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Editor's Desk

The multi-national chains like Walmart, Carrefour and Tesco will shortly set up shops in India, but with riders based on the Government of India's decision to allow 51% FDI in multi brand retail. The riders include the approval to be taken from the Foreign Investment Promotion Board (FIPB) for investments, making a minimum investment of \$100 million, 50% of which should be invested in "back-end infrastructure", 30% of the products to be procured from small-scale industries and fresh agricultural produce, including fruits, vegetables, flowers, grains, pulses, fresh poultry, fishery and meat products, to be unbranded. The investment in back-end will include investments made towards processing, manufacturing, distribution, design improvement, quality-control, cold chains, warehouses and packaging. The retail chains will be allowed only in cities with a population of more than 10 lakh as per 2011 Census. There are 51 cities with a population of more than one million, based on 2011 Census.

The guidelines also clearly state that retail sales outlets may be set up in those States which have agreed or will agree in future to allow FDI in multi-brand retail under this policy. It will empower the state governments to define their own set of rules for foreign retail giants. The locations of such outlets will be restricted to conforming areas, as per the master/zonal plans of the cities concerned and provision will be made for requisite facilities such as transport connectivity and parking. The expenditure on land cost and rentals, if any, will not be counted for purposes of backend infrastructure.

It is the right of Indian consumers to get good and cheap quality products like any other consumer in the world. As per reports in India, 30% to 40% of the entire food produced is wasted due to the lack of infrastructure, farmers getting 10 to 23 percent only of the market price for their crops. FDI will bring contract farming and farmers will get access to new varieties of seeds and other technologies and there will be an assured buyer for the farm products with good price and the farmers no longer need to negotiate with the mediators for the price. India is a manufacturing hub and we have cheap skilled labour and natural resources most of these companies are going to set up small scale manufacturing units in the country, which will generate direct and indirect jobs and will increase our exports to other countries.

The presence of global retail chains and their aggressive marketing strategies of promoting a wide variety of products may lure vast masses of India populace to buy numerous varieties of goods and services. If the consumer, the ultimate buyer does not exercise caution, it may lead to accumulation of many of the unwanted products at his place. So, the consumers have to be very judicious in maintaining a balance between the needs and the unlimited offers being made by the retails giants.


(Ravi K. Dhar)

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IMPACT OF SERVICE QUALITY & BRAND IMAGE ON CUSTOMER SATISFACTION IN ORGANISED RETAIL SETUP AN EMPIRICAL STUDY

Pardeep Bawa★ B. L. Gupta★★ Bhawna Sharma★★★

The Indian retail industry has scaled impeccable growth over the last decade with an amiable acceptance to organised retailing formats. The industry is maturing towards modern concept of retailing, cornering the conventional unorganised family-owned businesses. As per US-based global management consulting firm, A T Kearney, India has been ranked as the fourth most attractive nation for retail investment among 30 emerging markets. The retail consumer is becoming very perceptive and challenging in the context of day to day lifestyle. As a result there is stiff competition among Indian and foreign retailers to attract customers and retain them. In this tug-of-war, quality retailing has emerged as the solution. The retailer who provides quality products and services along with a quality shopping experience succeeds in the long run. The performance of organized retailing primarily depends upon service delivery & quality of service delivery. In all service firms, customers' perceived quality of service is taken as an important element of business success. This paper empirically examines the impact of service quality & brand image on customer satisfaction in organised retail outlets in Punjab's commercial capital, Ludhiana. Results indicate that value delivery, brand Image, shopping experience have a positive impact on customer satisfaction.

Retail in India: Market Dynamics

The Rs 18,673 billion (US\$ 401 billion) Indian retail market entails only 6 per cent of itself as organised retail segment as of 2010, according to Booz and Co (India) Pvt Ltd. Hence, there is a great potential to be explored by domestic and international players. The Business Monitor International (BMI) India Retail Report for the fourth-quarter of 2011 forecasts that the total retail sales will grow from US\$ 411.28 billion in 2011 to US\$ 804.06 billion by 2015. The report has underlined factors like economic growth, population expansion, increasing wealth of individuals and rapid construction of organised retail infrastructure as major drivers for the optimistic forecast figures. According to a research report named 'Retail Sector in India' by Research and Markets, Indian retail sector accounts for 22 per cent of the country's gross domestic product (GDP) and contributes to 8 per cent of the total employment. The report further highlighted that hypermarkets (currently accounting for 14 per cent of mall space) will witness immense progress in the Indian landscape (IBEF, 2011).

Retail: Key Developments & Major Investments

According to a report by research firm CB Richard Ellis India, over 6 million square feet of retail mall space was

added across India in the first six months of 2011; primarily due to aggressive expansion by organised retailers. For instance, Kishore Biyani-controlled Pantaloon Retail added 2.26 million square feet (sq. ft.) of retail space during the fiscal 2011 and booked over 9 million sq. ft of retail space to fructify its expansion plans in future. Cumulative foreign direct investment (FDI) inflows in single-brand retail trading during April 2000 to June 2011 stood at US\$ 69.26 million, according to the Department of Industrial Policy and Promotion (DIPP). Driven by changing consumption patterns, favourable demographics, expanding middle class and greater government support, retailers are eagerly foraying into untapped avenues of Indian markets by making huge investment plans. For example

- Jubilant FoodWorks Ltd, which operates fast food chain of Dominos Pizza in India, will invest over Rs 70 crore (US\$ 15.03 million) in the FY12 on new stores and commissaries.
- Reliance Industries' Reliance Retail (that runs supermarket and hypermarket chains) is planning

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massive expansion across the country by doubling the number of stores in several specialty formats in 2011.

- The brand 'More', operated by Aditya Birla Retail, will open 12 hypermarkets and 150 supermarkets in fiscal 2012. After the expansion, its supermarket stores tally will reach 715.
- Shoppers Stop Ltd, which has 43 departmental stores and 10 hypermarkets under the brand Hypercity, plans to open four more hypermarkets and 10 departmental stores in 2011 (IBEF, 2011).

Along with the metros, the retailers are betting big on tier-II and tier-III cities as well.

- The Aditya Birla group firm, Madura Fashion & Lifestyle, is aiming at a turnover of Rs 1,100 crore (US\$ 236 million) for FY13, on the back of its pan-India expansion spree, including small cities and towns.
- In a bid to triple its turnover from retail segment, Shree Ganesh Jewellery has formed an alliance with Bharti Retail's 'Easy Day' market format to promote its Gaja Lites range of jewellery. The company plans to launch 250 outlets in tier II and tier III cities under its flagship brand 'Gaja'.
- Japanese imaging technology major Nikon Corporation's subsidiary Nikon India is focusing on tier-II and tier-III cities to fuel its growth. The company is planning to extend its presence to 2,400 channel partners by March 2012 from the current 2,000 of them (IBEF, 2011).

Service Quality is the Key

The quality of the product offered by the retailer has two aspects, the perceived quality and the actual quality. Perceived quality or point of sale quality refers to the image that the customer has about the product while buying it. The actual quality or the point of use quality is the quality of the product that the consumer experiences while using it. The retailer plays a very important role in building up perceived quality with the use of attractive display. The retailer is in direct contact with the customers and so he can play a significant part in helping the manufacturer reduce the gap between actual and perceived quality. The retailer should also ensure quality at the various stages of the supply chain so that the quality of the product is not affected. Another important factor to be considered for quality retailing is the quality of the services provided to the customer. Today customer wants a unique shopping experience. Retailers are striving to help customers enjoy

their shopping expedition as much as possible. The difference between shopping in India and shopping abroad is reducing gradually, particularly with several large malls coming up all over India. Customer mentality is different in different countries. Particularly in India, there are huge cultural differences among the people of different states, which in turn affect their buying behavior. In this scenario, it becomes necessary for the retailer to survey the customers culture and expectations so that he can train his staff to appropriately meet these expectations.

I. Review of Literature

Service quality is defined as the degree of discrepancy between customers' normative expectation for service and their perceptions of service performance (Parasuraman et al., 1985). The definition of service quality was further developed as "the overall evaluation of a specific service firm that results from comparing that firm's performance with the customer's general expectations of how firms in that industry should perform (Parasuraman et al., 1988). Perceived value has its root in equity theory, which considers the ratio of the consumer's outcome/input to that of the service provider's outcome/input (Oliver & DeSarbo, 1988). The equity concept refers to customer evaluation of what is fair, right, or deserved for the perceived cost of the offering (Bolton & Lemon, 1999). Perceived costs include monetary payments and nonmonetary sacrifices such as time consumption, energy consumption, and stress experienced by consumers. In turn, customer-perceived value results from an evaluation of the relative rewards and sacrifices associated with the offering. Customers are inclined to feel equitably treated if they perceive that the ratio of their outcome to inputs is comparable to the ratio of outcome to inputs experienced by the company (Oliver & DeSarbo, 1988). And high value is one primary motivation for customer patronage. In this regard (Sirdeshmukh Singh, and Sabol, 2002) argue that customer value is a super ordinate goal and customer loyalty is a subordinate goal, as it is a behavioral intention. According to goal and action identity theories, a super ordinate goal is likely to regulate subordinate goals. Thus, customer value regulates "behavioral intentions of loyalty toward the service provider as long as such relational exchanges provide superior value" (Sirdeshmukh et al., 2002). Various scholars have considered different dimensions of service quality. (Gronoos, 1884) considers technical, functional, and reputational quality. (Parasuraman et al. 1985) identified 10 key determinants of service quality as perceived by the service provider and the consumer, namely, reliability, responsiveness, competence, access,

courtesy, communication, credibility, security, understanding / knowing the customer, and tangibility to formulate a service quality framework, SERVQUAL. Later in 1988, they modified the framework to five determinants: reliability, assurance, tangibles, empathy, and responsiveness. As suggested by several researchers (Kumar and Shah, 2004; Blak and Parks, 2003; Dean, 2007) there are two types of loyalty; behavioral and attitudinal loyalty. The behavioral aspects of the customer loyalty were characterized in terms of repurchase intentions, word-of-mouth communication, and recommendations of the organization (Nadiri, et al. 2008; Karatepe and Ekiz, 2004; Yi, 1990; Zeithaml et al., 1996). (Liu-Thompkins et al 2010) defined attitudinal loyalty as a favorable evaluation that is held with sufficient strength and stability to promote a repeatedly favorable response towards a product/brand or a store. Considering the competitive environment, there is a need for retailers to plan their strategies that will differentiate them from another. This can be achieved through the delivery of high service quality. The practice of excellent service quality has been proven that customer satisfaction will significantly lead to customer loyalty (Caruana et al. 2000; Caruana, 2002). The present research employs SERVQUAL scale (Parasuraman et al., 1988) to measure the customers' loyalty. Definitions of service quality hold that this is the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed (Lehtinen & Lehtinen, 1982; Lewis & Booms, 1983, Gronroos, 1984; Parasuraman et al., 1985; 1988; Caruana, 2002). According to (Kumar and Shah, 2004) consumer loyalty seems to be based on a collection of factors. The first is trust. Consumers must trust the vendor or product they encounter. Second, the transaction or relationship must have a positive perceived value greater than that supplied by competitors. Third, if marketers build on the first two factors, they may be able to create a level of positive customer emotional attachment. That emotional response may be commitment to their brands that is resistant to change (Pitta, et al, 2006). Earlier research has indicated that high levels of customer satisfaction are related to the service quality provided through customer interactions (Van der Wiele et al., 2002; Vilares and Coehlo, 2003). The service profit chain (Heskett et al., 1994) specifically identifies a relationship between employee satisfaction, service quality and customer satisfaction. Research investigating these relationships has subsequently generated support for this model (Loveman, 1998; Anderson and Mittal, 2000; Voss et al., 2004). The "satisfaction mirror" (Schlesinger and Heskett, 1991; Normann and Ramirez, 1993) has also been presented as a

model for understanding the relationship between internal aspects of service delivery with external customer satisfaction. Service quality has formed a nucleus of research incorporating many dimensions of service outcome and the parameters for achieving these outcomes: costs, profitability, customer's satisfaction, customer retention, and service guarantee (Sohail, 2003); corporate marketing and financial performance (Buttle, 1996). Definitions of service quality have been found in abundance. For example, conformance to customer expectations (Berry et al., 1988), the difference between customer expectation and perceived service (Parasuraman et al., 1985). This relevant literature identifies various store attributes that grocery retailers might employ to differentiate themselves from their competitors (Ganesh et al., 2007; Gomez et al., 2004). In addition, many researchers work to measure customer satisfaction and its relationship with service quality. However, few studies consider the potential effect of consumer perceptions of store attributes on the maximum level of customer satisfaction. The relative lack of investigation into maximal customer satisfaction seems surprising; a priori, it should be the objective of any retailer in the industry (Al-Awadi, 2002; Barsky, 1995; Spiller et al., 2006). The new dimension of Policy represent all the aspects of service quality that are directly influenced by store policy, such as high-quality merchandise, convenient parking, convenient store hours, acceptance of major credit cards, and availability of a store credit card. As a well-known scholar of Nankai University, Professor Fan Xiucheng(1999) presented interactive quality conception, He thought service quality is embodied by technical quality and interactive quality. In addition, many scholars carried out exploratory studies on hotels industry (Zhu Hang, et al, 1999; Wang Chunxiao, 1999; Zhang Lili, 1995; Dang Zhongcheng, etc., 2002). As the service industries themselves are different, their findings can not be applied to the retail industry wholly. Some domestic scholars have focused on China's retail service quality, and achieved some results. Prior empirical research has identified perceived value as a major determinant of customer loyalty in such settings as telephone services (Bolton & Drew, 1991), airline travel, and retailing services (Sirdeshmukh et al., 2002). Chang and Wildt (1994) report that customer-perceived value has been found to be a major contributor to purchase intention. In light of the preceding discussion and findings, it is proposed that: High levels of customer satisfaction are related to the service quality provided through customer interactions (van der Wiele et al., 2002; Vilares and Coehlo, 2003). The service profit chain (Heskett et al., 1994) specifically identifies a relationship between employee satisfaction, service quality and customer satisfaction.

Research investigating these relationships has subsequently generated support for this model (Loveman, 1998; Anderson and Mittal, 2000; Voss et al., 2004). The “satisfaction mirror” (Schlesinger and Heskett, 1991; Normann and Ramirez, 1993) has also been presented as a model for understanding the relationship between internal aspects of service delivery with external customer satisfaction. Service quality has formed a nucleus of research incorporating many attributes of service outcome and the parameters for achieving these outcomes: costs, profitability, customer’s satisfaction, customer retention, and service guarantee (Sohail, 2003); corporate marketing and financial performance (Buttle, 1996). Definitions of service quality have been found in abundance. For example, conformance to customer expectations (Berry et al., 1988), the difference between customer expectation and perceived service (Parasuraman et al., 1985). This latter perspective suggests that dissatisfaction occurs if expectations are greater than actual performance. As a result, evaluations are not based solely on the outcome of the service, the technical quality; they also involve the process of service delivery or functional quality (Gronroos, 1984). (Kul, 2005) made a study on which store attributes are appealing for self-image of consumers and their impact on in-store satisfaction and patronage intentions. She concluded that service expressiveness value is distinct from the performance value obtained from service delivery. Consumers satisfied with service quality are most likely to become and remain loyal (Wong and Sohal, 2003). (Kaul, 2005) further observes that a store having modern equipment, good and clean physical facilities and ease in transactions would be able to yield satisfaction and patronage intentions. Clarke (2001) said, “a business that focuses exclusively on customer satisfaction runs the risk of becoming an undifferentiated brand whose customers believe only that it meets the minimum performance criteria for the category. Long-term customer retention in competitive markets requires the supplier to go beyond mere basic satisfaction and to look for ways of establishing ties of loyalty that will help ward off competitor attack”. (Sivadas and Baker-Prewitt, 2000) also said that it is not merely enough to satisfy a customer. According to (Storbacka and Lentinen, 2001) customer satisfaction is not necessarily a guarantee of loyalty. They said that in certain industries up to 75% of customers who switch providers say that they were ‘satisfied’ or even ‘very satisfied’ with the previous provider. Customers may change providers because of price, or because the competitor is offering new opportunities, or simply because they want some variation (Storbacka and Lentinen, 2001). (Clarke, 2001) said that customer satisfaction is really no more

than the price of entry to a category. For satisfaction to be effective, it must be able to create loyalty amongst customers. Sivadas and Baker-Prewitt (2000): “There is increasing recognition that the ultimate objective of customer satisfaction measurement should be customer loyalty”. This study has analysed to study the relationship between customer satisfaction & customer perceived service, brand image, value delivery, shopping experience, customer perceived quality & customer perceived value of customers of Ludhiana organised retail stores. Following hypotheses were formed:

- H1: There is significant relationship between customer satisfaction & customer perceived service.
- H2: There is significant relationship between customer satisfaction & brand image.
- H3: There is significant relationship between customer satisfaction & value delivery.
- H4: There is significant relationship between customer satisfaction & shopping experience.
- H5: There is significant relationship between customer satisfaction & customer perceived quality.
- H6: There is significant relationship between customer satisfaction & customer perceived value.

II. Research Design & Methods

Data was collected through questionnaires from the customers of organised retail outlets in Ludhiana. Outlets were Aditya Birla Group’s MORE, Bharati group’s Easy Day, Reliance Industries Reliance Fresh, Future Group’s Big Bazaar. Response was initially low so the duration got extended to three & a half months to get completed the questionnaires of a sample size of 400 from earlier planned one month. 364 usable questionnaires were received. After careful literature review six factors were chosen which were customer perceived service, brand image, value delivery, shopping experience, customer perceived quality & customer perceived value which affect customer satisfaction. Customers were asked about their expectation that is pre purchase scenario & delivered value which is a post purchase scenario apart from brand image on a five point Likert scale. Parameters for pre purchase customer expectation were pricing, quality of merchandise, shopping experience, variety, staff competitiveness, average time to complete a unit transaction, parking facility, responsiveness, brand image, proximity, customer relationship management, home delivery, customisation etc. Research model was developed through the carefully chosen six independent variables stated above & one dependent variable which is customer satisfaction (Refer to table 1). Statistical

tests like Correlation & Regression were used to analyse the data.

III. Results & Discussion

Table 1 suggests that there is high correlation between dependent & independent variables. Correlation between customer satisfaction & customer perceived service is 0.39 but mean is 3.61 & SD is 0.84 which indicates that both the variables are complementing each other as far as movement is concerned. In other words it indicates that retailers who provide service at par or more than customer perceived service enjoy the customer satisfaction. Same is the case with brand image & customer satisfaction as correlation in between these two variables is 0.36, mean & SD are 3.96 & 0.76 respectively which is significant that signifies brand image significantly affect customer satisfaction. Shopping experience & customer satisfaction are also positively correlated with a value correlation value 0.12, mean & SD as 3.56 & 0.86 respectively which again signifies that shopping experience plays a major role in satisfying customers. The way value is delivered & time in which it is delivered constitute for value delivery which with a value of correlation of 0.20 & mean & SD as 3.77 & 0.62 respectively positively correlated with customer satisfaction. It signifies that value delivery is equally important & help a retailer to satisfy customers. Same is the case with customer perceived quality & customer perceived value which are significantly related to customer satisfaction with correlation, mean & SD values all directing towards a positive relationship..

Table 3 shows that a unit increment in customer perceived service would in turn increase 0.27 unit of customer satisfaction which means that it would have a significant impact on customer satisfaction as the significant level is very good at 2.51. Same is the case with customer perceived quality, brand image & value delivery. These all show a significant & positive association with customer satisfaction. Customer perceived value & shopping experience also are on the same lines but significance is a bit low but sufficient to have a reasonable association with customer satisfaction.

IV. Conclusion

Retailing in India would contribute more than what it has been contributing to the economy in future for sure. FDI in multi brand retailing is under constant consideration but would take some time. Retailing in India is very lucrative which can be clear with the entry of quite a few heavyweights of Indian industry & some international

players like Wal-Mart & Metro cash & carry. India has witnessed some of the failures like Subhiksha, Eight Ten, and Vishal Mega Mart etc. Here comes the need for efforts which would lead to customer satisfaction. This study though was executed on a micro level in Ludhiana (Punjab) but results were as expected of the fact that factors like value delivery, customer perceived quality, customer perceived service & shopping experience contribute significantly in customer satisfaction. Any school of thought resulting into not taking care of these factors would deteriorate the position of a retail store or a company for that matter. A retail manager's job becomes even tougher to make sure that all these factors are simultaneously taken care of. A lesser emphasis on retail manager's part on even a single factor would in turn make the store or the company lesser competitive. Management should make strategies to effectively endorse these factors along with other marketing strategies to provide customer what we call customer satisfaction.

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Figure 1: Relationship between Customer Satisfaction & Service Quality, Brand Image

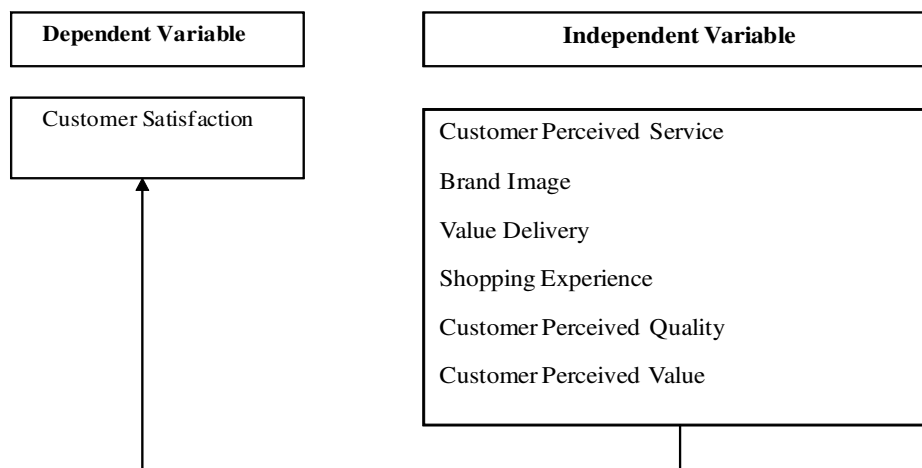


Table 1
Correlation among Variables

| | CS | CPS | BI | VD | SE | CPQ | CPV |
|-----------------------------------|-----------|------------|-----------|-----------|-----------|------------|------------|
| Customer Satisfaction | 1 | | | | | | |
| Customer Perceived Service | 0.39 | 1 | | | | | |
| Brand Image | 0.36 | 0.30 | 1 | | | | |
| Value Delivery | 0.20 | 0.21 | 0.21 | 1 | | | |
| Shopping Experience | 0.13 | 0.21 | 0.15 | 0.23 | 1 | | |
| Customer Perceived Quality | 0.17 | 0.21 | 0.19 | 0.45 | 0.29 | 1 | |
| Customer Perceived Value | 0.25 | 0.21 | 0.32 | 0.09 | 0 | 0.097 | 1 |

Table 2
Statistic (Descriptive) Values

| | CS | CPS | BI | VD | SE | CPQ | CPV |
|----------------|-----------|------------|-----------|-----------|-----------|------------|------------|
| Mean | 3.64 | 3.61 | 3.96 | 3.77 | 3.56 | 3.65 | 3.71 |
| Mode | 3.63 | 3.65 | 3.62 | 4.01 | 3.55 | 4.01 | 4.01 |
| Median | 3.82 | 3.65 | 4.01 | 3.9 | 3.54 | 3.62 | 4.01 |
| SE | 0.06 | 0.07 | 0.06 | 0.05 | 0.07 | 0.06 | 0.09 |
| SD | 0.75 | 0.84 | 0.76 | 0.62 | 0.85 | 0.75 | 1.2 |
| SV | 0.57 | 0.71 | 0.55 | 0.35 | 0.72 | 0.54 | 1.3 |
| Range | 4.01 | 3.68 | 4.01 | 3.45 | 4.01 | 4.01 | 4.01 |
| Minimum | 1 | 1.34 | 1 | 1.62 | 1 | 1 | 1 |
| Maximum | 5 | 5 | 5 | 5 | 5 | 5 | 5 |

Table 3
Multiple Regressions

| | | |
|-----------------------------------|--------------------|----------------|
| Value Delivery | 0.05 | 1.0 |
| Customer Perceived Quality | 0.04 | 1.42 |
| Customer Perceived Value | 0.10 | 0.43 |
| | Coefficient | p Value |
| Intercept | 1.20 | 0.51 |
| Customer Perceived Service | 0.27 | 2.51 |
| Brand Image | 0.19 | 1.38 |
| Shopping Experience | 0.06 | 0.57 |

TOP OF THE MIND AWARENESS (TOMA) OF A PARTICULAR BRAND AS LEADING CONSIDERATION OF PURCHASING THE PRODUCT AN EMPIRICAL ASSESSMENT

Syed Habib Anwar Pasha★ Muhammad Rehan Masoom★★

Continuous reinforcement of awareness creates remembrance in the mind of customer as s/he is exposed to promotional activities by the companies, therefore, it is expected that customers would be intended to use particular brand which comes first in their mind. The study examines the aforementioned hypothesis by matching the overall relationships of "Top of the Mind Awareness" with that of consumer brand preferences and usage. A survey was conducted in Dhaka city among the regular users of FMCG categories. The results revealed that customer purchase the brands that exist in the top of their mind in case of shampoo, toothpaste, lip-gel, carbonated soft drink, packaged tea and toothbrush categories. However, there is a great chance of customers brand switching in the categories of toilet soap, wrist watch, mobile handset, footwear and services such as cellular connections. Based on the findings the companies could develop promotional strategy so that their brand remains in the top of their customers mind and in some cases could compel customer to switch to their brands.

