. It is a very common practice used in IT Industry.

### PERFORMANCE MANAGEMENT

Performance Management identifies organization-wide gaps that need to be identified soon and flows it to the into individual performance management portfolios. Effective Performance Management system allows the Organization to identify qualities required for developing leaders, high-potential, fast tracking programs and ensure effective succession planning for employees. Some of the upcoming Performance Management practices in IT Industry are as follows:-

**Smart Goals :** S – Specific, M – Measurable, A - Achievable, R - Results /Realistic/Relevant, T - Time bound

The inclusion of the above criteria results in a goal that is understandable and easily visualized and evaluated. Making a goal specific, measurable, and time bound contributes to the ability to make progress on the goal and track that progress. Some managers choose to further define goals with a start and finish date with milestones in between.

**Linking strategic business objectives and day-to-day actions:** Effective goal setting (including timelines), combined with a method to track progress and identify obstacles, and contributes to success and bottom line results. Regularly tracking progress against performance goals and objectives also provides the opportunity to recognize and reward employees for performance and exceptional effort, contributing to job satisfaction and productivity when effectively implemented, performance management best practices result in a wide range of benefits for employees, managers and companies.

**Employee Surveillance Systems:** Incept is coming up with various Innovative Office Automation Products, including unique Employee Surveillance Systems, and CCTV Cameras. For Employee performance management, Organizations can go about not just only measuring but watching the performance of the Employees.

**Coaching as a core competency:** Today IT Companies are talking about Coaching as Core Competency meaning that managers will be measured on how well they perform in this area, when they receive a performance review. This could clear expectations of others as well as provide corrective feedback, guidance and encourage the employee in a way that is consistent with their career aspirations.

**Automating the whole Performance Management System:** An automated system can ensure that the performance management process is built around world-class best practices, easy to complete, efficient and consistent across an organization. Necessary visibility into organizational and departmental goals is simplified, as is access to necessary data to support accountability, consistent standards, (by viewing manager average ratings) and identification of top performers. In addition, technology enables companies, managers and employees to address many of the issues discussed

### COMPENSATION MANAGEMENT

Today Organizations are talking about Strategic Compensation,

which is all about determining and providing the compensation packages to the employees that are aligned with the business goals and objectives. To attract the best talent available, the IT sector designs the compensation packages in ways that can be termed innovative and path breaking as they bundle the basic compensation components and perks and benefits in novel and unique ways. Employees should be managed properly and motivated by providing best remuneration and compensation as per the industry standards.

**ESOP's :** The IT sector pioneered the introduction of ESOP's or Employee Stock Options plans for the employees as a means of ensuring that employees take more ownership and responsibility for their work by making them partners in the growth of the company. The rationale for giving stock options to employees is that once they feel a sense of ownership with the company in which they are working, their performance levels go up due to increased motivation and satisfaction that such a practice tends to inculcate in the employees.

**Perks and Benefits:** The IT industry provides additional benefits like transportation, medical allowance and allowances for furnishing one's house. With an emphasis on all round welfare as opposed to paying the employees what is the minimum, IT companies ensure that their employees are taken care of well. Many companies in the IT sector are quite liberal in insuring their employees and their families under group medical insurance which provides adequate cover to the employees and their families in case of illness and surgeries as well as accidents and other unanticipated contingencies. Further, some IT companies go a step further and provide for recreational allowances that ensure their employees' vacation expenses are also been taken care of.

**Determine Bonus Philosophy and Potential:** Organizations may pay a bonus that is determined individually based on the value of the goals accomplished and the person to your organization. You may give all employees the same bonus, based on group goal attainment, across the board. You may use profit sharing in which a portion of company profits is paid out equally to every person who was employed during the time period.

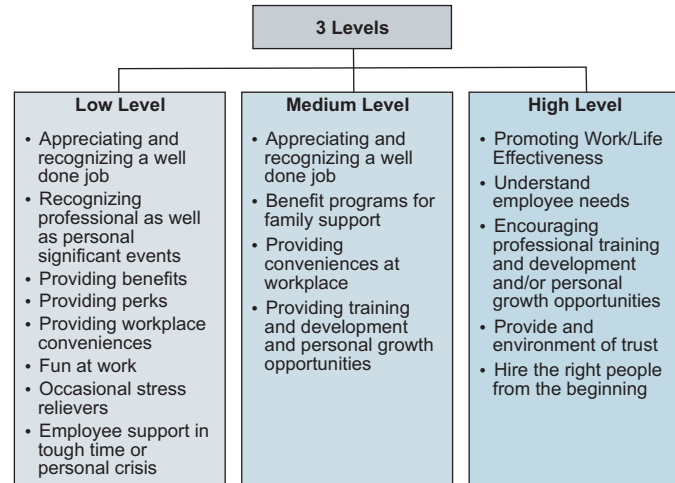
**Communicating the Salary Philosophy and Approach:** In many Organizations, who gets what and why is a cause for consternation, gossip, demotivation, and unhappiness. The more transparent you make your pay and salary philosophy and determinations; the more likely you are to achieve positive employee morale and motivation. Don't keep your salary philosophy a secret. Yes, individual compensation is confidential, but your methods for determining pay must be clear and understandable.