Awareness of a particular product or the ability of the customers to bring it to mind is believed to be one of the most critical factors that lead them to buy that product (Nedungadi and Hutchinson, 1985). Attention and retention of awareness of the customers is the key requirement that eventually lead them to purchase the product. On the other hand, if the target customers would not have heard of a particular brand, it is very unlikely considered to buy any brand of that product category. Memorability of the customers has been considered as an indicator to whether a product is going to be considered for purchasing at all. Thus, awareness has become a vital part of business success that requires long-term investment for attaining and short term investments for retaining the customer (Dart, 2002). However, it is very hard to predict the attainment of investment in the formation of brand value that eventually creates revenue in the competitive market. .

Various standard measures are being adopted by different researchers to understand the probability of buying a particular product with that of awareness. Primarily, there are three classical measures of brand awareness, (i) aided or Brand recognition, that is - either the brand name or both the brand name and category name are presented to respondents, (ii) spontaneous or Brand recall that is - the product category name is given to respondents who are asked to recall as many brands as possible that are members

of the category and (iii) top-of-mind awareness or TOMA that is - as above, but only the first brand recalled is recorded (also known as spontaneous brand recall). (Laurent, Kapferer and Roussel, 1995). Brand recognition and Brand recall measures are not always success at measuring the subtle effects of product placements (Braun-LaTour and LaTour, 2004). Advertising weight for any product and the trial levels of that product often does not have a straight line relationship; awareness is hypothesized to be a useful intervening variable between advertising weight and trial level achieved (Olson, 1975) Although, aided brand awareness is found by many researchers as a superior measure from that of unaided brand awareness; as aided brand awareness is subject to problems of false awareness as well as of bias due to order of presentation. Thus, these measures often lead to a vague conclusion. TOMA shows the percent of respondents who, without prompting, name a specific brand first when asked to list all the advertisements they recall seeing in a general product category over the past thirty days.

The study intended to consider TOMA as an indicator of

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trial level achieved of any particular brand usage with a basket of product categories that are usually consumed by any metropolitan urban consumers. This paper examines the nature of TOMA as a measurement of awareness of the brands. Primarily, it focuses on empirically studying the relationship of brand awareness with that of consumers' brand preference. The study has been carried out in Dhaka city of Bangladesh in the context of Fast Moving Consumer Goods (FMCG) such as toilet soap, shampoo, toothpaste, lip-gel, Vaseline, tooth-brush, ball-point pen, wrist-watch, mobile hand set, tea, carbonated soft drinks and cellular connection. The overall relationships of 'Top of the Mind Awareness' with that of 'Consumer Brand Preference' of particular FMCGs has been empirically examined.

I. Review of Literature

Top of Mind Awareness (TOMA) as the focal point of the study is defined as the state of the mind of the customers that allow them to have a particular brand name on the tip of their tongue and can indicate of being aware of that particular brand. In this connection, TOMA is the primary dimension of 'Brand Awareness' initially built by traditional advertising and some regular reinforcing activities. Researchers have studied level of awareness with a wide range of variables concerning consumer behavior to understand what drives customers to purchase a particular product.

An essential part of any new product in test market is the A-T-U (Awareness-Trial-Usage) study in which awareness of the new product is generally considered to be one relevant indicator of performance for that particular product (Olson, 1975). Many of the variables like brand awareness, perceived quality and customer loyalty have a close association with brand equity and the effectiveness of any sorts of measurement must consider all these dimensions (Aaker and Joachimsthaler, 2000). Awareness is often being considered as some sort of bipolar process, indicating that consumers are either "aware" or they are "not aware" and repeated exposure of some stimulus like advertising will create awareness proving the fact that awareness is a continuum process though often which is not the case (Olson, 1975).

Consumers can become familiar with brand name with or without being aware of their own learning i.e. an individual may indicate of being not awareness, although his or her behavior shows otherwise. (Braun-LaTour and LaTour, 2004). 'Relative Awareness' is a primary consideration that can be assessed by comparing a company's performance against its competitors of the same particular product

(Pierce and Hogan, 2000).

Consumers of the information age have multiple sources, such as internet, from where they become well aware of a brand of a particular product that they haven't used or even seen in the market. Thus, 'e-opinion leadership' is one of the variables that impacted their awareness and use of product (Bailey, 2005). Most of the variables related to brand awareness and consumer behavior shows the various ways that a brand interacts with and makes an impression on customers, employees, channel partners, media and other stakeholders.

Based on literature that profoundly relied upon Brand Awareness, the study formulates a model that helps to understand the relationship of brand awareness with that of brand preference.

Traditional advertisements though not the only one but yet is the effective communication tool through which consumers are being informed about the brand of a particular product and eventually aware of it. Awareness can also be formed by the word of mouth via face-to-face, internet or different media. Consumers became aware of what the product is for and why they should need it. Here, consumers collect information regarding different brand of the same product– that is 'relative awareness' and decide whether it is the best deal or not to go for the brand of the particular product category. In general, consumers possess a short span of attention and if a brand fails to fill a pressing demand through their product, the consumers simply forget about the brand over time. On the other hand, if consumers are successfully convinced by the aspects of the brand of a particular product, it is being placed in top of the mind awareness of them which generally lead them to purchase the product.

Research Hypotheses

In view of the foregoing discussion, this study formulated the following hypotheses:

- H₁: If for a brand TOMA is high its chances of being used as current brand will also be high.
- H₂: If for a brand TOMA is low its chances of being used as current brand will also be low.
- H₃: If for a brand TOMA is and current brand is same, customers will continue buying the product of the brand.

II. Research Design & Methods

Secondary Research

Researchers all over the world love to conduct research

on brands and related factors which consumer perceive extensively to prefer, trail and retain in their mind. But there is still lack of research about top of the mind awareness about FMCG products in Bangladesh. Researchers had gone through different articles published in domestic and abroad rigorously to find the relationship between top of the mind awareness and current usage of that particular brand. Based on the literature review a theoretical framework was developed to guide the research properly.

Sampling Method and Data Collection

A survey was conducted from April 28, 2011 to May 08, 2011 in Dhaka city to collect the data. There were two hundred seventy respondents in total primarily categories in accordance with their age and they were being interviewed face-to-face. The respondents were selected randomly if they fit in the judged age categories. Stratified sampling is more logical than simple random sampling because stratification (in this study, in accordance to age of the respondents) increases the possibility of precision and more coverage of the population than that of applying simple random sampling procedure.

Questionnaire Design

A structured questionnaire was used to gather data. The questionnaire contained questions regarding demographic profile of the respondents such as gender, age, level of education and total household income per month. The questionnaire used in the study also contained items such as toilet soap, shampoo, toothpaste, lip-gel, Vaseline, tooth-brush, ball-point pen, wrist-watch, mobile hand set, tea, soft-drinks and cellular connection as FMCG pertaining to the respondents' top of the mind awareness of the brand, made purchases and consider purchasing next the product of the brand in order to prove the hypotheses.

Data Analysis

For analyzing the data, Pearson Chi-Square test, Likelihood Ratio and Nominal measures like Cramer's V test are being considered as all the data were collected on the nominal scale measurement.

III. Results & Discussion

Demographic Profile of the Respondents

Most of the respondents (70 percent) of this particular study are male and all of the respondents are being categorized in three age bracket (from 15 to 25; from 26 to 35; from 36 & more) in equal number (33.3 percent). Almost half of the respondents have completed either their

SSC or HSC, 22.2 percent have completed their Bachelor degree and 21.1 percent have completed their Masters degree. Some of the respondents (7.8 percent) have completed or being completing their primary level of education. More than half of the respondents' household income is less than Tk. 30,000 per month. However, 13.3 percent of the respondents indicated that their household income is from Tk. 30,001 to Tk. 40,000 and another 23.3 percent of the respondents' monthly household income is more than Tk. 50,000. (For details, see 'Appendix 1' in the Appendix section).

Beauty and Hair Care

The study found that in case of toilet Soap, consumers use the product of the brand that is in their top of the mind. However, 16.6 percent of the respondents consider buying the different brand of the same product. While considering shampoo, consumer use the brand that is in their top of the mind as well, however, 4.4 percent of the respondents are considering changing the brand of the shampoo that they are using. (For details, see 'Appendix 2' in the Appendix section).

Oral Care

The study shows that respondents use those brands of toothpaste about which they are mostly aware and keep in upper level of their ranking. However, 1.1 percent respondents use different brands and 1.3 percent is considering buying different brands. While considering toothpaste, consumer use the brand that is in their top of the mind, however, 2.2 of the respondents are considering changing brand of the toothpaste. About lip-gel and Vaseline, the responses are exactly the same as with the case of toothpaste. Notably, 1.1 percent of the respondents is aware a brand of lip-gel or Vaseline that is in fact at the top of the mind, still not using currently and not considering buying next. (For details, see 'Appendix 3' in the Appendix section).

Beverages

Carbonated soft drink takers love to use brand which are always in their top of the mind. However, some respondents though percentage is insignificant (5.5) use those brands which they never keep in their priority ranking. The same percentage of currently using respondents is considering switching other brand if they find better offer from the companies. In case of packaged tea which is most popular drink to the people of Bangladesh, respondents use those brands which are in the top of their mind. Only 1.1 percent of the respondents are considering moving toward other brands. (For details, see 'Appendix 4').

Consumer Durables

Respondents use wrist watch which is in their top of the mind. On the other hand, 11 percent respondents use different brands instead of which comes first in their mind. In addition, 4.4% are considering switching toward other competitors brands. Respondents showed positive attitude regarding mobile handset. All the respondents who have mobile handset are using brands which they think highest in ranking, however, only 2.2 % considering using other existing brand in the market. (For details, see 'Appendix 5' in the Appendix section).

Daily Utensils

In case of footwear and ball-point pen, respondents are currently using brand which they perceive best in the market. However, 2.2 percent is using other than most aware brands. In spite of having best brands in the market 5.5 and 1.1 percent of respondents are thinking to use other available brands respectively for footwear and ballpoint. (For details, see 'Appendix 6' in the Appendix section).

Cellular phones

Respondents who have cellular phone sometimes show variety seeking buying behavior; therefore, 28.9 percent respondents in this study are considering switching to other company's cellular connections. Although, most of the respondents use brands which are in fact in the top of their mind. (For details, see 'Appendix 7' in the Appendix section).

Results

The table below shows hypothesis tests result and the degree of association between Top of the mind awareness and current usage of a particular brand of that product category. The Pearson Chi-Square result shows that while buying any FMCGs, Top of the mind awareness is the crucial factor that eventually leads them to buy that particular brand. This is true for the products like toilet soap, shampoo, toothpaste, lip gel, carbonated soft drink, packaged tea, wrist watch, mobile handset, toothbrush, footwear, ball point pen and cellular connection. However, while performing the statistical operations, large number of cells in few category of product may hinder the test result for which the likelihood ratio must be considered as it integrates both sensitivity and specificity of the test as well as a direct estimate of how much a test result will change the likelihood of having different opinions. The study found that products like mobile handset and service like cellular connection have lower likelihood ratio than

rest of the variables leading to the decision of switching toward other brand in spite of having significant relationships between these products and services, both in Chi-Square result and in Likelihood ratio. This likelihood ratio also indicates that customers top of the mind awareness does not represent buying the products like toilet soap, wrist watch, footwear and ball point pen.

Further, the study considers Cramer's V to measure the strength of association between the top of the mind awareness and the product that they are currently using. It shows that people buy skin care product in accordance with the top of their mind awareness. Further, choosing products in categories like hair-care and skin-care also have some strong association with that of the top of the mind awareness. Product like ball point pen, Packaged Tea, Toothbrush and Cellular connection have some sorts of association with that of TOMA. However, toilet soap and mobile handset have the least association with the top of the mind awareness of the people.

IV. Conclusion

The primary aim of this study was to glean information concerning that consumers' top of the mind awareness of a particular brand that is the most crucial factor that lead them to buy that particular product especially in the case of fast moving consumer goods. The study shows that customers show their highest level of awareness when they consider buying products in lip-gel, shampoo and toothpaste. It is also likely that consumers choose their beverage and tea with sort of awareness. However, consumers' minds often are being distorted while they consider product like mobile handset and connection operating for it. Among the respondents, slightly over one-fourth of the consumers planning to sift their preference of their cellular connection operator clearly indicates the unstable state of choice about this service. Customers mostly do not make conscious decisions while they are intended to buy toilet soap. There is a huge gap between top of the mind awareness of this brand and planning to buy that brand in the future¹. Products that are for regular usage, such as ball point pen and footwear are also less likely to be decided with proper awareness². About buying wrist-watch, one-tenth of the consumers' awareness is not the brand that they are currently using and 5.5 percent of the respondents even are considering buying the brand that are not even in the top of their mind.

Thus, with a certain degree of firmness it can be said that customers will purchase the brands from the categories like shampoo, toothpaste, lip-gel, carbonated soft drink,

packaged tea and toothbrush of the product that are in the top of their mind, whereas there is a certain probability of shifting the brands of the product categories like toilet soap, wrist watch, mobile handset, footwear and services like cellular connection operator. Findings of this study have great implications in maintaining and changing the perception of the brand. Companies should develop their promotional strategy in effective manner so that brands of aforementioned product category always remain top in the mind of customer. However, if company faces problem of acquiring customers, it can plan vibrant and integrated communication campaign in order that customers of the other companies feel fascinated and switched to their brand.

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Figure 1
Consumers' Brand Awareness and Brand Preference

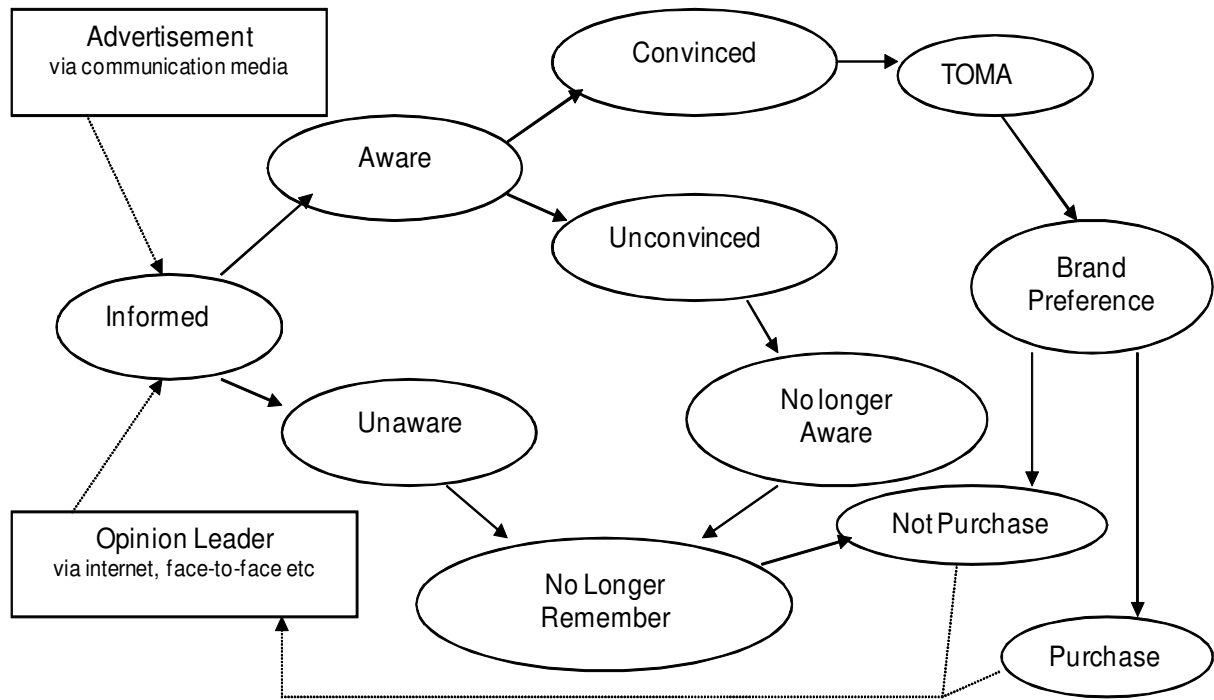


Table 1
Test Result of Top of the Mind Awareness and Current Usage of the Product

| Product | Pearson Chi-Square | | | Likelihood Ratio | | | Cramer's V | |
|------------------------|--------------------|-----|----------|------------------|-----|----------|------------|----------|
| | χ^2 | df | α | Λ | df | α | cV | α |
| Toilet Soap | 198.339 | 25 | .001 | 103.029 | 25 | .101 | .383 | .001 |
| Shampoo | 593.442 | 30 | .001 | 240.185 | 30 | .001 | .663 | .001 |
| Toothpaste | 589.136 | 25 | .001 | 261.722 | 25 | .001 | .661 | .001 |
| Lip-gel | 1153.898 | 56 | .001 | 411.274 | 56 | .001 | .781 | .001 |
| Carbonated Soft Drinks | 481.218 | 54 | .001 | 289.722 | 54 | .001 | .545 | .001 |
| Packaged Tea | 362.457 | 16 | .001 | 266.674 | 16 | .001 | .579 | .001 |
| Wrist Watch | 1437.239 | 170 | .001 | 377.978 | 170 | .995 | .730 | .001 |
| Mobile handset | 220.370 | 16 | .001 | 114.04 | 16 | .01 | .452 | .001 |
| Toothbrush | 758.865 | 90 | .001 | 466.885 | 90 | .001 | .559 | .001 |
| Footwear | 441.049 | 42 | .001 | 143.882 | 42 | .244 | .522 | .001 |
| Ball point Pen | 689.402 | 63 | .001 | 224.604 | 63 | .146 | .604 | .001 |
| Cellular connection | 292.909 | 20 | .001 | 189.867 | 20 | .001 | .521 | .001 |

Appendix 1
Demographic Profile of the Respondents

| Demographic Characteristics | Frequency | Percent | Valid Percent | Cumulative Percent |
|------------------------------------|------------------|----------------|----------------------|---------------------------|
| Gender | | | | |
| Male | 189 | 70.0 | 70.0 | 70.0 |
| Female | 81 | 30.0 | 30.0 | 100.0 |
| Total | 270 | 100.0 | 100.0 | |
| Age | | | | |
| 15-25 | 90 | 33.3 | 33.3 | 33.3 |
| 26-36 | 90 | 33.3 | 33.3 | 66.7 |
| 36+/More | 90 | 33.3 | 33.3 | 100.0 |
| Total | 270 | 100.0 | 100.0 | |
| Education | | | | |
| Primary | 21 | 7.8 | 7.8 | 7.8 |
| SSC/HSC | 132 | 48.9 | 48.9 | 56.7 |
| Bachelor Level | 60 | 22.2 | 22.2 | 78.9 |
| Master Level | 57 | 21.1 | 21.1 | 100.0 |
| Total | 270 | 100.0 | 100.0 | |
| Household Income | | | | |
| Tk 10,000 or Less | 30 | 11.1 | 11.1 | 11.1 |
| Tk 10,001 - 20,000 | 84 | 31.1 | 31.1 | 42.2 |
| Tk 20,001 - 30,000 | 33 | 12.2 | 12.2 | 54.4 |
| Tk 30,001 - 40,000 | 36 | 13.3 | 13.3 | 67.8 |
| Tk 40,001 - 50,000 | 24 | 8.9 | 8.9 | 76.7 |
| More than Tk 50,000 | 63 | 23.3 | 23.3 | 100.0 |
| Total | 270 | 100.0 | 100.0 | |

Appendix 2
Top of the Mind Awareness of the Brand of FMCGs of Beauty & Hair care

| | | TOMA | Currently Using | Consider buying |
|--------------------|------------------|--------------|------------------------|------------------------|
| Toilet Soap | | | | |
| Brand Name | Lux | 82.2 | 68.9 | 42.2 |
| | Lifebouy | 5.6 | 12.2 | 11.1 |
| | Dettol | 4.4 | 4.4 | 4.4 |
| | Keya | 3.3 | 3.3 | 8.9 |
| | Aromatic | 2.2 | 8.9 | 8.9 |
| | Meril | 2.2 | 2.2 | 7.8 |
| | Camellia | 0.0 | 0.0 | 7.8 |
| | Neutrogena | 0.0 | 0.0 | 1.1 |
| | Camay | 0.0 | 0.0 | 1.1 |
| | Dove | 0.0 | 0.0 | 1.1 |
| | Fa | 0.0 | 0.0 | 1.1 |
| | Palmolive | 0.0 | 0.0 | 1.1 |
| | Cute | 0.0 | 0.0 | 1.1 |
| | Savlon | 0.0 | 0.0 | 1.1 |
| | Tibet | 0.0 | 0.0 | 1.1 |
| | Total | 100.0 | 100.0 | 100.0 |
| Shampoo | | | | |
| Brand Name | Sunsilk | 50.0 | 38.9 | 31.1 |
| | Head & Shoulders | 21.1 | 26.7 | 27.8 |
| | Pantene | 13.3 | 11.1 | 24.4 |
| | All clear clinic | 11.1 | 18.9 | 8.9 |
| | Loreal | 2.2 | 2.2 | 0.0 |
| | Garnier | 2.2 | 2.2 | 3.3 |
| | Neutrogena | 0.0 | 0.0 | 2.2 |
| | Dove | 0.0 | 0.0 | 1.1 |
| | Vatika | 0.0 | 0.0 | 1.1 |
| | Total | 100.0 | 100.0 | 100.0 |

Appendix 3: Top of the Mind Awareness of the Brand of FMCGs of Oral Care

| | TOMA | Currently Using | Consider buying |
|-------------------|--------------|-----------------|-----------------|
| Toothpaste | | | |
| Brand Name | | | |
| Close Up | 52.2 | 28.9 | 30.0 |
| Colgate | 24.4 | 25.6 | 32.2 |
| Pepsodent | 18.9 | 37.8 | 25.6 |
| Sensodyne | 2.2 | 2.2 | 3.3 |
| Fresh gel | 1.1 | 4.4 | 6.7 |
| Nim | 1.1 | 1.1 | 0.0 |
| Aquaafresh | 0.0 | 0.0 | 1.1 |
| Babool | 0.0 | 0.0 | 1.1 |
| Total | 100.0 | 100.0 | 100.0 |
| Toothbrush | | | |
| Brand Name | | | |
| Matador | 30.0 | 33.3 | 40.0 |
| Mr.Clean | 12.2 | 11.1 | 11.1 |
| Oral-B | 11.1 | 7.8 | 7.8 |
| Eurofresh | 10.0 | 11.1 | 12.2 |
| Lord | 8.9 | 12.2 | 8.9 |
| Trisa | 7.8 | 8.9 | 3.3 |
| General | 7.8 | 1.1 | 2.2 |
| Colgate | 6.7 | 5.6 | 6.7 |
| Aquaafresh | 3.3 | 5.6 | 3.3 |
| Pepsodent | 2.2 | 2.2 | 1.1 |
| Korma | 0.0 | 1.1 | 3.3 |
| Total | 100.0 | 100.0 | 100.0 |
| Lip-gel | | | |
| Brand Name | | | |
| Meril | 57.8 | 65.6 | 38.9 |
| Vaseline | 21.1 | 17.8 | 16.7 |
| Keya | 8.9 | 3.3 | 17.8 |
| Tibet | 5.6 | 2.2 | 12.2 |
| Nivea | 2.2 | 4.4 | 3.3 |
| Labello | 1.1 | 4.4 | 5.6 |
| Cute | 1.1 | 1.1 | 2.2 |
| Ponds | 1.1 | 1.1 | 1.1 |
| Capstick | 1.1 | 0.0 | 0.0 |
| Aromatic | 0.0 | 0.0 | 2.2 |
| Total | 100.0 | 100.0 | 100.0 |

Appendix 4: Top of the Mind Awareness of the Brand of FMCGs of Beverages

| | TOMA | Currently Using | Consider Buying |
|-------------------------------|--------------|-----------------|-----------------|
| Carbonated Soft Drinks | | | |
| Brand | | | |
| Coca cola | 53.3 | 24.4 | 18.9 |
| Sprite | 26.7 | 33.3 | 23.3 |
| Royal crown | 8.9 | 14.4 | 12.2 |
| Seven Up | 6.7 | 8.9 | 20.0 |
| Pepsi | 2.2 | 4.4 | 3.3 |
| Mojo | 1.1 | 6.7 | 14.4 |
| Virgin drinks | 1.1 | 2.2 | 2.2 |
| Slice | 0.0 | 3.3 | 0.0 |
| Mountain Dew | 0.0 | 1.1 | 1.1 |
| Uro Cola | 0.0 | 1.1 | 0.0 |
| Pran | 0.0 | 0.0 | 2.2 |
| Fanta | 0.0 | 0.0 | 2.2 |
| Total | 100.0 | 100.0 | 100.0 |
| Packaged Tea | | | |
| Brand | | | |
| Lipton Taaza | 63.3 | 46.7 | 38.9 |
| Ispahani Mirzapore | 27.8 | 42.2 | 38.9 |
| HRC | 4.4 | 3.3 | 5.6 |
| Tetley | 2.2 | 3.3 | 14.4 |
| Tata | 2.2 | 4.4 | 1.1 |
| Finlay Gold | 0.0 | 0.0 | 1.1 |
| Total | 100.0 | 100.0 | 100.0 |

Appendix 5: Top of the Mind Awareness of the Brand of Consumers Durables

| | TOMA | Currently Using | Consider Buying |
|-----------------------|--------------|-----------------|-----------------|
| Wrist Watch | | | |
| Brand Name | | | |
| Tissot | 2.2 | 3.3 | 4.4 |
| Casio | 53.3 | 27.8 | 28.9 |
| Titan | 16.7 | 14.4 | 16.7 |
| Seiko | 10.0 | 10.0 | 15.6 |
| Rolex | 6.7 | 0.0 | 1.1 |
| Quartz | 4.4 | 21.1 | 17.8 |
| Citizen | 2.2 | 6.7 | 4.4 |
| Rado | 1.1 | 2.2 | 2.2 |
| Zenith | 1.1 | 1.1 | 0.0 |
| Nike | 1.1 | 1.1 | 1.1 |
| Gucci | 1.1 | 1.1 | 2.2 |
| Swatch | 0.0 | 3.3 | 1.1 |
| Maxima | 0.0 | 1.1 | 0.0 |
| Concord | 0.0 | 1.1 | 0.0 |
| Ck | 0.0 | 1.1 | 0.0 |
| Sonata | 0.0 | 1.1 | 0.0 |
| Timex | 0.0 | 1.1 | 0.0 |
| Vestin | 0.0 | 1.1 | 0.0 |
| Reebok | 0.0 | 1.1 | 1.1 |
| Omega | 0.0 | 0.0 | 1.1 |
| OMAX | 0.0 | 0.0 | 1.1 |
| Swiss | 0.0 | 0.0 | 1.1 |
| Total | 100.0 | 100.0 | 100.0 |
| Mobile Handset | | | |
| Brand Name | | | |
| NOKIA | 83.3 | 68.9 | 67.8 |
| Samsung | 5.6 | 12.2 | 5.6 |
| Motorolla | 5.6 | 5.6 | 10.0 |
| LG | 4.4 | 8.9 | 8.9 |
| Sony ericsson | 1.1 | 4.4 | 5.6 |
| Symphony | 0.0 | 0.0 | 1.1 |
| Maximus | 0.0 | 0.0 | 1.1 |
| Total | 100.0 | 100.0 | 100.0 |

Appendix 6: Top of the Mind Awareness of the Brand of FMCGs of Daily Utensils

| | TOMA | Currently Using | Consider Buying |
|-----------------------|--------------|-----------------|-----------------|
| Footwear | | | |
| Brand Name | | | |
| Bata | 78.9 | 34.4 | 38.9 |
| Apex | 10.0 | 48.9 | 35.6 |
| Pagasus | 5.6 | 10.0 | 13.3 |
| Adidas | 2.2 | 2.2 | 3.3 |
| Kangaroo | 1.1 | 1.1 | 1.1 |
| Nike | 1.1 | 1.1 | 1.1 |
| GMT | 1.1 | 0.0 | 1.1 |
| Jump | 0.0 | 1.1 | 0.0 |
| Dada Shoe | 0.0 | 1.1 | 1.1 |
| Liberty | 0.0 | 0.0 | 2.2 |
| Bely | 0.0 | 0.0 | 1.1 |
| BIS | 0.0 | 0.0 | 1.1 |
| Total | 100.0 | 100.0 | 100.0 |
| Ball-point Pen | | | |
| Brand Name | | | |
| Red Leaf | 36.7 | 1.1 | 3.3 |
| Econo | 36.7 | 12.2 | 8.9 |
| Cello | 11.1 | 24.4 | 35.6 |
| Matador | 7.8 | 47.8 | 37.8 |
| Reynolds | 2.2 | 2.2 | 1.1 |
| Olympic | 1.1 | 8.9 | 6.7 |
| Montex | 1.1 | 2.2 | 0.0 |
| Uniball | 1.1 | 1.1 | 4.4 |
| Pilot | 1.1 | 0.0 | 1.1 |
| Merit | 1.1 | 0.0 | 0.0 |
| Faber Castell | 0.0 | 0.0 | 1.1 |
| Total | 100.0 | 0.0 | 100.0 |

Appendix 7: Top of the Mind Awareness of the Brand of Cellular connection

| Cellular Connection | TOMA | Currently Using | Consider buying |
|---------------------|--------------|-----------------|-----------------|
| Brand Name | | | |
| Grameen Phone | 64.4 | 45.6 | 22.2 |
| Banglalink | 24.4 | 30.0 | 31.1 |
| Robi | 5.6 | 6.7 | 8.9 |
| Citycell | 3.3 | 1.1 | 6.7 |
| Teletalk | 2.2 | 13.3 | 2.2 |
| Warid | 0.0 | 3.3 | 28.9 |
| Total | 100.0 | 100.0 | 100.0 |

EMPIRICAL ANALYSIS OF TEACHERS' RESEARCH INVOLVEMENT ON QUALITY OF EDUCATION AND STUDENT MOTIVATION

Neelam Saraswat★ Gaurav Bhargava★★

Educational institutions have the responsibility to ensure that students who are passing undergraduate and postgraduate courses are highly skilled as per the job requirement of industry. Skill set of students are largely affected by activities of the teachers. To ensure that right inputs are given to students for their overall development, role of teacher cannot be undermined. Research activity is one of the important criterion which gives input for students development. Research based learning and participative learning is replacing the traditional mode of learning because of the increasing demand of high skill set. So it becomes imperative to understand the impact of research on student's motivation and quality learning. Purpose of this research paper is to identify the impact of teachers' research involvement on student's motivation, learning and perception towards the quality of education imparted. This paper also aims at development of policy framework related to teacher's research involvement in educational institutions. This is an Exploratory Research which is based upon Primary Data Analysis. Total 350 students studying in under graduate and post graduate courses in different streams (science, arts, management, and commerce) from various Indian universities/colleges/institutions formed the sample elements. Students of 14 colleges, universities and institutions participated in the pilot testing of questionnaire. The questionnaire was reviewed by 20 teachers and policy makers before its distribution to the students. Data has been analyzed with the use of different statistical techniques/tools such as power and sample size analysis, Models for Binary and Categorical Outcomes to study Descriptive, Bivariate and Multivariate Statistics and Prediction for identifying groups using SPSS.

Educational institutions have the responsibility to ensure that students who are passing undergraduate and postgraduate courses are highly skilled as per the requirement of industry. Skill set of students are largely affected by activities of the teachers. To ensure that right inputs are given to students for their overall development, role of teacher cannot be undermined. Research activity is one of the important criterion which gives input for students development. Through research, academicians prepare their knowledge base and takes hand on practical experience in their respective areas. Then they transfer this knowledge to their students. This practical knowledge becomes important in practical subjects such as science and management. Balanced teaching and research has always been a matter of conflict for policy makers in the area of higher education. The Boyer Commission (1998) argued that research universities in the US were guilty of allowing leading researchers in the disciplines to be exempted from teaching undergraduate classes to focus on their research, inevitably resulting in undergraduate students becoming increasingly removed from the research at the fore of their disciplines (Boyer Commission, 1998). This is against the requirement of super complex economy which requires highly skilled students. This issue is having its increased

importance as number of educational institutions is mushrooming in India and quality education becomes major area of concern. It is the responsibility of policymakers (central government of India) that quality education is imparted to students. Even this is important for decision makers in independent institutions to understand the importance of teacher's research involvement and its impact on their students. Research based learning and participative learning is replacing the traditional mode of learning because of the increasing demand of high skill set. So it becomes imperative to understand the impact of research on student's motivation and quality learning.

This research paper aims at identifying the impact of teachers' research involvement on student's motivation, learning and perception towards the quality of education imparted. The insights and findings of this paper will help policy makers in development of policy framework related to teacher's research involvement in educational institutions as this paper explores the positive and negative aspects of teacher's research involvement.

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I. Review of Literature

Learning of the students does not happen in isolation. Learning in the classroom and student's motivation is affected by many factors. According to (Kumaravadivelu, 1992), the factors that best facilitate student learning are considered to be the ones that are described as being purposeful, task-oriented, relaxed, warm, supportive, and has a sense of order and humor in an integrated sense. He also speaks positively of other factors facilitating students learning in a positive manner such as; mutual respect and rapport etc. From the students' points of view, effective from ineffective teachers are separated by teacher-expressive characteristics such as warmth, enthusiasm, and extroversion (Basow, 2000; Basow&Silberg, 1987; Best & Addison, 2000; Bousfield, 1940; Cravens, 1996; Feldman, 1986). There is another variable which has impact on the learning and student motivation and that is the research activities of the teacher. Impact of research activities on quality of education is not new to the world of academics. Number of studies has been done to identify the correlation between teaching and research outcomes. The results of research studies initiated at Oxford Brookes in 1995 to identify the impact of lecturer research on student learning suggest that lecturer research is positively valued by students and perceived by them to have beneficial effects on their learning (Jenkins et al, 1998; Lindsay, Breen and Jenkins, 2002). Neumann (1994) found research to have positive benefits to students by increasing the course's credibility and the perception that students were learning relevant and current course content. Jenkins et al. (1998) also supported the link between research and student motivation by reporting that students' own motivation and interest in a subject area often stemmed from instructor enthusiasm which had roots in the academic's research interests. Healey (2005, 193) summarized the literature examining student perceptions of research on their learning environment and argued that students perceive clear benefits from staff research, including enthusiasm, credibility, and "the reflected glory of being taught by nationally and internationally known researchers." The picture is not always green. The other side of the coin depicts the possibility of negative effects of teachers' research involvement. As identified by (Healey, 2005), there were also several disadvantages perceived by students, including staff unavailability, the lack of ownership/involvement in research activities, and staff research taking priority over their learning. Hattie J. & Marsh H. W. (1996) also concluded that there was no correlation between traditional measures of teaching and research excellence. In their words "It should cease to be surprising that the

relationship between teaching and research is zero, and it would be more useful to investigate ways to increase the relationship".

Sharing of research findings with students or their involvement in research also fulfills requirement of participation of students. Student participation in the class and his/her level of interaction with teacher also has impact on the motivation and learning. Involvement of students can be assured if teacher shares his research insights in the class or includes students in his research in any form. This participation has impact on learning which students take in the class. Many researches in area of education also engage in the class to promote effective and effective learning. (Billson 1986, Browne and Litwin 1987, Hamlin and Janssen, 1987) Research on learning strategies also proves that when students have the opportunity to engage with the class material-question it, explain it, and think about it in relation to their own lives or the "real world-it is more likely to be understood and retained (Eble 1976; Goldsrid and Wilson 1980; McKeachie 1999).According to Kamber and Gow (1994) an interactive "Facilitative orientation" to teaching promotes "deep learning", which focuses upon underlying meaning of projects. Contrary of this is traditional teaching which focuses upon "surface learning" a tendency to memorize material to gain marks in the examination. Involvement gives sense of ownership and responsibility to students for their own learning. This empowerment motivates them to take initiatives and to be creative. This motivation of students helps education to fulfill its objectives which are related with individual development, social and national development, sustainable development and modernization.

In India there is no such exhaustive literature which talks about the impact of teacher' research involvement on student motivation and perception about quality of education. In this paper we have tried to explore the insights in this area in Indian context.

II. Research Design & Methods

This is an Exploratory Research which is based upon Primary Data Analysis.

Total 350 students studying in under graduation and post graduation courses in different streams (science, arts, management, and commerce) in various Indian universities/ colleges/institutions formed the sample elements. Focused group consisting of policy makers of educational institutions, teachers teaching on undergraduate and postgraduate level and students, was formed. On the basis of understanding of outcome of focus group discussion,

questionnaire comprising of 17 questions was developed. The questionnaire was reviewed by 20 teachers and policy makers before its distribution to the students. Students of 14 colleges, universities and institutions contributed in research by filling questionnaire. Students studying in undergraduate and postgraduate courses with streams in science, commerce, management, arts and other areas were included in the sample.

The items of the questionnaire were intended to get insight about students' awareness about teacher's research involvement, their perception about the research activities of teacher and its impact on their motivation and quality of education. In addition to assessing student's belief, the questions needed to have information about student's course, stream, gender, career objective and name of the institution.

Data has been analyzed with the use of different statistical techniques/tools such as power and sample size analysis, Models for Binary and Categorical Outcomes to study Descriptive, Bivariate and Multivariate Statistics and Prediction for identifying groups using SPSS.

Important Facts:

The survey instrument was shown to be both reliable and valid. The survey reveals that:

- 55.9% of total students were aware about their teacher's research involvement. Out of this number, 78.3% students expressed that research activity of their teacher makes lectures more enthusiastic (Figure 2). 78.1% of these students accepted that research involvement of their teacher makes teacher more interesting. 77.5% of students expressed that research activity of teacher enhances teacher's credibility. 78.2% students accepted that research activity of the teacher ensures that teacher's knowledge is up-to-date (Figure 3). 22.7% students also expressed that their teacher has become less accessible because of their research involvement (Figure 4). 18% of students also accepted that their teacher do not have interest in their scientific development because teachers are busy in his own research (Figure 5).
- Out of 162 post graduate students, only 48 students don't know about research involvement of their teacher. Out of 189 under graduates, 105 students are not aware about their teacher's research involvement. So it can be inferred that post graduate students are more interested or involved in research findings of the research done by their teacher (Table 1).
- From total sample size of 348 students, 91 students

expressed their interest towards selection of research as career option and 119 students agreed to do the same if research promises enough job opportunity or if it is required by the job. Out of 91 students who want to make their career in research, only 26 students are not aware about teacher's research involvement. 71 (50+21) students who are not aware about teacher's research involvement are not intended to make their career in research or they are not sure about it. So it shows that student's ambitions regarding career option in research is also important factor in determining their awareness about teacher's research activity. If a student is clear about selection of research as career then they take more interest in teacher's research activities to build their knowledge base for future job (Table 2).

- 136 students, who were not aware about research activity taken up by the teacher, cited many reasons for this. 69.1% of these students said that teacher is responsible for their unawareness about research activity as teacher does not share such information with them. 18.4% of students said that they do not have any interest in the research so they do not bother to know about teacher's research activities. 12.5% of the students cited diversified reasons for the same (Table 3). One very interesting fact came in existence that students said "we do not attend classes on regular basis. We frequently miss the classes. So it might happen that when our teacher discussed his research findings we were absent from the class". So this is again a noteworthy point for policy makers. Rules regarding attendance must be more stringent and those rules must be followed in true spirits instead of just words. This will facilitate the learning and actual student motivation.
- Students are more concerned about research findings related to their syllabus. As 69% of students expressed that they want their teacher to do research related to content of the syllabus. When enquired in detail they said that every subject teacher gets limited classes and in these classes if teacher shares research finding of topic which are not part of the syllabus then it kills the time which can be devoted to content of syllabus. To certain extent they held examination system responsible for the same as examinations in those institutions judge students on the basis of written examinations which are restricted with syllabus. Examinations do not focus upon their analytical skills, creativity and innovation.

III. Results & Discussion

Learning Environment within the class, Student development through teacher's research and Expectation

of student regarding quality of education are three most prominent factors found through research analysis with the help of factor analysis (Table 4 & Figure 6).

These three factors include the given below variables:

- Learning Environment within Class: Lectures Enthusiastic, Lectures Interesting, Knowledge Uptodate and Lectures Credibility.
- Student Development through Teacher's Research: Teacher Accessibility, Teacher research Student development and Research Not Interes to class.
- Expectation of student regarding Quality of Education: Teacher preference Research involvement, Research Syllabus content and Teacher encourage student Research.

These three factors are the positive outcome of teacher's research involvement. Teacher's research involvement creates positive learning environment in the class where lecture becomes more enthusiastic, and interesting. Teacher's research involvement brings credibility to learning imparted by him as research ensures that teacher's knowledge is up-to-date. It fulfills student's expectation regarding quality of education. Research involvement of teacher may have both positive and adverse impact on the student development. Sometimes research involvement makes teacher less accessible and even sometimes teacher do not focus upon development of students because of his high involvement in his own research.

- Our research shows passiveness of teacher's about sharing their research contribution/knowledge/findings within the class. This is clear from the point that 131 students who are not aware about research involvement of teacher accepted the reluctance of teacher for the same.
- Research shows that majority of students prefer to be taught from teachers who are actively involved in research activity related to the syllabus of subject. It depicts unquenched thrust of students towards quality education in today's educational institutes
- Research shows the relationship between student's interest towards research as career and research sharing of teacher within the class; we found 79.7% students are motivated to choose research as career because their teachers share research findings/knowledge within the class (Table 5 & Figure 14).
- Research shows the relationship between student's interest towards research as career and research sharing of teacher within the class; we also found that 81.5 % student's can aspire for research as a career only if

their teacher share the research within the class and elaborate upon job opportunities in the field of research (Table 5).

- 44.2% of the respondents whose objective of study is both to acquire knowledge and gain a job (Table 6) perceive research as a career option if it is clubbed with opportunities of getting job. Today unemployment among graduate/postgraduate youth is on hyperinflation and academic institutions are short of faculties/research scholars. Our analysis finds a solution to bridge this gap. 34% of the entire sample population considers job opportunities as their first criteria to pursue research (Table 7). If structural policy changes can be made to woo more young students to enroll into research, both unemployment and shortage of research faculties can be catered.
- Research shows that credibility of lectures delivered by teacher is inversely proportional to the teacher's involvement in research that is not related to class. If teacher is involved in research that is not related to interest to the class he/she teaches, credibility of his lectures goes down.
- While both undergraduates and postgraduates agree about the generic benefits of teacher's involvement in research, postgraduates also apparently expect the teachers who support their learning to be involved in research; and they insist that this research should be relevant to the content of their courses.
- Research shows that teacher's encouragement to students towards research activity is directly proportional to the renewed and updated knowledge of teacher in student's eyes.

IV. Implications

The result of the study would help policy makers in drafting policies to maximize the benefits of the research activities conducted at various educational institutes (universities, colleges and institutions). It will also guide teachers to modify their pedagogical approaches and curriculum designs for betterment of the quality of education. So here are few recommendations for policy makers and teachers on the basis of analysis of data collected.

1. Teachers' must share their research findings with students as it is preferred by students also. It will help in the facilitation of learning, creation of positive learning environment in the class. Even teachers must involve students in research process as far as possible.
2. Teachers must focus upon the research related to content of the syllabus. As students are more interested in

syllabus based research because they find it easy to comprehend the findings related to syllabus based research.

3. Sometimes teachers become less accessible to the students because of their research activities. A teacher must create the balance between their research involvement and student development. They must not compromise with students' learning.
4. Teachers must be encouraged by educational institutes to actively do research in their area of interest so that they can update their knowledge base and can transfer the same to their students. Policy makers must give some reinforcement to the teachers for their research.
5. Research and development must be job oriented. This will not only promote quality researches in India but also reduce rate of brain drain. A major policy restructuring is required to boost quality educational researches in India. It will surely attract and retain quality intellectual brains within India for India.
6. Career objectives of the students must be clearly defined and understood by the teachers. They must impart the knowledge which can help students to fulfill their career objectives.

Limitations/Implications:

Like other research, this research is also having certain limitations. The accuracy of the analysis is dependent upon the accuracy of the responses given by respondents. The scope of the study is limited to India only as data was collected from students who are studying in Indian universities, colleges and institutions. Cultural difference and education system of has huge impact on students' orientation towards research activities of teacher. So this point must be considered as limitation of the paper. Similar kind of research can be done in context of other nations and then the difference in the view point can be analyzed. This study has scope for further investigations. In future, research can be done by considering the impact of students' quality on the link between teachers' research involvement and student motivation, learning and quality of education.

V. Conclusion

The result of the study would help policy makers in drafting policies to maximize the benefits of the research activities conducted at various educational institutes (universities, colleges and institutions). It will guide teachers to modify their pedagogical approaches and curriculum designs for betterment of the quality of education. Teachers' must share their research findings with students as it is preferred by students also. It will help in the facilitation of learning,

creation of positive learning environment in the class. Even teachers must involve students in research process as far as possible. Focus to create the balance between teacher's research involvement and student development is essential. Thus, teachers must be encouraged by educational institutes to actively do research in their area of interest so that they can update their knowledge base and can transfer the same to their students. Policy makers must give some reinforcement to the teachers for their research. Research and development must be job oriented. This will not only promote quality researches in India but also reduce rate of brain drain. A major policy restructuring is required to boost quality educational researches in India. It will surely attract and retain quality intellectual brains within India for India. Career objectives of the students must be clearly defined and understood by the teachers.