### RETENTION MANAGEMENT

Retaining talented employees from getting poached along with reducing the turnover costs are the key areas that need to be given some serious thought. Huge amounts are being spent on hiring and training the recruits and hence the cost of employee turnover adds a lot of money to a company's expenses. Employees who leave the organization take along with them valuable information regarding the company, its customers, current projects and other confidential data. Employees build relationships with customers and clients and help the business of the organization to grow but once they leave, such relationships are severed and can cause potential customer loss. Talent drivers of IT Industry have to understand a few things and strategic steps should be taken to retain the top talent.

**Money is not the prime Motivator:** Talent Management drivers in IT Industry believe that earlier the key to retention was salary

and career satisfaction. Money was a prime motivator for 'starters', but for those into their third or fourth jobs, their value-addition to the organization was more important. Different retention strategies are used differently at different levels. Look at the diagram below which support the statement. It is usually done at 3 levels:-



#### Retention Strategies used at different levels

(Source:- <http://retention.naukrihub.com/retention-strategies.html>)

**Employee Engagement** is an effective tool used in the IT Organizations very often. Engagement is the state where an individual is not only intellectually committed but has great emotional attachment with their job which goes above and beyond the call of duty so as to further the interest of the company.

**Quality of Work Life-** Providing quality at work not only reduces attrition but also helps in reduced absenteeism and improved job satisfaction. Not only does QWL contribute to a company's ability to recruit quality people, but also it enhances a company's competitiveness. Common beliefs support the contention that QWL will positively nurture a more flexible, loyal, and motivated workforce, which are essential in determining the company's competitiveness.

**Open Communication:** A culture of open communication enforces loyalty among employees. Open communication tends to keep employees informed on key issues. Most importantly, they need to know that their opinions matter and that management is 100% interested in their input.

**Building a Culture of Employee Retention**(Priyanka Rawal, 2011) - Successful IT Organizations maintain high levels of employee contentment and low levels of turnover through an environment that motivates employee to stay focused along with providing them with an amicable culture that can make the workplace fun to be at. Four cultures are often talked about are:-

- Culture of Choice-Flexi-timings employee empowerment, Employee engagement, Tele-presence and video presence.
- Culture of Development- Mentoring, Training and Development, Designing clear Career path.
- Culture of Balance:- Work life balance, JobSharing
- Culture of Care-Being empathetic, Emotional connect, more employee attention.

### RETRENCHMENT /EMPLOYEE

### DOWNSIZING

In today's economic reality, productivity and workforce effectiveness is becoming increasingly important .The glooming the job market is painful, especially when employees and employers are equally fighting with the current economic slowdown. Employees are struggling hard to find the next good job; employers are working out on how to "fire" people with less pain. Today in IT Industry Retrenchment is one thing which maximum companies have gone through in order to survive and Organizations are not retaining non-performers, in this scenario people who have potential to grow to the next level stand a good chance of being hired or even retained. This is also an important part of Talent management, just like retaining the top talent is essential for an Organizations growth similarly it is far more important to downsize or retrench the non-performers especially at the time of economic uncertainty. As it is rightly said by one of the IT entrepreneur that "sailing with less people and reaching safely to the desired destination is always better, rather than carrying everyone and get drowned in between". In addition to whether Retrenchment occurs, it is far more important howemployees are handled, as it will not only affect the employees who have to leave but also the morale and performance of the survivors. Organizations have to gear up for maintenance and recovery plans .Some of the below mentioned practices can help Organizations to handle retrenchment in an effective way.

### COMMUNICATE HONESTLY, FULLY AND REGULARLYWITHEMPLOYEES

Communicating with employees during Retrenchment is vital conveying the reason for such a painful change is the central point. Managers should be able to make employees understand the business reasons for reducing the headcounts, and how to change will be managed. Communication gaps are seen as sinister, and result in rumors.

### DOWNSIZING VOLUNTARILY:

Before resorting to involuntary layoffs, seek volunteers to leave the company, through either voluntary separations or early retirement. This is accomplished by offering financial incentives, for example, cash bonuses coupled with an extension of health insurance coverage and other benefits. Such programs are typically quite successful in producing the number of volunteers the company needs.