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Figure 1: Impact of Teacher's research involvement

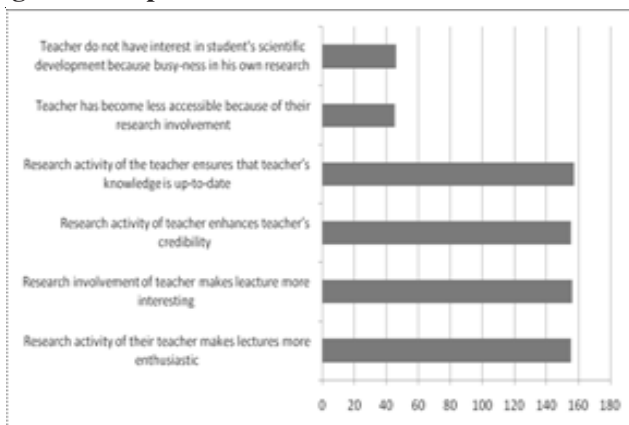


Figure 2: Whether research activity of teacher makes lectures more enthusiastic

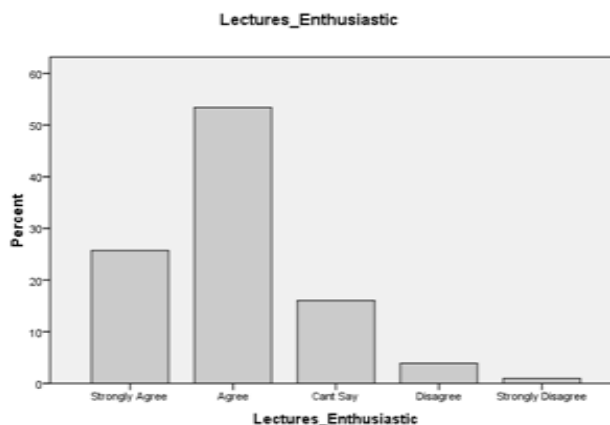


Figure 3: Whether research activity of teacher ensures that his knowledge is up to date

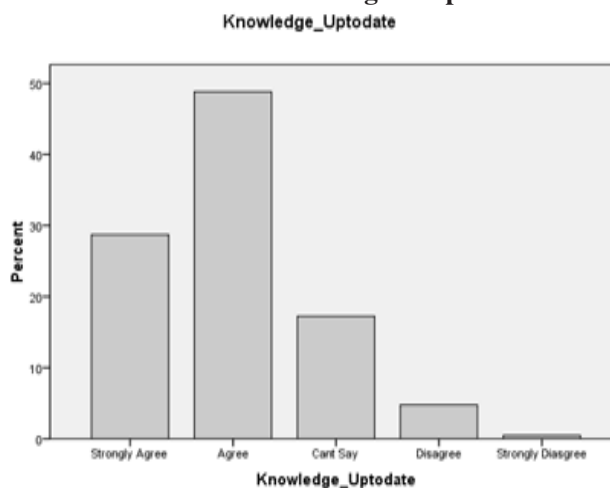


Figure 4: Low accessibility of teacher because of his involvement in research activity

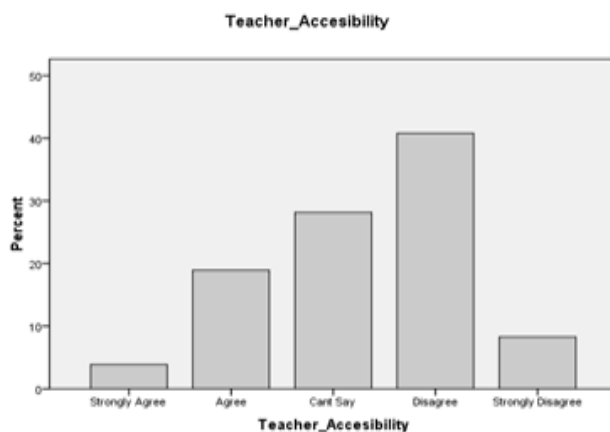


Figure 5: Less interest of teacher in student's scientific development because of his involvement in research activity

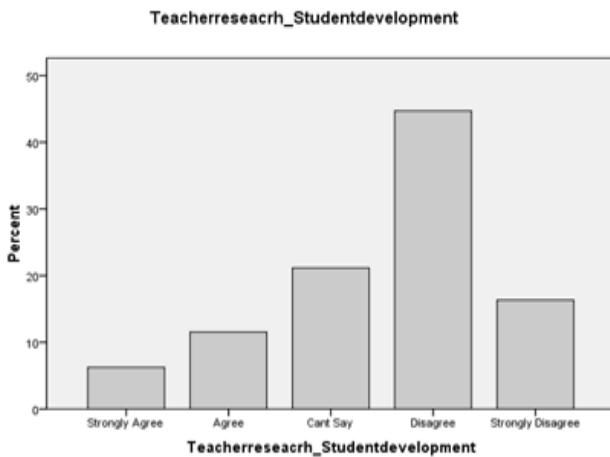


Figure 6: Scree plot for factor analysis

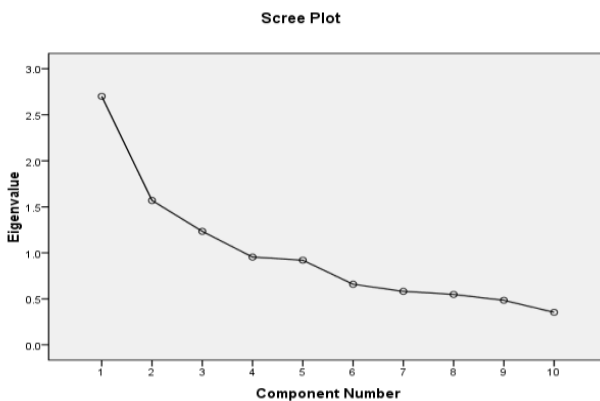


Table 1: Relationship between student's interest towards research and Qualification of student

| Count | Teacher_Research_Involvement | | Total |
|-----------------|------------------------------|-----|-------|
| | Yes | No | |
| Qualification | | | |
| Graduation | 84 | 105 | 189 |
| Post Graduation | 114 | 48 | 162 |
| Total | 198 | 153 | 351 |

Table 2: Student's interest towards research and teacher's research involvement

| Count | Teacher_Research_Involvement | | Total |
|-------------------------------------|------------------------------|-----|-------|
| | Yes | No | |
| Research Interest | | | |
| Yes | 65 | 26 | 91 |
| No | 45 | 50 | 95 |
| Not Sure | 22 | 21 | 43 |
| Depends on the opportunities of job | 64 | 55 | 119 |
| Total | 196 | 152 | 348 |

Table 3: Reasons of Student's unawareness about teacher's research involvement

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------|----------------------|-----------|---------|---------------|--------------------|
| Valid | Teacher never shared | 94 | 26.5 | 69.1 | 69.1 |
| | I am not interested | 25 | 7.0 | 18.4 | 87.5 |
| | Other | 17 | 4.8 | 12.5 | 100.0 |
| | Total | 136 | 38.3 | 100.0 | |
| Missing | System | 219 | 61.7 | | |
| Total | | 355 | 100.0 | | |

Table 4: Response of factor analysis

| | Component | | |
|---------------------------------------|-----------|------|------|
| | 1 | 2 | 3 |
| Lectures_Enthusiastic | .812 | | |
| Lectures_Interesting | .807 | | |
| Knowledge_Uptodate | .742 | | |
| Lectures_Credibility | .737 | | |
| Teacher_Accesibility | | .772 | |
| Teacherresearchh_Studentdevelopment | | .752 | |
| Research_NotInterestofclass | | .606 | |
| Teacherpreference_Researchinvolvement | | | .787 |
| Research_Syllabuscontent | | | .623 |
| Teacherencouragestudent_Research | | | .507 |

Table 7: Criteria to pursue research as interest/opportunity of job

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------|-------------------------------------|-----------|---------|---------------|--------------------|
| Valid | Yes | 91 | 25.6 | 26.1 | 26.1 |
| | No | 95 | 26.8 | 27.2 | 53.3 |
| | Not Sure | 44 | 12.4 | 12.6 | 65.9 |
| | Depends on the opportunities of job | 119 | 33.5 | 34.1 | 100.0 |
| | Total | 349 | 98.3 | 100.0 | |
| Missing | System | 6 | 1.7 | | |
| Total | | 355 | 100.0 | | |

Table 5: Relationship between student's interest towards research as career and research sharing of teacher within the class

| Research_Interest * Research_Sharing_By_Teacher Crosstabulation | | | | | | | |
|---|-------------------------------------|----------------------------|-----------------------------|-------|----------------------|---------------------------------|--------|
| | | | Research_Sharing_By_Teacher | | | | Total |
| | | | Yes | No | Unable to Comprehend | Least Interested Beyond Syllbus | |
| Research_Interest | Yes | Count | 51 | 7 | 1 | 5 | 64 |
| | | Expected Count | 49.7 | 7.1 | 1.6 | 5.5 | 64.0 |
| | | % within Research_Interest | 79.7% | 10.9% | 1.6% | 7.8% | 100.0% |
| | No | Count | 34 | 10 | 1 | 3 | 48 |
| | | Expected Count | 37.3 | 5.4 | 1.2 | 4.1 | 48.0 |
| | | % within Research_Interest | 70.8% | 20.8% | 2.1% | 6.2% | 100.0% |
| | Not Sure | Count | 15 | 2 | 2 | 1 | 20 |
| | | Expected Count | 15.5 | 2.2 | .5 | 1.7 | 20.0 |
| | | % within Research_Interest | 75.0% | 10.0% | 10.0% | 5.0% | 100.0% |
| | Depends on the opportunities of job | Count | 53 | 3 | 1 | 8 | 65 |
| | | Expected Count | 50.5 | 7.3 | 1.6 | 5.6 | 65.0 |
| | | % within Research_Interest | 81.5% | 4.6% | 1.5% | 12.3% | 100.0% |
| Total | Count | 153 | 22 | 5 | 17 | 197 | |
| | Expected Count | 153.0 | 22.0 | 5.0 | 17.0 | 197.0 | |
| | % within Research_Interest | 77.7% | 11.2% | 2.5% | 8.6% | 100.0% | |
| | | | | | | | |

Table 6: Relationship between student's objective of study and research as career interest

| | | | Research_Interest | | | | Total |
|-----------------|---|--------------------------|-------------------|-------|----------|-------------------------------------|--------|
| | | | Yes | No | Not Sure | Depends on the opportunities of job | |
| Objective_Study | Area of Interest | Count | 30 | 17 | 6 | 8 | 61 |
| | | Expected Count | 15.8 | 17.0 | 7.5 | 20.7 | 61.0 |
| | | % within Objective_Study | 49.2% | 27.9% | 9.8% | 13.1% | 100.0% |
| | Obtaining a Job | Count | 19 | 28 | 11 | 26 | 84 |
| | | Expected Count | 21.7 | 23.5 | 10.3 | 28.5 | 84.0 |
| | | % within Objective_Study | 22.6% | 33.3% | 13.1% | 31.0% | 100.0% |
| | Don't Know | Count | 1 | 5 | 2 | 0 | 8 |
| | | Expected Count | 2.1 | 2.2 | 1.0 | 2.7 | 8.0 |
| | | % within Objective_Study | 12.5% | 62.5% | 25.0% | .0% | 100.0% |
| | Both Area of Interest & Obtaining a Job | Count | 35 | 40 | 21 | 76 | 172 |
| | | Expected Count | 44.4 | 48.0 | 21.2 | 58.4 | 172.0 |
| | | % within Objective_Study | 20.3% | 23.3% | 12.2% | 44.2% | 100.0% |
| | Other | Count | 1 | 3 | 1 | 3 | 8 |
| | | Expected Count | 2.1 | 2.2 | 1.0 | 2.7 | 8.0 |
| | | % within Objective_Study | 12.5% | 37.5% | 12.5% | 37.5% | 100.0% |
| | Total | Count | 86 | 93 | 41 | 113 | 333 |
| | | Expected Count | 86.0 | 93.0 | 41.0 | 113.0 | 333.0 |
| | | % within Objective_Study | 25.8% | 27.9% | 12.3% | 33.9% | 100.0% |
| | | | | | | | |

MARKETING MIX STRATEGIES: A STUDY OF PONLAIT PARLOURS OF PUDUCHERRY REGION

K. Manikandan★ R. Veluraj★★

Dairy cooperatives assume a great importance in the nations' economic development through prospering enormous employment opportunities to the rural masses. Next to agriculture, this can be an alternative livelihood model for those people. The demand of urban consumers is fulfilled with admitting various promotional as well as sales strategies. The urban consumers, now-a-days, are stimulated or augmented with the habit of consuming milk and milk products in a modern way. The consumption of milk and milk products by urban consumers' involves the milk unions to speed up their activities. Among the various methods followed by the unions, selling of milk and milk products through milk parlours attracts many of urban consumers to consume milk and milk products in a large manner. In this regard, the practice of Ponlait in Puducherry deserves mention. It has established milk parlours in important and conspicuous places in the Puducherry region. The sale of milk and milk products through milk parlours has been undertaken by the Ponlait in two ways, namely, i) keeping the milk parlours on its own, and ii) keeping the milk parlours through outsourcing on commission basis. The study reveals that Ponlait is doing well in each strategy of 7 P's of marketing mix. However, its market growth appears to be limited. In order to improve the functioning of the Ponlait, the study has suggested some measures to follow.

India is the world's largest milk producer, accounting for more than 13% of world's total milk production. As it is the world's largest consumer of dairy products, but consuming almost 100% of its own milk production. Dairy products are a major source of cheap and nutritious food to millions of people in India and the only acceptable source of animal protein for large vegetarian segment of Indian population, particularly among the landless, small and marginal farmers and women. In India, about three-fourth of the population live in rural areas and about 38% of them are poor. The aim of different activities involves in dairy is alleviating the poverty and unemployment especially in the rural areas in the rain-fed and drought-prone regions. Milk production gives employment to more than 72mn dairy farmers. In terms of total production, India is the leading producer of milk in the world followed by USA. Although milk production has grown at a fast pace during the last three decades (courtesy: Operation Flood), but the milk processing industry is small compared to the huge amount of milk produced every year. Only 10% of all the milk is delivered to some 400 dairy plants.

Dairy cooperatives assume great importance in Indian economic development in terms of creation of enormous employment opportunities to the rural masses. Next to agriculture, this is an important livelihood opportunity for those people. The dairy cooperatives help to fulfill the demands of the urban consumers through supply of quality

milk to them. The demand of urban consumers is fulfilled adopting various promotional as well as sales strategies. Presently there are around 70,000 village dairy cooperatives across the country. The co-operative societies are federated into 170 district milk producers unions, which in turn has 22-state cooperative dairy federation. In the organised dairy industry, the cooperative milk processors have a 60% market share.

The urban consumers, now-a-days, are found with the habit of consuming milk and milk products in a modern way. The increasing consumption of milk and milk products by urban consumers drives the milk unions to speed up their activities. The milk unions undertake sales or marketing of milk and milk products to urban consumers through different methods and strategies. The methods are; i) selling of processed milk in loose quantities, ii) selling of processed milk in packets, and iii) selling of milk and milk products through milk parlours. Among the various methods followed by the unions, selling of milk and milk products through milk parlours attracts many urban

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consumers to consume more and more milk and milk products. In this regard, Ponlait in Puducherry deserves mention. Ponlait has established milk parlours at important places in Puducherry region. The sale of milk and milk products through milk parlours is undertaken by the Ponlait in two ways, namely, i) keeping the milk parlours on its own, and ii) keeping the milk parlours through outsourcing arrangements on commission basis. It could be noted that the sale of milk products by Ponlait is undertaken only by these parlours.

Successful marketing strategies create a desire for a product. A marketer, therefore, needs to understand consumer likes and dislikes. In addition, marketers must know what information will convince consumers to buy their product, and whom consumers perceive as a credible source of information. Some marketing strategies use fictional characters, celebrities, or experts (such as doctors) to sell products, while other strategies use specific statements or “health claims” that state the benefits of using a particular product or eating a particular food.

A sound marketing programme is an activity which takes a careful analysis of the habits, attitudes, motives and needs of consumers. In other words, to satisfy the needs of consumers, a business firm must determine a marketing mix which represents the total marketing programme. This is an important tool used in designing the process of marketing as well as a strategy to understand and cope up with consumer buying behaviour, traders’ behaviour, competitors’ behaviour and government behaviour. This is a blend of decisions to provide a marketing offer to the selected markets or consumers. The idea behind the development of a mix is that a certain combination of 4 P’s produces greater customer satisfaction than other blends. As such, marketing mix is used as a strategy in developing marketing planning. There are many studies on marketing mix of private corporate enterprises. Studies on cooperative dairy using marketing mix framework is, by and large, absent. Against this background, the study is carried out in Ponlait in Puducherry region. The study makes an attempt to explore and document the adoption of marketing mix strategies of Ponlait in marketing its milk and milk products through milk parlours. The study has the following objectives.

- To undertake the working status of Ponlait in Puducherry region,
- To explore the marketing mix strategies of Ponlait in marketing the milk and milk products in Puducherry region, and,

- To offer suitable measures/suggestion to improve marketing practices of Polait.

I. Review of Literature

In this section of the paper, a literature review of the literature relevant to marketing mix strategies found in the different research studies is provided. In spite of so many studies that have analyzed the marketing mix elements, we have not found articles that have analyzed the adaptation of all elements of the marketing mix in the cooperative dairy sector especially in the milk parlours sales. Therefore, this part mainly focuses on the marketing mix strategies adopted from the perspective of various business models.

Borden (1965) claims to be the first to have used the term “marketing mix” and that it was suggested to him by Culliton’s (1948). Borden’s original marketing mix had a set of 12 elements namely: product planning; pricing; branding; channels of distribution; personal selling; advertising; promotions; packaging; display; servicing; physical handling; and fact finding and analysis. Frey (1961) suggests that marketing variables should be divided into two parts: the offering (product, packaging, brand, price and service) and the methods and tools (distribution channels, personal selling, advertising, sales promotion and publicity). On the other hand, Lazer and Kelly (1962) and Lazer, Culley and Staudt (1973) suggested three elements of marketing mix: the goods and services mix, the distribution mix and the communication mix. McCarthy (1964) refined Borden’s (1965) idea further and defined the marketing mix as a combination of all of the factors at a marketing manager’s command to satisfy the target market. He regrouped Borden’s 12 elements to four elements or 4Ps, namely product, price, promotion and place at a marketing manager’s command to satisfy the target market.

Since then 1980s, number of researchers proposes new ‘P’ into the marketing mix. Judd (1987) proposes a fifth P (people). Booms and Bitner (1980) add 3 Ps (participants, physical evidence and process) to the original 4 Ps to apply the marketing mix concept to service. Kotler (1986) adds political power and public opinion formation to the Ps concept. Baumgartner (1991) suggests the concept of 15 Ps. MaGrath (1986) suggested the addition of 3 Ps (personnel, physical facilities and process management). Vignalis and Davis (1994) suggested the addition of S (service) to the marketing mix. Goldsmith (1999) suggests that there should be 8 Ps (product, price, place, promotion, participants, physical evidence, process and personalization).

Number of studies of industrial marketers and purchasers

indicated that the marketing mix components differ significantly in importance (Jackson, Burdick and Keith, 1985). Udell (1968) found that sales efforts were rated as most important, followed by product efforts, pricing, and distribution. LaLonde (1977) found product related criteria to be most important, followed by distribution, price, and promotion. Perreault and Russ (1976) found that product quality was considered most important, followed by distribution service and price. McDaniel and Hise, (1984) found that chief executive officers judge two of the 4 Ps, pricing and product to be somewhat more important than the other two – place (physical distribution) and promotion. Kurtz and Boone (1987) found that on the average, business persons ranked the 4 Ps to be of most importance in the following order: price, product, distribution, and promotion. Thus, it appears from these studies that business executives do not really view the 4 Ps as being equally important, but consider the price and product components to be the most important (Kellerman, Gordon and Hekmat, 1995).

The variables in the 7 P's of marketing mix studied by various authors make the best combination as industry deals with services marketing. Nsirat and Addmour (2004) who studied the marketing mix factors that influence treatment service in the decision of Arab patients for choosing Jordan as the best place to receive treatment. Addmour and Ayish (2005) found a positive relationship between marketing mix factors and the perceived image by Arab tourists and foreigners' satisfaction. The existence of differences in the perceived image were due to gender factor and qualifications, monthly income and career. It has also been found that there are differences due to age and nationality. Kim and Park (2006) find the performance of personnel in Korean libraries significant. Also, Martin Consuegra (2007) finds price fairness influences price acceptance indirectly through customer satisfaction and loyalty. Cengiz and Yayla (2007) find marketing mix to have a positive effect on satisfaction and loyalty on word of mouth communication from accounting offices in Turkey. Ivy (2008) finds marketing mix at a post graduate level has influence over a student's decision to return to full-time study. Baldauf et al., (2009) indicate that marketing mix strongly and positively influences brand profitability performance. Hirankitti, Mechinda, and Manjing (2009) opine that there is a direct relation between increasing customers and the efficient service provided by using the elements of marketing mix.

Moreover, most studies used marketing mix in the various business forms of organization in general and none of them examined cooperative dairy sector. Moreover, the literature review is shown lacks research in marketing mix in milk

parlour marketing, which plays an important role in the success of the cooperative dairy field. Thus, this shows that there is a clear gap which the researcher has tried to fill in the current study thereby, contributing to the literature by marketing mix strategies in cooperative dairy sector.

II. Research Design & Methods

The study is exploratory in nature as it makes an attempt to explore the marketing mix strategies adopted by the Ponlait parlours in marketing milk and milk products. The main reason behind the selection of Ponlait is the only organization which has 37 parlours in important places covering all parts of the region. Every half a kilometer, one parlour is working. A field study was conducted during the period between January and March 2011. The methods followed in the study are review of secondary sources, observation, and interview with personnel working in Ponlait. Simple statistical tools such as averages and percentages were used in the analysis.

Profile of the Ponlait

The Pondicherry Cooperative Milk Producers Union is the first cooperative society registered in the year 1995 in the Union Territory of Puducherry as Pondicherry Cooperative Milk Supply Society and later it was converted into the milk producers union in the year 1973, popularly known as "PONLAIT". Under the society, a dairy unit was established with an installed capacity of 10,000 liters of milk a day at a cost of Rs.23.00 lakh and at present, this dairy has a capacity to handle 50,000 liters per day. All the primary cooperative milk producers' societies in Puducherry were transformed into Anand Pattern societies. The area of operation of the union is confined into the entire region of Puducherry. The main object of the union is to carry out activities conducive to the socio-economic development of the milk producers' by organizing effectively production, processing and marketing of milk and milk products.

The milk union is operating in the Puducherry region with 97 affiliated dairy cooperative societies. There are 10000 cattle owners, who are members in the dairy cooperative societies at villages supply milk to the union. Milk supplying members are being paid fortnightly in cash with remunerative milk price on the basis of FAT and SNF by their respective societies which send milk and collect payment from Ponlait. Through this, societies also earn a profit.

The total milk procured by the Union has gone down from 201.35 litres in 2005-06 to 164.03 litres in 2009-10

recording a fall of a 74.95 per cent in five years. The total milk procured from outside the State has increased from 22.50 per cent of total milk procured in 2005-06 to 49.29 per cent in 2009-10 which indicate declining contribution by member dairy cooperative societies. At the end of 2009-10, the union had made a total of milk price payment of Rs.2446.05 lakh with an average payment of Rs.25.21 lakh per society. (See Table.1)

The total sale of milk of the union has increased from 255.68 lakh litres in 2005-06 to 328.50 lakh litres in 2009-10 recording a growth of 101.78 percent during the whole period with a moderate fluctuation. During the year 2009-10, out of the total sale of milk of the Union 303.73 lakh litres of milk were sold to individual consumers and 24.76 lakh litres were sold to schools. The sale of milk products rose from Rs.130.00 lakh in 2005-06 to 1299.89 lakh in 2009-10 recording a huge percentage change of 247.08. (See Table.2)

The administration of the union is vested with the committee of management comprising 12 elected representatives from the dairy cooperative societies and a nominee from the National Dairy Development Board, cooperative department and department of animal husbandry respectively and managing director of the milk union. Since the committee of management is dissolved, the administrator manned by a deputy registrar from the cooperative department is looking after in lieu of the board of management with effect from 06.09.2002. As per the order of the high court, Chennai, an advisory board with the three members (Registrar of co-operative societies – chairman, State director, NDDDB, Bangalore - member, Director, AHD, Pondicherry – member) has been constituted by Registrar in order to guide the administrator by making major policy decisions and other administrative matters. At present 156 employees in various cadres are working in the union.

III. Results & Discussion

The study adopts the marketing mix framework. According to Philip Kotler, marketing mix is the set of marketing tools tested in the target market in order to pursue the organizational marketing objectives. The study has taken into account marketing mix tools developed in literature. The particular tool used in the study is seven Ps framework: Product, Price, Place (i.e., distribution), Promotion, People, Physical evidence and Process.

In the services marketing, customers' satisfaction is the focal point and the level of satisfaction is not static. Therefore, it is essential that marketing mix is prepared in a scientific way and dealt with carefully so as to make the

venture profitable. Keeping this in view, the marketing strategy of Ponlait target markets is discussed and analyzed here. The seven marketing mix strategies of the Ponlait as practiced (through parlours) can be understood from the following.

1. Product – the goods and services combination that the firm offers to the target segment. The Ponlait under study is involved in production and management of products like milk and milk products. It produces a variety of quality milk and milk products in order to fulfill the demands of customers. The Ponlait is the only firm which compete a number of milk firms in the market from the cooperative sector, through offering quality products on various combinations/lines to the target market. Three types milk namely Toned milk (3.5% FAT and 8.5% SNF), Double toned milk (1.5% FAT and 9.0% SNF) and Premium milk (5.0% FAT and 9.0% SNF) that are produced and packed in 200 ml and 500 ml are sold at parlours. The milk products sold in the parlours are Ghee, Khoa, Hot Milk, Coffee, Flavoured Milk, Panner, Curd, Butter Milk, Soft Ice Cream, Sweet Curd, Badam Mix, Kulfi, Ice Candy, Choco Bar packed in different quantities and qualities.
2. Price – the amount of money customer has to pay to obtain the product. The Ponlait fixes the price for products comparatively lower as compared to other firms. The price of the products suits different segments of the customers ranging from low to higher income classes without compromising the quality. The customers are today conscious in paying price to a commodity commensurate with its quality. Hence, these parlours have the mantra of “fair price coupled with the quality of the products” so as to attract and retain the consumers in the long run. So, the price strategy of Ponlait aims at retaining all income classes of customers.
3. Place - includes the firm's activities that make the product available to target consumers. In other words, it is the firm's action in moving of products to the target consumers. In terms of place, the parlours are located in important places where masses have access to buy the products. The places of location of parlours include the educational institutions, hospitals, bus stand, etc. As such, Ponlait has installed 37 parlours. The location of parlours attracts and gets near to the customers who feel a sense of easy accessibility and reach. The place strategy of Ponlait is vital as it reaches customers easily through establishing parlours at conspicuous places.
4. Promotion – activities that communicate the merits of the product and persuade target customers to buy it.

The Ponlait parlours undertakes sales promotion strategies like mass advertisement, display of banners, posters and boards holding animated colour pictures as well as attractive catchy words and slogans. Decorations in and around parlours also attract and communicate the required and relevant information to the customers. This sort of displaying persuades the consumers to buy products at the parlours. This could be understood from the fact that the sales volume of milk products of Ponlait is increasing every year and this enables Ponlait to introduce new types of products in the product line. The promotion strategy of Ponlait is mostly towards local and location specific media and it is appropriate.

5. People – include all human factors that play a part in service delivery and thus influence the buyers' perception. In all the parlours, the employees are working on shift basis starting their business so early in the morning (5.00 am) and stay late in the night (9.00 pm) except two parlours which provide round the clock service. The employees working in these parlours have the capability of managing the customers even at peak hours. They also assess the requirement and make the indent of products to the head office on a regular basis which is based the brilliant decisions of employees by studying the market trends, inventorying the fast moving products, etc. They are kind enough to deal with the customers and in-turn, they persuade them to buy more and more products. This shows the efficiency of employees in terms of making the products available to the customers at the place and time convenient to them. Apart, they take into account the feedback of customers related to availability of products, quality, price variations, seriously. The people (strategy) employed in Ponlait work understanding their roles and responsibilities.
6. Physical evidence – relates to the environment in which the service is delivered and where the firm and customer interact and any tangible components that facilitate performance or communication of the sale of product/service. The Ponlait parlours are the only parlours in the region which distribute milk and milk products in an identical way. The uniformity in colours, size, design, ambience and exponents of parlours are the unique and common which attracts the customers in a large way and provides ease of service. The physical evidence brings the feature and qualitative aspect of the service provided by these parlours. Ponlait provides its physical appearance (evidence) in a uniform manner which customers can easily recognize and approach any parlour in the region.

7. Process – refers to the actual procedures, mechanisms and flow of activities by which the product/service is delivered. The Ponlait parlours make sales on cash payment basis. Every product is sold only if the customers pay the due price in cash on hand. The vendor/salesman in parlours take only a few minutes time to offer a good quality cup of milk or coffee through simplified preparation process. Ponlait follows cash payment mode in sales process and it has quick process and delivery as its strategy.

IV. Findings

The findings of the study are as follows.

1. The Ponlait has introduced many differentiated milk and milk products in different quantities and qualities.
2. The prices of milk and milk products are lower as compared to other private milk and milk products. Thus, it aims to cover different income classes of customers.
3. It has installed parlours in important and conspicuous places by identifying the potential places for supplying milk and milk products. Thus, Ponlait reaches customers easily.
4. It has made advertisement in and around milk parlours (local media) which is appropriate and thus attracts more consumers.
5. The Ponlait has efficient employees in the parlours to perform the task of sales having understood their roles and responsibilities.
6. The Ponlait parlours are the only parlours in the region which distribute the milk and milk products in an identical way. Ponlait outlets provide their physical appearance in a uniform manner which customers can easily recognize and approach any outlet in the region.
7. Cash sales and quick delivery are the process strategies adopted by Ponlait parlours.

V. Suggestions

The Ponlait in the Puducherry has been following the pattern of AMUL dairy cooperatives which serves the industry in an effective manner namely marketing the products of milk producers to the people. The means of serving the people through the parlours is the business strategy of the Ponlait. These parlours have also been following various marketing practices so as to attain its objectives. Although, Ponlait is functioning in an effective manner, its improvement is limited to certain extent. In order to improve further it needs to follow the measures suggested as follows.

1. Desire on the products and services may be further

stimulated in the minds of customers/people by ensuring product availability and its displays, infrastructure availability including best seating arrangements, artificial tranquil climatic condition, etc.

2. Initiatives on strategic alliances may be taken to market their products and services at national and international levels.
3. Linkages with catering service providers and institutions (educational institutions, hostel, hospitals, etc.) may be established so that orders from them for supplying the milk and milk products could be obtained.
4. Steps may be taken to increase the production and supply of milk from member societies. Appropriate credit and extension services may be delivered to the societies and their members in this regard.

VI. Conclusion

In a competitive environment, profits can be earned only by selling more differentiated products which satisfies the customer. So, proper strategy is a prerequisite to any firm particularly cooperatives to survive. In the case of Ponlait, a strong and a proper marketing strategy has been evolved and has been working successfully. In all the seven Ps of marketing mix, Ponlait is performing well. Its main strategy i.e., through parlours is a defensive strategy having competitive edge in the market. The present marketing strategy though works well, its growth is limited to a certain extent only. If at all Ponlait has to grow further, it needs to bring improvements in seating arrangements and physical condition in parlours; beyond parlours it has to take initiatives for marketing at national and international levels and to establish linkages with catering service providers and institutions. Initiatives in this direction will help Ponlait expand its production and sales. However, production and supply of milk from member societies must be enhanced following the measures suggested in the study so as to attain sustainability.

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Table 1
Milk Procurement and Pricing Pattern of the Union - Ponlait

| S. No | Year | No ofDCS | Milk Procurement (litres in lakhs) | | | | | | | Price Payment (Rs. In Lakhs) | |
|-------|---------|----------|------------------------------------|----------|--------------|----------|--------------------------|--------|----------|------------------------------|---------------------|
| | | | DCS | % Change | Out of State | % Change | % share of Borrowed Milk | Total | % Change | Total | Average per Society |
| 1 | 2005-06 | 98 | 201.35 | 100.00 | 58.47 | 100.00 | 22.50 | 259.82 | 100.00 | 1995.28 | 20.36 |
| 2 | 2006-07 | 96 | 206.02 | 102.40 | 90.65 | 155.03 | 30.53 | 296.87 | 114.25 | 1985.20 | 20.67 |
| 3 | 2007-08 | 97 | 193.77 | 93.97 | 136.41 | 150.47 | 41.31 | 330.18 | 123.72 | 2022.13 | 20.84 |
| 4 | 2008-09 | 97 | 219.64 | 113.35 | 98.80 | 72.42 | 31.02 | 318.50 | 96.46 | 2939.79 | 30.30 |
| 5 | 2009-10 | 99 | 216.63 | 74.95 | 160.08 | 162.02 | 49.29 | 324.71 | 101.94 | 2446.05 | 25.21 |

Table 2
Marketing of Milk and Milk Products by the Union- Ponlait

| S. No | Year | Milk (Litres. in lakhs) | | | | | | Milk Products (Rs. in lakhs) | |
|-------|---------|-------------------------|----------|--------|----------|--------|----------|------------------------------|----------|
| | | Local | % Change | School | % Change | Total | % Change | Total | % Change |
| 1 | 2005-06 | 216.07 | 100.00 | 39.61 | 100.00 | 255.68 | 100.00 | 130.00 | 100.0 |
| 2 | 2006-07 | 251.40 | 116.00 | 48.18 | 121.06 | 299.58 | 117.16 | 143.09 | 110.06 |
| 3 | 2007-08 | 288.73 | 114.00 | 46.26 | 96.00 | 334.99 | 111.81 | 269.60 | 188.41 |
| 4 | 2008-09 | 286.98 | 99.39 | 35.76 | 77.00 | 322.75 | 96.31 | 526.09 | 195.13 |
| 5 | 2009-10 | 303.73 | 105.83 | 24.76 | 69.23 | 328.50 | 101.78 | 1299.89 | 247.08 |

PRICE AND VOLUME EFFECTS ASSOCIATED WITH NIFTY INDEX REVISIONS: A TEST OF PRICE PRESSURE HYPOTHESIS

P. S. Nirmala★ P. S. Sanju★★ M. Ramachandran★★★

The present study aims at testing whether price pressure hypothesis holds in the Indian market by examining the price and volume effects associated with Nifty index revisions. To this end, the study considers the revisions made to Nifty during the period September, 1996 to September, 2010. The results of event study methodology indicate that stocks added to Nifty experience positive price effect on the effective day of revision whereas those deleted experience negative price effect. There is also increased trading volume associated with both stock additions and deletions. The lack of price reversal in the post effective day period indicates that the positive (negative) price effect associated with stock additions to (deletions from) Nifty is permanent; this implies that price pressure hypothesis does not hold in the Indian market.

Stock indices play a prominent role in the functioning of capital markets. They reflect the behaviour of the overall equity market, serve as a benchmark for portfolio performance, serve as an underlying in derivative instruments such as index futures, index options and aid in passive fund management by index funds. In order to ensure that the stock indices reflect the true state of the stock market, they are regularly monitored and their composition is revised, whenever required. Stock indices may be revised for various reasons. For instance, a stock currently listed in the index may no longer meet the criteria laid down for a stock's existence in the index; hence, the index will be revised and the stock would be excluded from the index. Indices may be revised also when stocks undergo corporate actions such as mergers, liquidation, among others.

Such stock index revisions can have significant effect on the price and volume of the stocks undergoing the revision. Examining such effects would help understand the functioning of the stock markets and the behaviour of market players like index fund managers. It would also aid the investors to profit by framing appropriate investment strategies. Extensive research has been carried out on the price and volume effects of stock index revisions and one of the explanations that have been put forward for such effects is the price pressure hypothesis.

Price pressure hypothesis proposed by Scholes (1972) states that index revisions will cause a transitory change in the price and volume of stocks that are included to or excluded from the index, and that the prices will gradually

revert to their fundamental values after the revision. Such price movement is attributed to the heavy trading activity of index fund managers in response to the index revisions.

When an index undergoes revision, index fund¹ managers, who track the index, would rebalance their portfolios by buying the stocks added to the index and selling those deleted from the index; however, in order to minimize the tracking error, the fund managers wait until the revision day to update their portfolio. Such trading activity of index fund managers causes a shift in the demand of the concerned stocks; the demand for the stocks added to the index increase, while that of the stocks deleted from the index decrease. This shift in demand increases the price of the included stocks and decreases the price of the excluded stocks. Such price increases (decreases) attract the passive sellers (buyers) who would otherwise not trade. Thus according to PPH, prior to index revision, price of the stocks added to the index would increase, while that of stocks deleted from

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the index decrease.

Once the index revision is over and the index fund managers have updated their portfolios, the stock prices will revert to their fundamental values, since the heavy trading by index fund managers would dissipate. Such price reversals after index revisions enable the passive sellers (buyers) to profit by unwinding their positions if desired. This way, they are compensated for providing liquidity to the market at the time of index revisions.

From the above discussion it follows that, according to price pressure hypothesis, the price and volume effects associated with stock index revisions are temporary. The prices of stocks added to (deleted from) the index would increase (decrease) prior to index revision, which would eventually revert to the fundamental values post revision. The trading volume would temporarily increase for both stock additions and deletions.

I. Review of Literature

Harris and Gurel (1986) were among the first to empirically test PPH. They investigated changes made to the composition of S&P 500 index and reported evidence supporting PPH. They found that stock prices increased by more than 3% immediately after the announcement of an addition, which nearly fully reverted after 2 weeks. Another contemporaneous study was by Shleifer (1986) that examined the price behaviour of stocks included to S&P 500. The study found that stock inclusions to S&P 500 were associated with a 3% announcement date capital gain, much of which persisted for at least 10 to 20 trading days and provided evidence inconsistent with PPH.

Since then, various studies have tested PPH using S&P 500 index revisions and have reported mixed evidence. Studies that have found evidence in support of PPH are Woolridge and Ghosh (1986), Lynch and Mendenhall (1997), Elliott and Warr (2003), and Elliott et al. (2006). On the contrary, studies that have found the price effects of index revisions to be permanent are Jain (1987), Edmister et al. (1994) and Chen et al. (2004).

Empirical research that examines index revisions pertaining to US market for index other than S&P 500 is also available. For instance, the studies by Biktimirov et al. (2004) for Russell 2000 index, Docking and Downen (2006) for S&P 600 index and Shankar and Miller (2006) for S&P 600 index have found evidence supporting PPH. On the contrary, studies that have found price effects to be permanent are Beneish and Gardner (1995) for Dow Jones Industrial Average index, Chen (2006) for US Russell indices and

Consolandi et al. (2009) for Dow Jones Sustainability Stoxx Index.

Besides the above discussed studies pertaining to US, the effects of index reconstitutions have been investigated for other markets as well. Chan and Howard (2002) for All Ordinaries Index of Australian stock market, Bechmann (2004) for Danish blue-chip KFX Index, Chakrabarti et al. (2005) for MSCI Standard Country Indices, Mase (2007) and Mazouz and Saadouni (2007) for FTSE 100 index of UK market have found the price effects to be temporary. Studies that have found evidence inconsistent with PPH are Liu (2000) for Nikkei 500 Index of Japanese market, Chakrabarti (2002) for addition of Indian stocks to MSCI India Standard Index, Wilkens and Wimschulte (2005) for German Stock indices and Gregoriou and Ioannidis (2006) for FTSE 100 index of UK market.

In the Indian context, Marisetty and Vedpuriswar (2003) have tested the price dynamics around Sensex reconstitutions. They found that there is price reversal for stock additions two days after the effective day, while for deletions there is no such price reversal. In a later study by Kumar (2007), the effects of revisions made to Nifty index and Junior Nifty index has been examined. It is found that, for addition (deletion) of stocks to (from) Nifty Index, the stock prices on an average increase (decrease) on the effective day, which revert after about a week's time; no abnormal volumes are observed around the effective day. Such reactions are however not observed in the case of Junior Nifty revisions. The price reactions associated with Nifty revisions provide some support for PPH, but the lack of abnormal volume in the effective day window makes this support less forceful.

From the above discussion, it is evident that there are very few studies pertaining to Indian market that have examined the effects of stock index revisions. Of these, the study by Marisetty and Vedpuriswar (2003) has examined only the price effects of Sensex reconstitutions. Kumar (2007) has examined both price and volume effects of Index revisions. However, the conclusions drawn by them regarding price pressure hypothesis are not emphatic. We therefore attempt to test whether PPH holds good in the Indian market by examining both the price and volume effects of revisions made to S&P CNX Nifty². The rest of the paper is organised as follows: section 2 deals with the methodology, section 3 presents discussion of the empirical results and section 4 concludes the paper.

II. Research Design & Methods

To test the validity of PPH in the Indian market, we employ

event study methodology and examine the impact of inclusion (exclusion) of a stock to (from) Nifty index on the price and volume of respective stock. In this study, event study methodology as described in Wilkens and Wimschulte (2005) is employed. The effective day of index revision i.e. the day on which a stock is included to or excluded from Nifty is the event day and is denoted as day '0'. The event period for the study consists of the event day and 10 days prior to and 10 days after the event day i.e. -10,...,-1,0,+1,...,+10. The estimation period starts from 170 days prior to and ends at 51 days prior to the announcement day (AD) of the event i.e. AD-170 to AD-51.

Price Effects of Index Revisions

To assess the impact of index revisions on the prices of concerned stocks, abnormal returns are computed. Abnormal return of a stock is the difference between the stock's observed return and its expected return. Observed return is the actual return observed, while expected or normal return is the return that should have been observed had the event had not taken place.

Abnormal returns are computed using three methods viz., mean adjusted model, market adjusted model and market model. In each of these models, the observed return of stock i on day t ($r_{i,t}$) is computed as

$$r_{i,t} = \ln \left(\frac{P_{i,t}}{P_{i,t-1}} \right)$$

where $P_{i,t}$ is the price of stock i on day t ; $P_{i,t-1}$ is the price of stock i on day $t-1$; $i = 1, 2, \dots, N$; $N =$ no. of sample stocks.

Under the mean adjusted model, abnormal return of stock i on day t ($AR_{i,t}$) is computed as

$$AR_{i,t} = r_{i,t} - E(r_i)$$

with

$$E(r_i) = \frac{1}{120} \sum_{s=AD-170}^{AD-51} r_{i,s}$$

where $r_{i,t}$ is the observed return of stock i on day t ; $E(r_i)$ is the expected return of stock i ; $i = 1, 2, \dots, N$; $N =$ no. of sample stocks; $t = -10, \dots, 0, \dots, +10$; $r_{i,t}$ is the observed return of stock i on day s .

In the market adjusted model, the abnormal return is,

$$AR_{i,t} = r_{i,t} - r_{m,t}$$

with

$$E(r_{i,t}) = r_{m,t}$$

where $r_{i,t}$ is the observed return of stock i on day t ; $r_{m,t}$ $i = 1, 2, \dots, N$; $N =$ no. of sample stocks; $t = -10, \dots, 0, \dots, +10$; $E(r_{i,t})$ is the market return on day t ; $E(r_{i,t})$ is the expected return of stock i on day t .

Under the market model, abnormal return is computed as,

$$AR_{i,t} = r_{i,t} - (\alpha_i + \beta_i r_{m,t})$$

where $r_{i,t}$ is the return of stock i on day t ; $r_{m,t}$ is the market return on day t ; $i = 1, 2, \dots, N$; $N =$ no. of sample stocks; $t = -10, \dots, 0, \dots, +10$; α_i and β_i are the market model constant and slope coefficient which are obtained by estimating the following relation:

$$r_{i,t} = \alpha_i + \beta_i r_{m,t}$$

Here $r_{i,t}$ and $r_{m,t}$ are the return of stock i and market return respectively during the estimation period.

Next, the mean abnormal return (MAR) is computed to draw an overall inference about the impact of the event on stock prices. MAR on day t (MAR_t) is obtained as

$$MAR_t = \frac{1}{N} \sum_{i=1}^N AR_{i,t}$$

where, $AR_{i,t}$ is the abnormal return of stock i on day t ; $i = 1, 2, \dots, N$; $N =$ no. of sample stocks; $t = -10, \dots, 0, \dots, +10$. In order to draw inference about the impact of the event over multi-day period, cumulative abnormal returns (CAR) are computed. CAR over period $[t_1, t_2]$ is obtained as

$$CAR_{t_1, t_2} = \sum_{t=t_1}^{t_2} MAR_t$$

where MAR_t is the mean abnormal return on day t .

The null hypotheses with respect to price effects of Nifty revisions are:

H_{0pa} : There is no abnormal return on the effective day of stock additions to Nifty

H_{0pd} : There is no abnormal return on the effective day of stock deletions from Nifty

The null hypothesis to test whether observed price effects revert in the post event period are:

H_{0ra} : There are no abnormal returns in the post effective day period for stocks added to Nifty

H_{0rd} : There are no abnormal returns in the post effective day period for stocks deleted from Nifty

Volume Effects of Index Revisions

To assess the impact of index revisions on the volume of concerned stocks, abnormal volume is computed. As a proxy for trading volume, no. of shares traded is considered. The trading volume of stock i on day t ($V_{i,t}$) and that of market ($V_{m,t}$) is log transformed as $\ln(1 + V_{i,t})$ and $\ln(1 + V_{m,t})$. Abnormal volume is computed employing three different methods viz., mean adjusted model, modified Harris/Gurel model and market model.

In mean adjusted model, abnormal volume of stock i on day t ($AV_{i,t}$) is computed as

$$AV_{i,t} = \ln(1 + V_{i,t}) - \frac{1}{120} \sum_{s=AD-170}^{AD-51} \ln(1 + V_{i,s})$$

where $V_{i,t}$ is the volume of stock i on day t ; $i = 1, 2, \dots, N$; $N =$ no. of sample stocks; $t = -10, \dots, 0, \dots, +10$; $V_{i,s}$ is the volume of stock i on day s .

As per the modified Harris/Gurel model, the abnormal volume of stock i on day t ($AV_{i,t}$) is computed as

$$AV_{i,t} = \ln\left(\frac{1 + V_{i,t}}{1 + V_{m,t}}\right) - \frac{1}{120} \sum_{s=AD-170}^{AD-51} \ln\left(\frac{1 + V_{i,s}}{1 + V_{m,s}}\right)$$

where $V_{i,t}$ is the volume of stock i on day t ; $i = 1, 2, \dots, N$; $N =$ no. of sample stocks; $t = -10, \dots, 0, \dots, +10$; $V_{m,t}$ is the market volume on day t ; $V_{i,s}$ is the volume of stock i on day s ; $V_{m,s}$ is the market volume on day s .

Under the market model, abnormal volume of stock i on day t ($AV_{i,t}$) is computed as

$$AV_{i,t} = \ln(1 + V_{i,t}) - (\gamma_i + \delta_i \ln(1 + V_{m,t}))$$

where $V_{i,t}$ is the volume of stock i on day t ($V_{i,t}$); $i = 1, 2, \dots, N$; $N =$ no. of sample stocks; $t = -10, \dots, 0, \dots, +10$; $V_{m,t}$ is the market volume on day t ; γ_i ; and δ_i are the parameters obtained by estimating the following relation:

$$\ln(1 + V_{i,s}) = \gamma_i + \delta_i \ln(1 + V_{m,s})$$

where $V_{i,s}$ is the volume of stock i on day s ; $i = 1, 2, \dots, N$; $N =$ no. of sample stocks; $s = AD-170$ to $AD-51$; $V_{m,s}$ is the market volume on day s .

To draw an overall inference about the impact of the event on trading volume, the mean abnormal volume on day t (MAV_t) is computed as:

$$MAV_t = \frac{1}{N} \sum_{i=1}^N AV_{i,t}$$

where, $AV_{i,t}$ is the abnormal volume of stock i on day t ; $i = 1, 2, \dots, N$; $N =$ no. of sample stocks; $t = -10, \dots, 0, \dots, +10$.

The null hypotheses with respect to volume effects of Nifty revisions are

H_{0va} : There is no abnormal trading volume on effective day of stock additions to Nifty

H_{0vd} : There is no abnormal trading volume on effective day of stock deletions from Nifty

The statistical significance of MAR_t under each of the models is tested as

$$t_{MAR_t} = \frac{MAR_t}{\hat{\sigma}(MAR)}$$

where

$$\hat{\sigma}(MAR) = \sqrt{\frac{\sum_{u=AD-170}^{AD-51} \left(MAR_u - \frac{1}{120} \sum_{v=AD-170}^{AD-51} MAR_v \right)^2}{119}}$$

where σ is the standard deviation of MAR's of estimation period; MAR_u is the MAR on day u ; MAR_v is the MAR on day v .

The statistical significance of CAR_{t_1,t_2} under each of the models is tested as

$$t_{CAR_{t_1,t_2}} = \frac{CAR_{t_1,t_2}}{\hat{\sigma}(MAR)\sqrt{t_2 - t_1 + 1}}$$

where σ is the standard deviation of MAR's of estimation period.

These test statistics follow student t-distribution with 119 degrees of freedom. Test statistics to test the statistical significance of mean abnormal volume (MAV) is analogous to that of MAR.