### JOB CUTS OR SALARY FREEZE

IT Organizations are now under pressure to come up with innovative ideas to overcome employee layoffs during the business downturn. In order to minimize the conflict between the employee-Employer relationship, Salary cut is preferred than downsizing. Organizations find the salary cut the better approach for turnaround in a shorter time". However if the turnaround time is longer than Salary freezing or job cuts are the only options available. The cuts in compensation can be accomplished by reductions in base pay, overtime, or bonuses; shortened workweeks; unpaid vacations and leaves of absence; or a reduction in the company's contribution to employee benefits. Other steps that companies can take to avoid or mitigate layoffs include hiring freeze coupled with transfers (and, if necessary, retraining) of workers into job openings in other parts of the company; bringing into the company subcontracted work.

## MANAGING THE SURVIVORS

In addition to whether layoffs occur and how they are handled, two factors that will most affect the morale and performance of the survivors: The degree to which the company continues to treat them as genuine assets to the business and, how, in effect, the company treats itself. By the latter it means whether the downsizing process takes place in the context of a serious business maintenance and recovery plan. Treating employees with respect (i.e., as responsible adults), showing appreciation for their contributions, involving them in decisions about the way work should be done and improved, maintaining an egalitarian, open, and collaborative environment, and promoting from within whenever possible. Organizations have to be optimistic as there is a famous saying “if winter comes, can spring be far behind”.

## CONCLUSION

The Talent managers should be innovative and proactive to win the war of talent. With the next-generation predictive modeling systems, attracting and nurturing talent has become the single most dominant force in the IT sector. In today’s scenario attracting brains and retaining the top talent is more difficult than foreign direct investment. However, talent is what will make India enduringly competitive shortages (Dr.S.Sundararajan, 2009).

In this Research paper we have tried to identify various upcoming Talent Management strategies which IT Organizations are trying to adapt in order to retain the high quality of the Organization. To conclude we can just say that Ups and Downs are like waves of the Oceans. We all want to live in good times but cannot avert bad phase (Mishra 2010). However it makes the journey of the Organization easy when employees provide support during the tough times. By effective counseling, guidance, effective communication and trust we can go a long way even when the ship is sailing in a big storm.

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# BOOK REVIEW

## Management Information System

**O’Brien, James A, Marakas, George M, Behl, Ramesh** (9th Edition), 2011, Tata McGraw Hill, India, pp 831

This Book is designed for the management students for the fast changing Business Environment. The book aims to help business management students to learn how to manage information technologies to revitalize business processes, improve business decision making and gain competitive advantage in the global market.

The bottom line of this book is Business and Information Technology Alignment which is of utmost importance in the Information System Implementation Process.

This book is broadly divided into five modules.

### Module I: Foundation Concepts

This module is further divided into two chapters. This whole covers the importance of Information Technology in business.

**Chapter 1** covers the foundation concepts of Information System in business, the components of Information System.

**Chapter 2** deals that how with the help of Information System strategic advantage can be achieved having competitive edge.

Both the chapters start with real world case and end with the real world case for a better understanding.

### Module II: Information Technologies

This module is divided into four chapters. This whole module covers that what challenges Information System Technologies pose for business professionals. What basic knowledge a management graduate should possess about information technology. The module is broadly divided into chapters such as:

**Chapter 3** reviews history, trends in computer systems and major types of technologies used in peripheral devices for computer input, output and storage:

**Chapter 4** covers the basic features and trends in the major types of application software and system software used to support enterprise and end user computing.

**Chapter 5** deals with key database management concepts and applications in business information system.

**Chapter 6** deals with concepts of internet and telecommunications networks, business applications, and trends and reviews technical telecommunications alternatives.

### Module III: Business Applications

This module is divided into four chapters. This module covers that how Internet Technologies and other forms of Information Technologies that support business processes, e-commerce and business decision making.

**Chapter 7** explains how Information Systems integrate and support enterprise wide business processes as well as the business of marketing, manufacturing function, HRM, accounting and finance.

**Chapter 8** outlines the goal and components of customer relationship management, enterprise resource planning, and supply chain management and highlights the benefits and challenges of these major enterprise applications.

**Chapter 9** covers trends, applications and issues in e-commerce.

**Chapter 10** highlights how different types of Information System can be applied in Business Application for effective decision making process.

### Module IV: Development Processes

This module focuses on that how business professionals plan, develop, and implement strategies and solutions that use Information Technologies to meet the challenges and opportunities faced in today’s dynamic business environment

**Chapter 11** emphasises on the importance of planning process in developing IT/Business Strategies and the implementation challenges that arise new IT based business strategies and applications into an organization.