III. Results & Discussion

The initial sample comprised of the revisions made to S&P CNX Nifty index during the period September 1996 to September 2010. Of this sample, we removed those stocks that were excluded from Nifty on account of corporate actions such as mergers, amalgamations and demergers. From the resulting sample, the revisions that did not meet the following criteria were removed: (i) announcement date should be available for the revision; (ii) the stock undergoing the revision should not have undergone any other corporate events, such as mergers, rights issue, bonus issue, stock split, dividend payment and buy-back of shares in the respective event and estimation period; (iii) for a stock that is included or excluded more than once, it is required that the event period and estimation period corresponding to each of its events do not overlap with either the event period or estimation period of its other events.

From the resulting sample, those stocks that did not have price and volume data over their respective event period and estimation period were removed. This yielded a final sample of 24 inclusions and 31 exclusions. Data on the effective date and announcement date of revisions, daily closing prices and no. of shares traded of sample stocks, and daily price and trading volume of Nifty index has been collected from Prowess database and website of National Stock Exchange (NSE)³.

Price Effects of Nifty Revisions

Table 1 reports the abnormal returns associated with stock additions to Nifty. On day '0' i.e. the effective day of stock

additions to Nifty, we observe significant positive MARs of 2.20%, 1.54%⁴ and 1.46%⁵ under the mean adjusted model, market adjusted model and market model respectively. This finding leads to the rejection of the null hypothesis H_{0pa} , implying that there is significant positive abnormal return on the effective day of stock additions to Nifty. Significant MAR is observed also on day '-2' under mean adjusted model and market model. In the pre-event period, other than day '-2', we observe no significant MARs. Further, no significant CARs are observed in the pre-event period. In the post-event period, neither MAR nor CAR is found to be significant on any day.

Thus, the finding that stocks added to Nifty experience significant positive MAR on the effective day of addition, implies that the stocks added to Nifty experience significant positive price effect on the effective day of revision.

Table 2 reports the abnormal returns associated with stock deletions from Nifty. On the effective day of stock deletions from Nifty, significant negative MARs of -1.38% and -1.34% are observed under the market adjusted model and market model respectively. This finding rejects the null hypothesis H_{0pd} , implying that there is significant negative abnormal return on the effective day of stock deletions from Nifty.

Significant MARs are observed on day '-2' under mean adjusted model, day '-7' under market adjusted model and days '-7' and '-5' under the market model. Other than these days, no significant MARs are observed in the pre-event period. Further, in the pre-event period, CARs are not significant, except the CAR on day '-8' under the mean adjusted model. In the post-event period, no significant MAR is observed. CAR is also found to be insignificant, except CAR on day '4' under the market adjusted model.

Thus, from the results of Table 2, it is evident that stocks deleted from Nifty experience significant negative MAR on the effective day of deletion, implying that the stocks deleted from Nifty experience significant negative price effect on the effective day of revision.

Volume Effects of Nifty Revisions

The abnormal volumes pertaining to stock additions to Nifty are reported in Table 3. We observe significant positive MAVs on the effective day of addition (day '0') and the day prior to addition (day '-1'). Significant positive MAV of 0.59, 0.43 and 0.52 is observed on the effective day under the mean adjusted model, modified Harris/Gurel model and market model respectively. This finding leads to the rejection of the null hypothesis H_{0va} , implying that there

exist significant positive abnormal trading volume on the effective day of stock additions to Nifty.

In the pre-event period, significant positive MAVs are observed also on days '-6' and '-4' under the mean adjusted model and market model. In the post-event period, under both these models, significant positive MAV is observed on day '1'. Further, significant MAV's are observed also on days '4', '8' and '9' under the mean adjusted model and days '8' and '10' under the modified Harris/Gurel model.

From the results of Table 3, it is evident that stocks added to Nifty experience significant positive MAV on the effective day of addition and on the day prior to addition. This implies that there is increased trading volume associated with stock additions to Nifty.

Table 4 reports the trading volume effects of stock deletions from Nifty around the effective day. The results indicate that there are significant positive MAVs on the effective day of deletion (day '0') and the day prior to deletion (day '-1'). On the effective day of deletion, MAV of 0.45, 0.32 and 0.33 is observed under the mean adjusted model, modified Harris/Gurel model and market model respectively. This finding rejects the null hypothesis H_{0vd} which implies that there is significant positive abnormal trading volume on the effective day of stock deletions from Nifty. Besides these two days, significant abnormal volumes are not observed on any of the days in the event period, excepting day '10'.

The results of Table 4 thus indicate that stocks deleted from Nifty experience significant positive MAV on the effective day of deletion and also on the day prior to deletion. This finding implies that there is increased trading volume associated with stock deletions from Nifty.

In sum, the volume effects of stock additions along with the corresponding positive price effect (Tables 3 and 1) indicate that when stocks are added to Nifty, demand for those stocks increase leading to a rise in their prices on the effective day of addition. Similarly, the volume effects of stock deletions together with the corresponding negative price effect (Tables 4 and 2) reveal that when stocks are deleted from Nifty, supply of (demand for) those stocks increase (decrease) causing a drop in their prices on the effective day of deletion.

Nifty Revisions: Test of Price Pressure Hypothesis

The price effects that occur on the effective day of revision can be either temporary or permanent. According to PPH, the price effects associated with index revisions are temporary; hence, for PPH to hold, the abnormal returns

observed on the effective day of index revision should subsequently reverse in the post effective day period. The insignificant CARs reported in Tables 1 and 2 hint that the positive (negative) price effect associated with stock additions to (deletions from) Nifty is permanent. In order to further confirm this finding, we test whether the MAR observed on the effective day of Nifty revision reverts or not in the post effective day period. For this, we compute CAR in the various post-effective day windows, the results of which are presented in Tables 5 and 6.

Table 5 reports the CARs of stock additions to Nifty over various post effective day windows. We observe that CARs are not significant in any of the post effective day windows, which fails to reject the null hypothesis H_{0ra} . This indicates that there are no abnormal returns in the post effective day period for stocks added to Nifty, implying that the abnormal returns observed on the effective day of stock additions to Nifty do not revert post index revision. The positive price effect associated with stock additions to Nifty is thus permanent.

CARs over various post effective day windows for stocks deleted from Nifty are reported in Table 6. Similar to Nifty additions, no significant CARs are observed in any of the post effective day windows. This finding fails to reject the null hypothesis H_{0rd} , indicating that there are no abnormal returns in the post effective day period for stocks deleted from Nifty. The abnormal returns observed on the effective day of stock deletions thus do not revert post index revision; hence, the negative price effect associated with stock deletions from Nifty is permanent.

In sum, the empirical evidence drawn from event study methodology reveal that stocks added to Nifty experience positive price effect on the effective day of revision, whereas those deleted experience negative price effect on the effective day. Also, increased trading volume is observed both for stock additions and deletions. The lack of price reversal in the post effective day period indicates that the price effects associated with stock additions to (deletions from) Nifty are permanent; hence, PPH does not hold in the Indian market.

IV. Conclusion

The present study tested whether price pressure hypothesis holds in the Indian market by examining the price and volume effects of stock additions to and deletions from S&P CNX Nifty during the period September, 1996 to September, 2010. To this end, the study employed event study methodology. The results reveal that stocks added to Nifty

experience positive price effect on the effective day of revision and those deleted experience negative price effect. Also, increased trading volume is observed in case of both stock additions and deletions. Further, there is no evidence of price reversal in the post effective day period, both for stock additions and deletions. This finding implies that the positive (negative) price effect associated with stock additions to (deletions from) Nifty is permanent in nature; price pressure hypothesis, therefore, does not hold in the Indian market.

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¹ An index fund is a fund that invests in the stocks of the target index in the same proportion in which these stocks exist in the index. It thereby tries to replicate the index returns and achieve the same performance as the target index. The performance of such funds is evaluated on the basis of tracking error. Tracking error refers to the difference between the fund's return and the return of the index being tracked.

² Information pertaining to Nifty, its computation methodology and maintenance process is available at www.nseindia.com

³ www.nseindia.com

⁴ This value is exactly the same as reported by Liu (2000) for stocks added to Nikkei 500

⁵ This value is almost close to the one reported by Kumar (2007) for stocks added to Nifty

Table 1: Stock additions to Nifty: Price effects around the effective day

| Day | Mean adjusted model | | | Market adjusted model | | | Market model | | | |
|-----|---------------------|---------|---------|-----------------------|--------|---------|--------------|--------|---------|---------|
| | MAR (%) | t-stat | CAR (%) | MAR (%) | t-stat | CAR (%) | MAR (%) | t-stat | CAR (%) | |
| -10 | 0.22 | 0.26 | 0.22 | 0.26 | 0.25 | 0.45 | 0.06 | 0.11 | 0.06 | 0.11 |
| -9 | 0.25 | 0.29 | 0.46 | 0.39 | -0.34 | -0.60 | -0.38 | -0.70 | -0.32 | -0.41 |
| -8 | 0.25 | 0.30 | 0.71 | 0.49 | -0.46 | -0.82 | -0.55 | -1.02 | -0.88 | -0.93 |
| -7 | 0.70 | 0.83 | 1.41 | 0.84 | 0.24 | 0.42 | -0.31 | -0.28 | -0.96 | -0.87 |
| -6 | 0.11 | 0.13 | 1.52 | 0.81 | 0.35 | 0.62 | 0.03 | 0.03 | -0.80 | -0.65 |
| -5 | -0.25 | -0.30 | 1.26 | 0.62 | 0.00 | -0.01 | 0.03 | 0.02 | -0.90 | -0.67 |
| -4 | -0.89 | -1.06 | 0.38 | 0.17 | -0.44 | -0.79 | -0.41 | -0.28 | -1.40 | -0.96 |
| -3 | -0.14 | -0.17 | 0.23 | 0.10 | -0.01 | -0.02 | -0.43 | -0.27 | -1.41 | -0.91 |
| -2 | -1.57 | -1.88* | -1.34 | -0.53 | 0.75 | 1.33 | 0.32 | 0.19 | 1.08 | 1.97* |
| -1 | 0.21 | 0.26 | -1.12 | -0.43 | -0.03 | -0.06 | 0.29 | 0.16 | -0.10 | -0.19 |
| 0 | 2.20 | 2.63*** | 1.08 | 0.39 | 1.54 | 2.74*** | 1.83 | 0.98 | 1.46 | 2.67*** |
| 1 | -1.08 | -1.29 | 0.00 | 0.00 | 0.09 | 0.15 | 1.92 | 0.99 | 0.08 | 0.15 |
| 2 | -0.14 | -0.17 | -0.14 | -0.05 | -0.36 | -0.65 | 1.56 | 0.77 | -0.57 | -1.03 |
| 3 | -0.56 | -0.67 | -0.70 | -0.22 | -0.61 | -1.08 | 0.95 | 0.45 | -0.68 | -1.24 |
| 4 | -0.33 | -0.40 | -1.03 | -0.32 | 0.06 | 0.10 | 1.01 | 0.46 | -0.01 | -0.01 |
| 5 | 0.95 | 1.14 | -0.08 | -0.02 | 0.37 | 0.65 | 1.37 | 0.61 | 0.01 | 0.01 |
| 6 | 0.06 | 0.07 | -0.02 | -0.01 | 0.08 | 0.14 | 1.45 | 0.63 | 0.08 | 0.14 |
| 7 | 1.01 | 1.21 | 0.99 | 0.28 | 0.53 | 0.95 | 1.98 | 0.83 | 0.36 | 0.65 |
| 8 | 0.48 | 0.58 | 1.47 | 0.40 | 0.64 | 1.14 | 2.62 | 1.07 | 0.49 | 0.90 |
| 9 | -0.92 | -1.10 | 0.56 | 0.15 | -0.61 | -1.09 | 2.01 | 0.80 | -0.70 | -1.28 |
| 10 | 0.18 | 0.21 | 0.73 | 0.19 | 0.02 | 0.04 | 2.03 | 0.79 | -0.04 | -0.07 |

Note: MAR denotes Mean Abnormal Return. CAR denotes Cumulative Abnormal Return. Day '0' denotes the event day i.e. the effective day of stocks' addition to Nifty. *** and * denotes significance at 1% and 10% respectively.

Table 2: Stock deletions from Nifty: Price effects around the effective day

| Day | Mean adjusted model | | | Market adjusted model | | | Market model | | | |
|-----|---------------------|----------|---------|-----------------------|--------|----------|--------------|----------|---------|---------|
| | MAR (%) | t-stat | CAR (%) | MAR (%) | t-stat | CAR (%) | MAR (%) | t-stat | CAR (%) | |
| -10 | 0.21 | 0.28 | 0.21 | 0.28 | 0.26 | 0.53 | 0.36 | 0.77 | 0.36 | 0.77 |
| -9 | 1.20 | 1.61 | 1.41 | 1.33 | 0.34 | 0.69 | 0.51 | 1.09 | 0.87 | 1.31 |
| -8 | 0.78 | 1.05 | 2.19 | 1.69* | 0.37 | 0.75 | 0.32 | 0.68 | 1.19 | 1.46 |
| -7 | -0.13 | -0.17 | 2.06 | 1.38 | -0.94 | -1.87* | 0.05 | 0.05 | -0.95 | -2.03** |
| -6 | -0.56 | -0.74 | 1.50 | 0.90 | -0.56 | -1.12 | -0.41 | -0.88 | -0.17 | -0.17 |
| -5 | 0.67 | 0.90 | 2.17 | 1.19 | 0.78 | 1.56 | 0.86 | 1.84* | 0.69 | 0.60 |
| -4 | -0.87 | -1.16 | 1.31 | 0.66 | -0.68 | -1.37 | -0.40 | -0.86 | 0.29 | 0.23 |
| -3 | -0.03 | -0.04 | 1.28 | 0.61 | -0.02 | -0.04 | 0.03 | 0.05 | 0.31 | 0.24 |
| -2 | -2.26 | -3.02*** | -0.98 | -0.44 | -0.48 | -0.96 | -0.21 | -0.44 | 0.11 | 0.08 |
| -1 | 0.29 | 0.39 | -0.69 | -0.29 | 0.30 | 0.60 | 0.25 | 0.52 | 0.35 | 0.24 |
| 0 | -0.21 | -0.28 | -0.90 | -0.36 | -1.38 | -2.76*** | -1.34 | -2.84*** | -0.98 | -0.63 |
| 1 | -0.54 | -0.73 | -1.44 | -0.56 | 0.32 | 0.65 | 0.51 | 1.09 | -0.47 | -0.29 |
| 2 | -0.22 | -0.29 | -1.66 | -0.61 | -0.45 | -0.91 | -0.35 | -0.74 | -0.82 | -0.48 |
| 3 | -0.80 | -1.08 | -2.46 | -0.88 | -0.74 | -1.49 | -0.56 | -1.19 | -1.38 | -0.78 |
| 4 | -0.53 | -0.70 | -2.99 | -1.03 | -0.60 | -1.20 | -0.31 | -0.66 | -1.69 | -0.93 |
| 5 | 0.94 | 1.26 | -2.05 | -0.68 | 0.28 | 0.56 | 0.39 | 0.83 | -1.29 | -0.69 |
| 6 | -0.20 | -0.26 | -2.24 | -0.73 | -0.12 | -0.24 | -0.01 | -0.01 | -1.30 | -0.67 |
| 7 | 0.42 | 0.56 | -1.82 | -0.57 | -0.02 | -0.05 | 0.11 | 0.24 | -1.18 | -0.59 |
| 8 | 0.42 | 0.57 | -1.40 | -0.43 | 0.22 | 0.43 | 0.45 | 0.96 | -0.73 | -0.36 |
| 9 | 0.14 | 0.18 | -1.26 | -0.38 | 0.27 | 0.53 | 0.38 | 0.82 | -0.35 | -0.17 |
| 10 | -0.02 | -0.02 | -1.28 | -0.37 | -0.10 | -0.21 | -0.05 | -0.10 | -0.40 | -0.18 |

Note: MAR denotes Mean Abnormal Return. CAR denotes Cumulative Abnormal Return. Day '0' denotes the event day i.e. the effective day of stocks' deletion from Nifty. ***, ** and * denotes significance at 1%, 5% and 10% respectively.

Table 3 Stock additions to Nifty: Volume effects around the effective day

| N = 24 | Mean adjusted model | | Modified Harris/Gurel model | | Market model | |
|--------|---------------------|----------|-----------------------------|---------|--------------|---------|
| | MAV | t-stat | MAV | t-stat | MAV | t-stat |
| -10 | 0.09 | 0.73 | 0.01 | 0.11 | 0.09 | 0.73 |
| -9 | 0.11 | 0.90 | -0.01 | -0.08 | 0.03 | 0.25 |
| -8 | 0.15 | 1.20 | 0.08 | 0.63 | 0.16 | 1.31 |
| -7 | 0.13 | 1.07 | -0.02 | -0.17 | 0.07 | 0.54 |
| -6 | 0.27 | 2.17** | 0.15 | 1.12 | 0.22 | 1.82* |
| -5 | 0.15 | 1.21 | 0.06 | 0.42 | 0.19 | 1.55 |
| -4 | 0.25 | 1.99** | 0.15 | 1.10 | 0.21 | 1.74* |
| -3 | -0.02 | -0.20 | -0.03 | -0.23 | 0.05 | 0.43 |
| -2 | -0.21 | -1.67* | -0.08 | -0.63 | -0.05 | -0.43 |
| -1 | 0.63 | 5.04*** | 0.51 | 3.88*** | 0.60 | 4.95*** |
| 0 | 0.59 | 4.73*** | 0.43 | 3.24*** | 0.52 | 4.30*** |
| 1 | 0.35 | 2.83*** | 0.13 | 1.00 | 0.22 | 1.81* |
| 2 | 0.20 | 1.56 | 0.02 | 0.12 | 0.12 | 1.01 |
| 3 | 0.18 | 1.41 | -0.03 | -0.23 | 0.08 | 0.68 |
| 4 | 0.27 | 2.15** | 0.02 | 0.15 | 0.11 | 0.94 |
| 5 | -0.14 | -1.11 | -0.16 | -1.18 | -0.13 | -1.05 |
| 6 | 0.03 | 0.26 | -0.09 | -0.66 | -0.03 | -0.24 |
| 7 | 0.02 | 0.19 | -0.12 | -0.92 | -0.05 | -0.38 |
| 8 | -0.36 | -2.89*** | -0.23 | -1.73* | -0.15 | -1.28 |
| 9 | 0.21 | 1.66* | 0.10 | 0.72 | 0.14 | 1.18 |
| 10 | -0.13 | -1.03 | -0.25 | -1.86* | -0.17 | -1.39 |

Note: MAV denotes Mean Abnormal Volume. Day '0' denotes the event day i.e. the effective day of stocks' addition to Nifty. ***, **, * and * denotes significance at 1%, 5% and 10% respectively.

Table 4 Stock deletions from Nifty: Volume effects around the effective day

| N = 31 | Mean adjusted model | | Modified Harris/Gurel model | | Market model | |
|--------|---------------------|---------|-----------------------------|---------|--------------|---------|
| | MAV | t-stat | MAV | t-stat | MAV | t-stat |
| -10 | 0.00 | -0.01 | -0.03 | -0.15 | -0.06 | -0.34 |
| -9 | 0.07 | 0.36 | -0.05 | -0.30 | -0.03 | -0.18 |
| -8 | 0.13 | 0.68 | 0.08 | 0.46 | 0.13 | 0.77 |
| -7 | 0.00 | 0.02 | -0.07 | -0.43 | -0.09 | -0.54 |
| -6 | 0.07 | 0.38 | 0.02 | 0.14 | -0.02 | -0.10 |
| -5 | -0.07 | -0.39 | -0.12 | -0.71 | -0.14 | -0.79 |
| -4 | 0.07 | 0.38 | 0.02 | 0.09 | 0.03 | 0.14 |
| -3 | -0.12 | -0.63 | -0.03 | -0.18 | 0.04 | 0.22 |
| -2 | -0.15 | -0.79 | 0.05 | 0.32 | -0.01 | -0.06 |
| -1 | 0.73 | 3.83*** | 0.67 | 3.98*** | 0.70 | 4.03*** |
| 0 | 0.45 | 2.37** | 0.32 | 1.87* | 0.33 | 1.93* |
| 1 | 0.10 | 0.51 | -0.06 | -0.35 | -0.06 | -0.34 |
| 2 | 0.16 | 0.82 | 0.05 | 0.30 | 0.06 | 0.32 |
| 3 | 0.03 | 0.18 | -0.12 | -0.73 | -0.09 | -0.50 |
| 4 | 0.10 | 0.52 | -0.06 | -0.35 | -0.06 | -0.37 |
| 5 | -0.02 | -0.09 | -0.07 | -0.39 | -0.07 | -0.39 |
| 6 | 0.04 | 0.23 | -0.05 | -0.30 | -0.04 | -0.21 |
| 7 | 0.00 | 0.02 | -0.13 | -0.74 | -0.10 | -0.59 |
| 8 | -0.04 | -0.23 | 0.00 | -0.01 | 0.10 | 0.56 |
| 9 | -0.07 | -0.38 | -0.19 | -1.12 | -0.18 | -1.02 |
| 10 | -0.29 | -1.51 | -0.37 | -2.19** | -0.39 | -2.25** |

Note: MAV denotes Mean Abnormal Volume. Day '0' denotes the event day i.e. the effective day of stocks' deletion from Nifty. ***, **, * and * denotes significance at 1%, 5% and 10% respectively.

Table 5: Stock additions to Nifty: Post-effective day windows' cumulative abnormal returns

| Window | Mean adjusted model | | Market adjusted model | | Market model | |
|--------|---------------------|--------|-----------------------|--------|--------------|--------|
| | CAR (%) | t-stat | CAR (%) | t-stat | CAR (%) | t-stat |
| [1,1] | -1.08 | -1.29 | 0.09 | 0.15 | 0.08 | 0.15 |
| [1,2] | -1.22 | -1.03 | -0.28 | -0.35 | -0.48 | -0.62 |
| [1,3] | -1.78 | -1.23 | -0.89 | -0.91 | -1.16 | -1.23 |
| [1,4] | -2.11 | -1.26 | -0.83 | -0.74 | -1.17 | -1.07 |
| [1,5] | -1.15 | -0.62 | -0.46 | -0.37 | -1.16 | -0.95 |
| [1,6] | -1.10 | -0.54 | -0.38 | -0.28 | -1.09 | -0.81 |
| [1,7] | -0.09 | -0.04 | 0.15 | 0.10 | -0.73 | -0.50 |
| [1,8] | 0.39 | 0.17 | 0.79 | 0.50 | -0.24 | -0.15 |
| [1,9] | -0.52 | -0.21 | 0.18 | 0.11 | -0.94 | -0.57 |
| [1,10] | -0.35 | -0.13 | 0.20 | 0.11 | -0.98 | -0.56 |

Note: CAR denotes Cumulative Abnormal Return.

Table 6: Stock deletions from Nifty: Post-effective day windows' cumulative abnormal returns

| Window | Mean adjusted model | | Market adjusted model | | Market model | |
|--------|---------------------|--------|-----------------------|--------|--------------|--------|
| | CAR (%) | t-stat | CAR (%) | t-stat | CAR (%) | t-stat |
| [1,1] | -0.54 | -0.73 | 0.32 | 0.65 | 0.51 | 1.09 |
| [1,2] | -0.76 | -0.72 | -0.13 | -0.18 | 0.16 | 0.25 |
| [1,3] | -1.57 | -1.21 | -0.87 | -1.01 | -0.39 | -0.49 |
| [1,4] | -2.09 | -1.40 | -1.47 | -1.47 | -0.70 | -0.75 |
| [1,5] | -1.15 | -0.69 | -1.19 | -1.07 | -0.31 | -0.30 |
| [1,6] | -1.35 | -0.74 | -1.31 | -1.07 | -0.32 | -0.27 |
| [1,7] | -0.93 | -0.47 | -1.34 | -1.01 | -0.20 | -0.16 |
| [1,8] | -0.50 | -0.24 | -1.12 | -0.79 | 0.25 | 0.19 |
| [1,9] | -0.37 | -0.16 | -0.85 | -0.57 | 0.63 | 0.45 |
| [1,10] | -0.38 | -0.16 | -0.96 | -0.61 | 0.59 | 0.39 |

Note: CAR denotes Cumulative Abnormal Return.

A STUDY ON CORPORATE RETAIL STORES IN INDIA

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The word 'retail' comes from French word 'retailer' meaning cutting off, clip and divide' in terms of tailoring (1365). It was first recorded as a French noun with the meaning 'sale in small quantities' in 1433. Its literal meaning for retail was to 'cut off, shred and slice'. When goods and services are bought and sold to end users, it is termed as retail. It consists of the sale of goods or merchandise from a fixed location, such as a department store, boutique, kiosk or mall, in small or individual lots for direct consumption by the buyer.

Organized retail in India today holds only six percent of the market share potential in India. It has risen from zero to six percent in a very short period mainly in terms of volume but not in terms of value. The 'bazaar' shopping concept has retained its identity along with the modern-day shopping structures that represent an inspired fusion of street shopping and community-centric activities.

History of Retail Industry in India

The emergence of organized retail in India dates back to the pre-independence era when the country's established business houses, mostly textile majors, ventured into the retail arena through company-owned or franchisee outlets. There were also exclusive tailoring shops, which ultimately expanded their operations to become leading regional fashion retailers, like Mumbai's Charagh Din, Kolkata's Burlington, Delhi's Mohanlal Sons and Bengaluru's PN Rao, to name a few. It is worth mentioning that southern India took lead in establishing the first organized retail chains in the food and grocery (F&G) segment in India, with stores such as Nilgiris, Food world, Margin Free, etc.

The consumer durables segment too has its roots in the south with regional players like Viveks, Girias, Pai International, etc., India's first 46451.52 square meter (500,000 square feet) shopping centre from Mangal Tirth Estate called Spencer Plaza came up in Chennai in 1990.

Problems

- The major challenges faced by the Indian retail industry are as follows:
- Lack of adequate infrastructure facilities

- High cost of real estate
- Dissimilarity in consumer groups
- Low retail management skills
- Restrictions in foreign direct investment
- Shortage of retail study options
- The tax structure in India favors small retail business
- Shortage of trained manpower
- Absence of developed supply chain and integrated IT management

Major Indian Retailers

Indian apparel retailers are increasing their brand presence overseas, particularly in developed markets. While most have identified a gap in countries in West Asia and Africa, some majors are also looking at the US and Europe. Arvind Brands, Madura Garments, Spykar Lifestyle and Royal Classic Polo are busy chalking out foreign expansion plans through the distribution route and standalone stores as well. Another denim wear brand, Spykar, which is now moving towards becoming a casual wear lifestyle brand, has launched its store in Melbourne recently. It plans to open three stores in London by 2008-end.

The low-intensity entry of the diversified Mahindra Group into retail is unique because it plans to focus on lifestyle products. The Mahindra Group is the fourth large Indian business group to enter the business of retail after Reliance Industries Limited, the Aditya Birla Group, and Bharti Enterprises Ltd. The other three groups are focusing either

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on perishables and groceries, or a range of products, or both.

- Next retail India Ltd (Consumer Electronics) (www.next.co.in)
- Vivek Limited Retail Formats: Viveks, Jainsons, Viveks Service Centre, Viveks Safe Deposit Lockers
- PGC Retail -T-Mart India, Switcher , Respect India , Grand India Bazaar ,etc.,
- RPG Retail-Formats: Music World, Books & Beyond, Spencer's Hyper, Spencer's Super, Daily & Fresh
- Pantaloon Retail-Formats: Big Bazaar, Food Bazaar, Pantaloons, Central, Fashion Station, Brand Factory, Depot, E-Zone etc.
- The Tata Group-Formats: Westside, Star India Bazaar, Steel Junction, Landmark, and Titan Industries with World of Titans showrooms, Tanishq outlets, Chroma.
- K Raheja Corp Group-Formats: Shoppers Stop, Crossword, Hyper City, Inorbit Mall
- Lifestyle International-Lifestyle, Home Centre, Max, Fun City and International Franchise brand stores.
- Pyramid Retail-Formats: Pyramid Megastore, Tru Mart
- Nilgiri's-Formats: Nilgiris' supermarket chain
- Subhiksha-Formats: Subhiksha supermarket pharmacy and telecom discount chain.
- Trinetra- Formats: Fabmall supermarket chain and Fabcity hypermarket chain
- Vishal Retail Group-Formats: Vishal Mega Mart
- BPCL-Formats: In & Out
- Reliance Retail-Formats: Reliance Fresh
- Reliance ADAG Retail-Format: Reliance World
- German Metro Cash & Carry
- Shoprite Holdings-Formats: Shoprite Hyper
- Paritala stores bazaar: honey shine stores
- Aditya Birla Group - More outlets

Growth and Prospects of Retail in India

An increasing number of people in India are turning to the services sector for employment due to the relative low compensation offered by the traditional agriculture and manufacturing sectors. The organized retail market is growing at 35 percent annually while growth of unorganized retail sector is pegged at 6 percent.

'Indians continue to urbanize and have more money to

spend on non-food purchases.... The result is a powerful, more discerning consumer class.'

The Retail Business in India is currently at the point of inflection. Rapid change with investments to the tune of US \$ 25 billion is being planned by several Indian and multinational companies in the next 5 years. It is a huge industry in terms of size and according to management consulting firm Technopak Advisors Pvt. Ltd., it is valued at about US \$ 350 billion. Organized retail is expected to garner about 16-18 percent of the total retail market (US \$ 65-75 billion) in the next 5 years.

India has topped the A.T. Kearney's annual Global Retail Development Index (GRDI) for the third consecutive year, maintaining its position as the most attractive market for retail investment. The Indian economy has registered a growth of 8% for 2007. The prediction for 2008 is 7.9%. The enormous growth of the retail industry has created a huge demand for real estate. Property developers are creating retail real estate at an aggressive pace and by 2010, 300 malls are estimated to be operational in the country.

With over 1,000 hypermarkets and 3,000 supermarkets projected to come up by 2011, India will need additional retail space of 700,000,000 sq ft (65,000,000 m²) as compared to today. Current projections on construction point to a supply of just 200,000,000 sq ft (19,000,000 m²), leaving a gap of 500,000,000 sq ft (46,000,000 m²) that needs to be filled, at a cost of US\$15-18 billion. According to the ICRIER Report, the retail business in India is estimated to grow at 13% from \$322 billion in 2006-07 to \$590 billion in 2011-12. The unorganized retail sector is expected to grow at about 10% per annum with sales expected to rise from \$ 309 billion in 2006-07 to \$ 496 billion in 2011-12.

A 'Vibrant Economy', India topped A T Kearney's list of emerging markets for retail investments for three consecutive years and stood 2nd only behind Vietnam this year. The 2nd fastest growing economy in the world, the 3rd largest economy in terms of GDP (Gross Domestic Product) in the next 5 years and the 4th largest economy in PPP (Purchasing Power Parity) terms after USA, China & Japan, India is rated among the top 10 FDI (Foreign Direct Investments) destinations.

Indian grocers were perhaps among the first in the world to acquire professional retailing skills. There is the old story of a good retail grocer and the bad retail grocer in India. Once upon a time there were two grocers. One was perceived to be good and the other was considered bad. The good one always is used to weigh his cereals,

pulses, grains, etc., in such a way that if he had to weigh a kilogram, he would initially place the weights in the weighing balance, that produces less than a kilogram and then keep adding to it until it reaches the required weight. The bad retailer, on the other hand, it is kept removing stuff from the scales until it weights a kilogram. The good retailer actually acquires skills to create a positive image in the minds of the customers.

A survey conducted by Federation of Indian Chambers of Commerce and Industry (FICCI) and price water house predicts that the Indian retail sector will undergo a sea change in size as well as format during this decade. Further, it indicates that the country's top retailers will operate at least three to four formats, all scalable to size, location and providing value to their target customers with such diversity of formats that will allow the company to make use of its brand value across different segments and categories of customers.

Today many Indian organized retailers have launched many of their formats. Pantaloon retail has ventured into home electronics, fashion, wellness and beauty, books and music, e-tailing, etc., in addition to their key formats of food and grocery and department store retailing. Similarly, Shoppers' stop also has expanded their format based to hypermarket, airport retail, books and brand retail ventures such as Mother-care.

It is opined that in the next five years, India should have retail entities to compete with the best in the world. Formats such as department stores, hypermarkets, supermarkets, and specialty stores are finding increasingly greater acceptance with the Indian consumers while the emergence of malls in India as a destination shopping concept has even broken through to the second-rung cities of the country.

The Q110 BMI India Retail Report forecasts that total retail sales will grow from an estimated US\$427bn in 2009 to US\$798bn by 2014. Strong underlying economic growth, population expansion, the increasing wealth of individuals and the rapid construction of organized retail infrastructure are key factors behind the forecast growth. A second factor is the success that local firms have had in developing the modern concept. Domestic retailers such as Reliance Retail and Pantaloon Retail continue to invest heavily in growing their store networks and improving their in-store offerings, and the impact they have on growth will be boosted by the arrival of expansion-oriented multinationals.

Mass grocery retail (MGR) sales in India are forecast to undergo enormous growth over the forecast period. BMI

predicts that sales through MGR outlets will increase by 155% to reach US\$11.61bn in 2014. This is a consequence of India's dramatic, rapid shift from independently owned small-scale retailers to large, modern outlets – although it must also be noted that this growth is forecast to come from a very low starting point.

The growth in the overall retail market will be driven, in large part, by the explosion in the organized retail market. By this, we mean the Western concept of chain outlets, department stores, supermarkets, etc. According to Investment Commission of India (ICI) data, this segment accounted for US\$12.10bn of sales in 2006, 4.6 percent of the total retail segment. BMI forecasts that organized retail sales will reach US\$99.09bn by 2014, 12.4 percent of the total.

Recent Trends in Retail Sector

Retail, one of India's largest industries, has presently emerged as one of the most dynamic and fast paced industries of our times with several players entering the market. Accounting for over 10 per cent of the country's GDP and around eight per cent of the employment retailing in India is gradually inching its way toward becoming the next boom industry. As the contemporary retail sector in India is reflected in sprawling shopping centers, multiplex-malls and huge complexes offer shopping, entertainment and food all under one roof, the concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping in India.

The trends that are driving the growth of the retail sector in India are:

- Low share of organized retailing
- Falling real estate prices
- Increase in disposable income and customer aspiration
- Increase in expenditure for luxury items

Another credible factor in the prospects of the retail sector in India is the increase in the young working population. Factors like hefty pay-packets, nuclear families in urban areas, along with increasing working-women are the growth drivers for organized retail sector in India, which now boast of retailing almost all the preferences of life - Apparel & Accessories, Appliances, Electronics, Cosmetics and Toiletries, Home & Office Products, Travel and Leisure and many more. With this the retail sector in India is witnessing a rejuvenation as traditional markets make way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores.

The retailing configuration in India is fast developing as shopping malls are increasingly becoming familiar in large cities. When it comes to development of retail space specially the malls, the Tier II cities are no longer behind in the race. If development plans till 2007 is studied it shows the projection of 220 shopping malls, with 139 malls in metros and the remaining 81 in the Tier II cities. The government of states like Delhi and National Capital Region (NCR) are very upbeat about permitting the use of land for commercial development thus increasing the availability of land for retail space; thus making NCR render to 50% of the malls in India.

India is being seen as a potential goldmine for retail investors from over the world and latest research has rated India as the top destination for retailers for an attractive emerging retail market. India's vast middle class and its almost untapped retail industry are key attractions for global retail giants wanting to enter newer markets. Even though India has well over 5 million retail outlets, the country sorely lacks anything that can resemble a retailing industry in the modern sense of the term. This presents international retailing specialists with a great opportunity. The organized retail sector is expected to grow stronger than GDP growth in the next five years driven by changing lifestyles, burgeoning income and favorable demographic outline.

Another cap to the retailing industry in India is allowing 51% FDI in single brand outlet. The government is now set to initiate a second wave of reforms in the segment by liberalizing investment norms further. This will not only favor the retail sector develop in terms of design concept, construction quality and providing modern amenities but will also help in creating a consumer-friendly environment. Retail industry in India is at the crossroads but the future of the consumer markets is promising as the market is growing, government policies are becoming more favorable and emerging technologies are facilitating operations in India. And this upsurge in the retail industry has made India a promising destination for retail investors and at the same time has impelled investments in the real estate sector. As foreign investors cautiously test the Indian Markets for investments in the retail sector, local companies and joint ventures are expected to be more advantageously positioned than the purely foreign ones in the evolving India's organized retailing industry.

More Super Markets are the leading retail super markets in India and it has entered into three types of cities mentioned below. More has increased its stores 3.09 times than Spencer's retail supermarkets.

There is a scope to start more stores in the Tier-II and Tier III Cities as there two are developing cities and customers from these two cities shift to buy grocer from local kirana shops to retail super markets.

There is a scope for the researchers to investigate the market potentiality in the Tier-II and Tier-III cities and also manpower availability, customers' preferences, etc.,

Conclusion

Retailing is the emerging sector in India. It creates more employment especially to the unemployed having low qualifications viz., secondary grade, intermediate and graduation. Popular companies like Reliance, Aditya, RPG, and Future Groups already entered into the retail markets and some other companies also showing interest to enter into the retail sector. People also changing their mindset, buying the commodities from the corporate hyper retail stores instead of local traditional stores such as kirana and or small departmental stores. Still the traditional stores share is higher than the corporate retail stores and most of traditional stores are changing its format to departmental stores similar to corporate retail stores.

Interestingly, the people both in urban and rural India seem to prefer to organized shops when it comes to any purchase. In fact, this is a positive and encouraging trend No doubt; the retail sector is a big attraction for both domestic and foreign investors. There is a compass to establish corporate retail stores in Tier-II and Tier-III Cities. There is an opportunity to set up retail stores in the developing cities particularly Tier-II and Tier-III.

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Table 1
Global Retail Development Index 2010

| Country | 2010 Rank | 2009 Rank | Change |
|------------------------|-----------|-----------|--------|
| China | 1 | 3 | +2 |
| Kuwait | 2 | N/A | N/A |
| India | 3 | 1 | -2 |
| Saudi Arabia | 4 | 5 | +1 |
| Brazil | 5 | 8 | +3 |
| Chile | 6 | 7 | +1 |
| United Arab Emirates | 7 | 4 | -3 |
| Uruguay | 8 | N/A | N/A |
| Peru | 9 | 18 | +9 |
| Russia | 10 | 2 | -8 |
| Tunisia | 11 | 14 | +3 |
| Albania | 12 | N/A | N/A |
| Egypt | 13 | 15 | +2 |
| Vietnam | 14 | 6 | -8 |
| Morocco | 15 | 19 | +4 |
| Indonesia | 16 | 22 | +6 |
| Malaysia | 17 | 10 | -7 |
| Turkey | 18 | 20 | +2 |
| Bulgaria | 19 | 21 | +2 |
| Macedonia | 20 | N/A | N/A |
| Algeria | 21 | 11 | -10 |
| Philippines | 22 | 25 | +3 |
| Dominican Republic | 23 | N/A | N/A |
| South Africa | 24 | N/A | N/A |
| Mexico | 25 | 12 | -13 |
| Colombia | 26 | 28 | +2 |
| El Salvador | 27 | 29 | +2 |
| Romania | 28 | 23 | -5 |
| Bosnia and Herzegovina | 29 | N/A | N/A |
| Guatemala | 30 | N/A | N/A |
| Source: AT Kearney | | | |

Table 2
Global Retail Development Index 2011

| Country | 2011 Rank | 2010 Rank | Change |
|----------------------|-----------|-----------|--------|
| Brazil | 1 | 5 | +4 |
| Uruguay | 2 | 8 | +6 |
| Chile | 3 | 6 | +3 |
| India | 4 | 3 | -1 |
| Kuwait | 5 | 2 | -3 |
| China | 6 | 1 | -5 |
| Saudi Arabia | 7 | 4 | -3 |
| Peru | 8 | 9 | +1 |
| U.A.E. | 9 | 7 | -2 |
| Turkey | 10 | 18 | +8 |
| Source: A.T. Kearney | | | |

Table 3
Country wise Retail Sector's Share in GDP in 2009

| Country | Share in GDP (per cent) |
|---------------------------------------|-------------------------|
| India | 10 |
| USA | 10 |
| China | 8 |
| Brazil | 6 |
| Source: CII – AT Kearney Retail Study | |

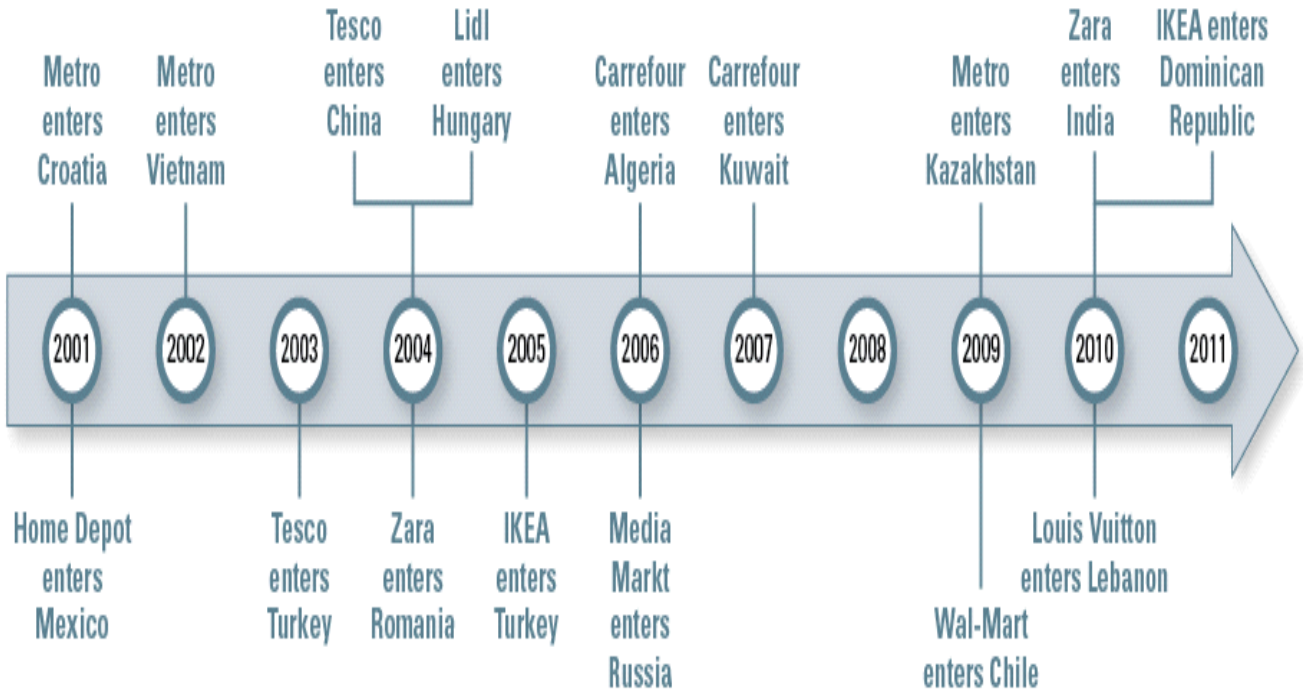
Table-4
More & Spencer's Super Markets in Tier-I, Tier-II & Tier-III Cities in India

| Organization | Tier-I | Tier-II | Tier-III | Total |
|------------------------|------------|------------|------------|------------|
| More Super Markets | 286 | 94 | 177 | 557 |
| Spencer's Neighborhood | 127 | 27 | 26 | 180 |
| Total | 460 | 143 | 231 | 834 |

Retail Formats in India

| | |
|--------------------|---|
| Hyper marts | : 743.22 square meters and more (8000 square feet and more) |
| Large Supermarkets | : 325.16 – 464.52 square meters (3500 – 5000 square feet) |
| Mini Supermarkets | : 92.9-185.8 square meters (1000-2000 square feet) |
| Convenience Store | : 69.68-92.5 square meters (750-1000 square feet) |

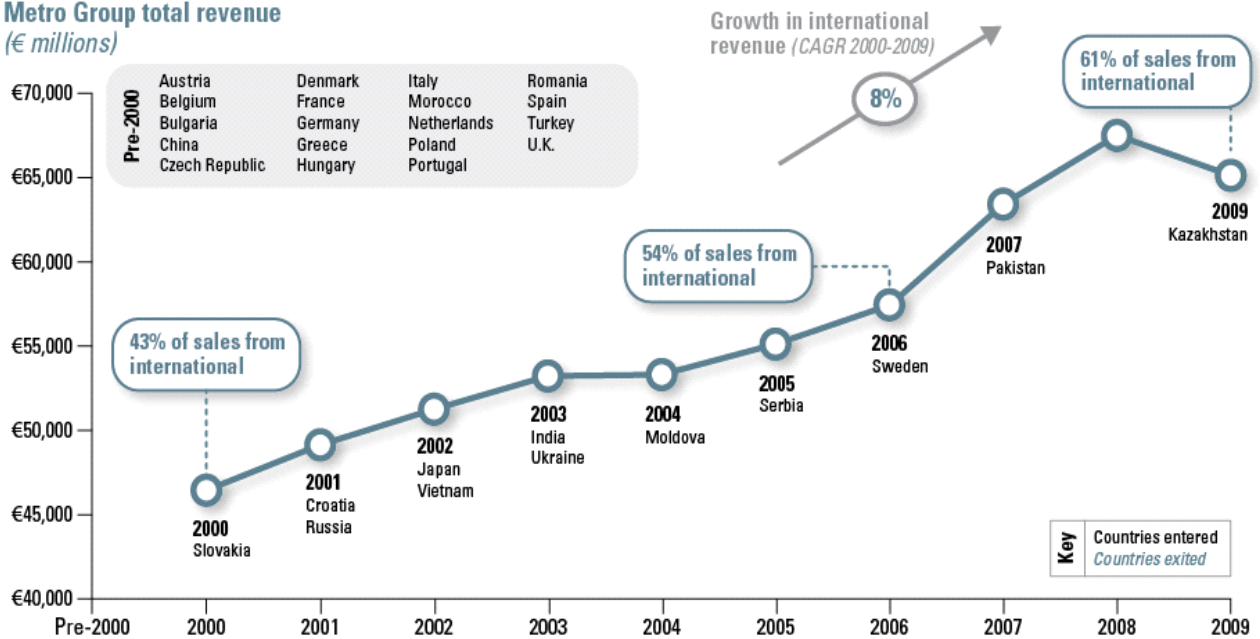
Highlights during a decade of global retail expansion



Sources: News reports; A.T. Kearney Global Retail Development Index, 10-Year Retrospective, 2011

Foreign markets now account for 61 percent of Metro Group's sales

Metro Group total revenue (€ millions)



Note: CAGR is compound annual growth rate.

Sources: Metro Group website and annual and financial reports, 2000-2009

PROJECT AADHAR SINGLE NUMBER, MANY CHALLENGES

Partha Sarathi Roy ★

Poverty alleviation is major theme in most of the developmental projects undertaken by the governments and multilateral agencies across the globe. While there are ample resources devoted to such projects, one common refrain has been the lack of proper targeting mechanisms, in absence of which either the impact on key development indicators has been less than maximum or allocations not optimal or inefficient. 'Aadhar' (meaning basis) is a national identification project under the aegis of the Unique Identification Authority of India (UIDAI) formed in February 2009 and an attempt by Govt. of India to provide a unique 12 digit identification number to all residents across the country. The official importance of the project can be gauged from the fact that the agency is headed by a chairman who holds a cabinet rank. The Annual Report of the Planning Commission (FY 2010-11) states the mandate of the UIDAI as an attached office under its fold and entrusted with the responsibility to lay down plan and policies to implement the UID scheme, shall own and operate UID database and be responsible for its updation and maintenance on an ongoing basis. Headquarter of UIDAI is in New Delhi and it has its Regional Offices in eight places.