**Chapter 12** focuses on the traditional, prototyping, and end – user approaches to the development of Information Systems and also emphasis is given on the processes and managerial issues in the implementation of new business applications of Information Technology.

### Module V: Management Challenges

This module is divided in two chapters which covers that what challenges do Information System pose for business enterprises.

**Chapter 13** discusses the threats against the Business Information System and what measures should be taken to fight against those threats.

**Chapter 14** deals with the major challenges that Information Technology poses to business managers and the managerial implications of the use of Information Technology in global business.

The complete book is great combination of real world cases of national and international firm. All the chapters start with the real world cases and also end with real world cases for a better understanding. All the chapters contain the analytical exercise at the end of each chapter for better application orientation of students.

In the further editions more focus should be given on the cases related to the different types of Information System that how the system were implemented in the enterprises and what were the critical success factors involved with the implementation of these systems

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## BOOK REVIEW

### The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits

**Prahalad, C.K.**, The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits(7th Impression), 2012, Pearson Education, India., pp 408

Prahalad's revised and updated 5th anniversary edition argues that companies must revolutionize how they do business in developing countries if both sides of the economic equation are to prosper.

The book is organised in five parts. The first part titled "Private Sector and Poverty: Progress During 2004-2009" provides a brief outline of the progress made since the book was launched in 2004. The Part II of the book, "The Original Text of the Book" has been consciously kept as it is. In Part III: "CEO Reactions to the concept and the Book", ten CEOs were asked to reflect on the concept and the role of the private sector and the Balance of Payment (BOP) markets, and describe the impact of this book on their efforts, if any. Part IV of this book "Case Studies and CEO Comments" includes updates written by the CEOs of the companies. Each CEO took stock of the progress they have made since the time the case was written. Finally Part V of the book "Video Clips" has been included to give a sense of people, locales, the impact of the private sector initiatives on their lives, and their views on what has changed for them.

The first Chapter included in Part II of the book is on The Market at the Bottom of the Pyramid. The objective of this chapter is to identify the immediate benefits of treating the poor as consumers and the poverty alleviation process that can result as businesses focus on the BOP. The second Chapter on Products and Services for the BOP has focussed on twelve principles of innovation for BOP Markets like Price Performance and Innovation: Hybrids. Chapter three, BOP: A Global Opportunity has described the process by which large firms can create products and services that are ideally suited for BOP markets. It also includes Lessons for the MNCs from BOP Markets. Chapter four on The Ecosystem for Wealth Creation discusses how the large firms can create a private sector ecosystem which is a prerequisite for developing markets. Chapter five, Reducing Corruption: Transaction Governance Capacity has discussed making the entire process as transparent as possible and consistently enforced. Finally the sixth chapter of Part I, Development as Social Transformation has looked at BOP as a viable and profitable growth market wherein the poor have an opportunity to climb out of the poverty trap.

In Part III, the letters from CEOs and senior leaders of large global firms have been reproduced. The letters demonstrate their growing interest in embracing the opportunities in BOP markets and the innovations they foster. The list of the firms included Microsoft, Bharti Airtel, Thomson Reuters, Royal DSM, ING, GlaxoSmithKline, Unilever, Philips Electronics, University of Maastricht and Acumen Fund.

Part IV presents detailed case studies of successful innovations at the BOP. These cases span a wide range of industries detailing the innovations in business models.

The book provides multiple perspectives from the author's review to the CEOs to those whose pioneering work gave impetus to the book in 2004. Corporations have applied BOP principles to the mass market segment in developing countries by making new products available. BOP concepts have forced companies to look at their businesses in a completely new way. Although Prahalad's ideas have not been a huge success in BOP markets, companies have successfully implemented them in mass markets. The business models of many corporations have changed today in emerging markets like India and if they have not successfully catered to below poverty line consumers they have at least earned decent profits by raising living standards and making facilities available to middle-income groups.

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## AIMT JOURNAL OF MANAGEMENT

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AIMT conducts a two year full time residential MBA Course for the wards of army personnel in areas of Marketing, Finance, HR, IT and International Business. The Institute strives to impart value-based and character-centric management education to foster and refine perseverance, leadership, integrity and positive attitude skills which students imbibe right through their formative time spent in the Army Environment. The teaching pedagogy involves ingenious amalgamation of faculty-supervised case studies, simulations, role plays, management games etc. Students-driven activities include participation in forums like Marketing Club, Finance Club, HR Club, IT Club, Uddyami Club etc. to provide a non-formal forum for growth of dormant talents under the benign guidance of the faculty members.

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