Poverty is often structurally embedded than incidental meaning thereby that it is caused by the exclusion of masses from the purview of facilitating institutions rather than the lack of resources. The government's recent strategy therefore in its fight against poverty has been to create the right institutional ambience that would take care of the system. Financial inclusion is a buzzword these days in most business magazines and newspapers with every financial company or banking institution having a deliberate financial inclusion strategy. Aadhar is expected to play a major role in enabling wide segments of the population enter the formal banking system hitherto excluded for want of proper identification. This mix of cutting edge technology and noble intentions has created huge optimism across the academia and industry as a great business potential with developmental benefits thereby creating a win-win. However, one should be realistic in expectation as technology can only be an aiding tool and not an end in

itself. The global experience on big-ticket identity projects till date has been far from satisfactory that has been attempted in countries with less population and far lesser problems and therefore UIDAI has a huge managerial challenge on its hand. Awareness of the various pros and cons would make it more nuanced in its approach and grounded in its dealings.

The technology argument of Financial Inclusion

India is a huge country with most of the population yet outside of the formal banking system. Financial access can act as the most significant and sustainable step towards poverty alleviation as has been demonstrated by the success of microfinance model of banking. The main three causes for the prevailing financial exclusion of large masses are:

- 1 Identification: The biggest hurdle faced by poor people in opening bank accounts is to establish their identity to the banks, especially after the strict KYC norms.
- 2 Access: India being a large country with widely inhabited pockets, providing financial access at the right place at the right time is the key supply chain challenge.
- 3 Higher transaction costs: The main problem of providing the last mile connectivity has been the high cost of providing banking services to the poor who transact in smaller amounts, commonly referred to as micropayments. Banks find such small transaction volumes economically not viable.

The UID project aims to plug this problem through a UID-enabled micropayment model that works of the following approach²:

- UID KYR sufficient for KYC: Banks in India are required to follow customer identification procedures while opening new accounts, to reduce the risk of fraud and money laundering. The strong authentication that the UID will offer, combined with its KYR standards,

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can remove the need for such individual KYC by banks for basic, no-frills accounts. It will thus vastly reduce the documentation the poor are required to produce for a bank account, and significantly bring down KYC costs for banks.

- **Ubiquitous BC network and BC choice:** The UID's clear authentication and verification processes will allow banks to network with village-based Business Correspondents (BCs) such as self-help groups (SHGs) and local kirana stores. Customers will be able to withdraw money and make deposits at the local BC. Multiple BCs at the local level will also give customers a choice of BCs. This will make customers, particularly in villages, less vulnerable to local power structures, and lower the risk of being exploited by BCs.
- **A high-volume, low-cost revenue approach:** The UID will mitigate the high customer acquisition costs, high transaction costs and fixed IT costs that we now face in bringing bank accounts to the poor.
- **Electronic transactions:** The UID's authentication processes will allow banks to verify poor residents both in person and remotely. Rural residents will be able to transact electronically with each other as well as with individuals and firms outside the village. This will reduce their dependence on cash, and lower costs for transactions. Once a general purpose UID-enabled micropayments system is in place, a variety of other financial instruments such as micro-credit, micro-insurance, micro-pensions, and micro-mutual funds can be implemented on top of this payments system.

In a Focus Note by Micro Save, a research and consultancy firm, the authors labeled UIDAI as a unique 'game changer' towards the objective of financial inclusion. Collaboration among the various telecom companies, banks and the government would help in reducing the risks of savings for the poor and give them more convenience. It also offers immense benefits to the service providers of financial services by providing creditable information at affordable costs. Especially in the context of microfinance providing agencies like the MFIs, SHGs and cooperatives the potential benefits are:

Offer New Services

- **Savings and Insurance:** Allow MFIs to offer additional services beyond credit, as processing time and cost for the account opening/authentication process through banks is greatly reduced.

- **Remittances:** The remitter could send money to a specific person, minimizing the risk of fraud and loss when using more information channels.
- **ATMs:** Micro ATMs using simple wireless technology, coupled with UID authenticated transactions, could be deployed by banks either directly or through service providers (e.g. BCs) to provide transactions such as deposits, withdrawals, fund transfers, balance enquiries and mini-statements. Vendors, telecoms and banks have already been in discussion of such machines.
- **Be a one-stop shop:** Beyond savings and remittances, other financial services like bill payments, NREGA and other social security payments can be offered at a convenient location. This helps the facilitating agencies in overcoming the problem of low volumes in remote locations.

Reduce Risks

- **Reduce Multiple Borrowings/ Over-indebtedness:** By forming an effective Credit Bureau, the risks of operations for the MFIs reduce greatly.
- **Reduction in Ghost Clients:** In microfinance operations, as the scale increases, more instances of fraudulence of advancing loans to ghost clients is reported and pose a huge risk to the viability of the industry. The UID could provide an extra layer of control to reduce the likelihood of such activities as everyone involved would be traceable and any odd transaction behavior could be flagged much earlier.
- **Reduced Cash flow in the System:** Cash transactions could be minimized as MFIs could directly credit (debit) the loan amount to the UID-linked bank accounts of the client. Fraud, theft, and even personal harm to staff could be significantly reduced by removing as much cash as possible from the system.

Possible Risks of Usage

No system is foolproof, and even adoption of a technology driven UID system poses its own challenges. The general risk that arise from the use of such a centralized system includes possible errors in the collection and recording of information, difficulties in achieving desired scale, technical hiccups, corruption of data from anonymous sources and unauthorized access of personal information. Some of the specific risks of adoption are:

- **May not be user friendly:** As the UID number is expected

to be long, people may tend to forget in due course. Though UIDAI promises to offer letters of allotment which can be laminated and stored for future purpose, awareness among beneficiaries and staff is essential.

- **Connectivity Issues:** Since the entire platform is designed online, connectivity could be an issue especially with uploading and downloading large packets of data like biometrics.
- **Heavy reliance on Bio-Metrics:** The global report card of biometric usage is not very encouraging as a reliable and perfect technology with many instances of Type II errors (eligible people wrongly excluded).
- **Reluctance on stakeholder's part:** Not all stakeholders (banks, insurance companies) may not agree fully to the UIDAI scheme and still demand for more data backup proof. Most financial institutions operate on the principles of fiscal conservatism and have installed lengthy bureaucratic systems of checks and balances. It is difficult for them to change their mindsets overnight to a single source of information.
- **Just a means and not an end:** Just as technology by itself cannot guarantee financial inclusion, UIDAI likewise can only be a facilitator of processes and
- **transactions.** Financial institutions, formal like banks or semi-formal like MFIs, would need more resolve, creativity and resources at their end to meet targets of financial inclusion.
- **Half full or half empty:** UIDAI's goal is to have UIDs for 600 million Indians within the first five years of operations which is only about half of its population. For the people left outside of the UIDAI system, providers would have to devise interim solutions that are compatible with the UID project.

Present Status

The annual report of Planning Commission states the following progress made under UIDAI till FY 2010-11.

Phase I: Setting up necessary infrastructure for offices at headquarters and regional headquarters and creating testing facilities for running the Pilots and Proof of Concepts (PoC) experiments. Status is completed.

Phase II: The UIDAI scheme was formally launched on 29th September, 2010 at Thembhali village, Nandurbar District in Maharashtra. The UIDAI has to adhere to its commitment to the Parliament of India of issuing first set

of UIDAI numbers within the 12-18 months of its establishment (between Aug 2010 – March 2011).

The key milestones, including the major debates are listed as per Appendix A.

The Logic of identification

Although India's growth record has been rather impressive post liberalisation, its performance on other parameters especially on the social front has been far from satisfactory. The state has been slow in reducing poverty, removing income inequality and left a lot of less privileged people outside the purview of the social benefit schemes. In international debates, targeting is one of the four key notions currently in vogue (Jhabvala & Standing, 2010). Targeting usually means directing benefits to those deemed as in need and regarded as 'deserving' of help. By selectivity, commentators usually mean targeting benefits to a specified group, such as those belonging to a particular caste whose members may be in greatest need of some assistance. By universal, what is usually meant that the entire population is entitled and this conveys a sense of right. Finally, by conditionality, what is usually meant is that the potential recipients must conform to a specified list of behavioral conditions. The UID project aims at helping achieve all of these.

The conventional argument of targeting, as in India as elsewhere, is that for developing and less developed countries resources are rather limited. And therefore such poor countries cannot "afford" a comprehensive social protection system, so it must concentrate its limited resources on the neediest. Targeting therefore, has been a part of the Washington Consensus policies and as such conventional wisdom for the past two decades. Targeting typically enables,

- Identify the different types of poor people
- Ensure the benefits reach the actual intended beneficiaries
- Devise exact strategies for developmental projects that are in sync with people requirements and context
- Prevent benefits from being siphoned to the non-poor at the expense of the poor.

In India, the first systematic national attempt at targeting was in 1992 during the Eight Plan, when income was used as criteria for identifying the BPL families and a nationwide survey was undertaken to identify them. Ever since, the state has had many attempts of better targeting of its scarce resources through various mechanisms. However,

the jury on the cost- effectiveness and redistributive effects of proper targeting is yet to be out and not much evidence can be cited to prove its effectiveness in removing poverty (Rothstein, 2001).

Various perspectives on UIDAI

As an identification project, though the most ambitious till date achieved anywhere in the world, UIDAI has evoked a wide variety of responses from industry, academia and the civil society representatives. Previous attempts on national IDs by governments elsewhere in the US, UK and Australia have failed miserably. Given such poor track record of technology intensive projects failing in human mediated environment, one must be doubly sure about the possible effects in the context of a developing country like India. In a series of articles that were published in India's leading journal of critical inquiry, the *Economic & Political Weekly*, the effectiveness of UIDAI has been hotly contested. In a letter to the editor, an intellectual group of people (Krishna Iyer et. al, 2010) argued that given the significance of project on nationally important issues of food security, NREGA, migration, technology, decentralization, constitutionalism, civil liberties and human rights, there is an urgent need for a thorough feasibility study on following counts:

- Importance of feasibility study: As per the group, the claims made and the subsequent potential fallouts of the mega-project do not seem to be well thought through. They argue "The project documents do not say what other effects the project may have, including its potential to be intrusive and violation of privacy, who may handle the data."
- Need for a Cost-Benefit Analysis: The projected costs of Rs. 45000 crores over a four year period do not seem to include the costs incurred by registrars, enrollers, the internal systems costs that the PDS will have to budget if it is to be enabled to use the UID data, the estimated cost to the end-user and to the number holder.
- Since Aadhar was primarily intended for internal security purpose and not identification for social schemes, how does UIDAI propose to deal with data theft? With involvement of private consulting firms like the Ernst & Young, the question of mishandling of data for private benefit becomes more crucial.

Justifying the scope of Aadhar, in a recent working paper by Kelkar & Shah⁴ (2011) the authors argued "Under the Aadhar program, if each household has a unique number

and a bank account attached to the number, and if cash can flow directly from North Block to this account without any intermediaries, then the only impediment faced in poverty alleviation is a master table containing the names and numbers of all poor households in India. With this table in hand, the Ministry of Finance could directly eliminate mass poverty in India. A rough calculation is highly revealing: If 2% of GDP or Rs. 1,10,000 crore are devoted to cash transfers into the poorest 20 crore people, this constitutes a transfer or Rs.27,500 per year (i.e. Rs.2292 per month) for a household of five. With such a capability in hand, a broad array of existing government programs and interventions, aimed at addressing the problem of poverty, can be dismantled, thus yielding enormous improvements in India through the elimination of corruption, downsizing of government, reduction in expenditure, and removal of economic distortions thus enabling higher GDP growth. This scale of expenditure (2 per cent of GDP for the comprehensive elimination of poverty in India) is consistent with the broad goal of living within a tax/GDP ratio of 18-20 per cent of GDP.

In another commentary on the security and privacy aspects of undertaking a national level ubiquitous ID project, Ms. Ramanathan (2010) a legal expert, debated the risks of conducting the project. She argued that though the project pegs its legitimacy on the potential benefits it could bring to the poor, at a policy level not much have been debated on the possible downsides in the event of breach of privacy and loss of dignity to the citizen. Citing media reports⁵ of a private health agency approaching the UIDAI and the Knowledge Commission to link up UID numbers and health profile of individuals to manage health records, the paper criticized such attempts of convergence of information by market forces to be intrusive, insecure and unsafe at an individual level. On the issue of national security, such hidden surveillance using technology and confidential information by intelligence agencies that are neither the creation of law nor insulated from oversight and outside the purview of the Right to Information Act as well, could be used as vehicle of conspiracy or suppressor of traditional liberties of democratic self-government. These questions were not adequately debated in the draft ID Bill.

In response to this article, Mr R S Sharma (2010), the Director General of UIDAI, responded to some of the criticisms as 'fundamental misunderstandings' about the UID project arguing that the draft Bill was formulated taking into account the various perspectives at multi-levels – various ministries and departments of govt., all State govts., the Planning Commission, various independent regulatory authorities, participants of the civil society, intelligentsia,

law and biometric experts. On the most critical issue of sharing of confidential information, the author argued that the official position was that the intended beneficiary was not merely a passive but an active participant who fully understood the difference between sharing information with a Pizza parlour salesperson and a PDS shop owner wanting to know the eligibility status for subsidized food items.

By its intent, enrolment into the Aadhar project is supposed to be voluntary in nature. But in another article by Ms. Ramanathan⁶, she criticized the myth of voluntariness as 'stand exploded' even as it is stated. The compulsion of identity verification through a 12 digit number may not come from UIDAI for enrolment is voluntary but other agencies may demand that a person must have a UID number to be provided a service. Banks, for instance, may make UID a prerequisite to opening, or maintaining accounts. Or to get onto the NREGA muster roll. Or to be entitled to a BPL card. And so on. Ms. Ramnathan argues that voluntarism is not a norm that is compatible with the unrelenting ambition of the UID to have universal enrolment.

On Financial Inclusion

On the aspect of Financial Inclusion the criticism has been much less compared to other intended benefits of Aadhar on other fronts. In a country where only 60 crore bank accounts exist that too operated by approx 20-25 crore individuals (about 20% of the population), UIDAI proposes to help the cause of achieving financial inclusion by providing a ubiquitous and cost-effective online authentication system. The Ministry of Finance has already declared the Aadhaar ID number to be a valid 'Proof of Identity' and 'Proof of Address' that would satisfy the 'Know your Customer' (KYC) norms, thereby paving the way of financial inclusion of bringing into the banking fold customers, who hitherto did not have any means of satisfying the KYC norms of the banks.

Efforts at the UIDAI level: To support the micropayments infrastructure a committee constituted by the RBI, which includes representatives of UIDAI, has developed architecture for Micro ATMs that support Aadhaar enabled transactions. Further, UIDAI is working closely with National Payment Corporation of India to support micropayments from Aadhaar enabled bank accounts through Micro ATMs. A Proof of Concept study is planned to be conducted in Jharkhand.

UIDAI is also working towards linking the MNREGA payments with the Aadhaar number of the resident and routing the payments through the Aadhaar enabled bank account. The Proof of Concept study on this arrangement

also would be conducted in Jharkhand across seven blocks. UIDAI has partnered with the National Institute of Public Finance & Policy for research program on financial inclusion⁷. The purpose is to improve knowledge through original research on public policy challenges to UIDAI in expanding financial inclusion in India. This includes, understanding the interface between the banking system, payments system, and challenges with the present regulatory framework for financial inclusion. The research program will primarily provide policy advice in the design of the framework for financial inclusion by the UIDAI.

In a recent research article by Dass⁸ (2011) on the rhetoric of possible benefits that Aadhar may bring towards delivering the targets of financial inclusion, the author argued that too much 'heroism' was being poised on the capabilities of technology as a end of all means. UIDAI being an online technology platform that can only provide a yes/no answer can only authenticate whether 'x is x', while the onus of service delivery lies squarely with the respective line departments.

On this point, Dass argues that the debate of financial exclusion is about a much larger systemic error that needs to be rectified. There have already been previous attempts at financial inclusion by the Finance Ministry and the Reserve Bank of India like the opening of 'no-frills' accounts for poor and linking them to the MNREGA scheme. But as our past experience suggests, in absence of a more determined approach and political will, such attempts remain half hearted. For example, around 1400 people who had been given bank accounts in Nandurbar District in Maharashtra where the UID project was inaugurated, have zero deposits in their account and they have never operated their bank accounts. This further raises doubts about the usefulness of opening accounts and economic viability of banks in maintaining such accounts.

Conclusion

As has been amply reasoned in the various debates on the issue of the Aadhar project, the function of UID is restricted to eliminating two problems: last mile connectivity and elimination of bogus identities (like fake ration card etc.). The main debate is not on the use of technology, its prowess to enhance efficiency is doubtless. But as has been pointed by many experts is that UID is only one of the several technological innovations that are possible⁹. There are other options available as well (e.g. smart cards, food coupons for last mile authentication) which may be cheaper, less disruptive and more people friendly (meaning easier to understand). Such simple use of technology to improve

transparency has been tested at a smaller scale before. For example, computerisation of PDS operations in Chattisgarh and Tamil Nadu, SMS based alert systems and so on. However, one needs to be aware that usage of technology cannot be an end in itself and has its own limits when used with human interface.

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Appendix A

Timeline UIDAI (including the main debates)

| Date | Event |
|---------------|--|
| Jan, 2009 | UIDAI setup by Planning commission by an executive order |
| July, 2009 | Nandan Nilekani handpicked by PM to head UIDAI |
| May 6, 2010 | UIDAI organized a workshop in New Delhi with selected Civil Society organizations from across the country to discuss the Aadhaar initiative. The meeting was attended by 40 participants. |
| 24 July, 2010 | A Unique Identity Bill' by Ms. Usha Ramanathan published in EPW arguing that there are greater security and dignity issues involved in implementation of UIDAI that needs to be debated and incorporated in the draft National Identification Authority of India Bill. |
| 28 Aug, 2010 | Mr. R S Sharma, Director General (UIDAI) responds to the points raised in the above article terming the concerns as fundamental misunderstandings. |
| 2 Oct, 2010 | In response to the official position over the Bill being consultative, another article published in EPW by Ruchi Gupat, 'A case of PR over Substance' that contests the manner in which 'consultations' over the draft of ID bill has taken place. |
| 3rd Dec, 2010 | The National Identification Authority of India Bill 2010 introduced in Rajya Sabha and referred to the Parliamentary Standing Committee on Finance. |
| 26 Feb, 2011 | An article by Reetika Khare, 'The UID Project and Welfare Schemes' in EPW that argues that hasty linking of NREGA and PDS schemes with UID could be disruptive and there are other 'cheaper' technological alternatives available. |

ADVERTISING CSR EXPENDITURE OR INVESTMENT?

Kiran Bala★

Have a look at newspaper supplements, magazines and TV commercials. All of them are flooded with display advertisements of CSR efforts made by business conglomerates. It seems that money is spilling out from the pockets of business tycoons for social welfare. CSR activities have become imperative for the success of any business house. It has become a complete business strategy that ensures long-term visibility of the corporate houses. Corporate Social Responsibility is the alignment of business operations with social values. CSR consists of integrating the interest of stakeholders— all of those affected by a company's conduct—into the company's business policies and actions. But the question arises, is it really welfare or they are advertising it for image building? Is this a marketing gimmick or CSR initiatives are affecting the target publics? Are companies spending out of generosity or is it a compulsion of some sort? Is it investment or expenditure? The paper attempts to explore various aspects of CSR efforts made by different corporate houses of India, their effects and reasons behind expenditure on CSR advertising.

Indian Examples of CSR initiatives

In June 2008, a survey was carried out by TNS India (a research organization) and the Times Foundation with the aim of providing an understanding of the role of corporations in CSR. The findings revealed that over 90 per cent of all major Indian organizations surveyed were involved in CSR initiatives.

In fact, the private sector was more involved in CSR activities than the public and government sectors. The leading areas that corporations were involved in were promoting education, health, environment and women's empowerment. Most of CSR ventures were done as internal projects while only a small proportion was used as direct financial support to voluntary organizations or communities.

In a survey carried out by the Asian Governance Association, which ranks the top 10 Asian countries on corporate governance parameters, India has consistently ranked among the top three along with Singapore and Hong Kong, for the last eight years in CSR initiatives by corporate houses.

TATA Group

The Tata Group, India's largest private sector conglomerate, comprising of 91 companies is renowned worldwide for its commitment to social development. Western corporate houses may have discovered the virtues of 'corporate social responsibility' in recent times, but Tata Group has been practising it for decades in a nation that is unable to provide even basic amenities required for survival of its citizens. Housing for employees, company-run hospitals and schools, and rural development projects such as road building, tree planting and well digging, are all part of the Tata's social welfare activities. A city like Jamshedpur was also planned by TATA that has all the facilities an urban citizen aspires for.

Tata Salt launched the Desh Ko Arpan (DKAP) programme in 2002. As a part of this programme Tata Salt donates 10 paise from every pack sold from Jan 26 to Feb 26 and Aug 15 to Sep 16, towards the social causes every year. In the first phase of the programme in 2002, the money raised was donated to Child Relief Fund & You (CRY) through six child development initiatives, which benefited 20,000 young girls and boys in 45 slums and 19 villages across the country. In 2003, the second phase, the company continued its association with CRY. The effort reached 12 projects across four states helping over 4,200 underprivileged children.

In 2006 and 2007, Tata Salt tied up with the Nanhi Kali project, jointly managed by K C Mahindra Education Trust (KCMET) and Naandi Foundation¹.

Dabur India Ltd

Dabur has constituted an organisation named Sustainable Development Society (SUNDESH) to ensure overall socio-economic development of the rural and urban poor on a sustainable basis. Through different participatory and need-based initiatives it aims to reach out to the weaker and more vulnerable sections — such as women and children,

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illiterate and unemployed – of the society. Today, it is operating in Ghaziabad and Gautam Budha Nagar district of Uttar Pradesh. Since its inception, it has contributed to many worthy causes like children's literacy, improving healthcare services, skill development of weaker sections of society and environment.

Indian Oil Corporation Ltd

CSR efforts do not mean only for under developed communities, some of the CSR initiatives include conservation of our national heritage as well. Indian Oil Corporation Ltd is one such company that has earmarked 10% of CSR budget to this cause. Indian Oil Foundation is CSR wing of India Oil Corporation Ltd. Its objective is to adopt at least one heritage site in every State and Union Territory. Monuments identified in the first phase of campaign include Qutab Minar in Delhi, Konark Sun Temple in Orissa, Khajuraho temples of Madhya Pradesh, Kanheri Caves in Maharashtra, Hampi complex in Karnataka, and Warangal fort in Andhra Pradesh. Indian Oil, through NCF and ASI, will fund archaeological works while IOF will develop world-class facilities and conveniences for the visitors.

In addition to refuelling facilities for travellers, community development in the neighbourhood is to be undertaken by Indian Oil. IOF recently unveiled the "Swantanrya Jyot" at the Cellular Jail National Memorial, Port Blair, as a humble tribute to our great freedom fighters.

Infosys Technologies Limited

Infosys is actively involved in various community development programmes. It is promoting the Infosys Foundation as a not-for-profit trust to which it contributes up to 1% of its profit after tax every year. Additionally, the Education and Research Department (E&R) at Infosys also works with employee volunteers on community development projects. Infosys Foundation has taken initiatives in the areas of Research and Education, Community Service, Rural Reach Programme, Employment, Welfare activities, Healthcare for the poor, Education and Arts & Culture.

ITC Limited

1. ITC's CSR efforts are inclined towards Indian farmers. ITC is engaged in elevating the partnership with Indian farmers to a new paradigm by leveraging information technology through its 'e-Choupal' initiative.² ITC is significantly widening its farmer partnerships to embrace a host of value-adding activities: creating livelihoods by helping poor tribal by making their wastelands

productive; investing in rainwater harvesting to bring much-needed irrigation to dry lands; empowering rural women by helping them evolve into entrepreneurs; and providing infrastructural support to make schools exciting for village children. Through these rural partnerships, ITC is influencing the lives of nearly 3 million villagers across India.

Mahindra & Mahindra

The K. C. Mahindra Education Trust was established in 1953 by late Mr. K. C. Mahindra with an objective to promote education. Its vision is to transform the lives of people in India through education, financial assistance and recognition to them, across various age groups and income strata. The K. C. Mahindra Education Trust undertakes a number of education initiatives, which make a difference to the lives of deserving students. The Trust has provided more than Rs. 7.5 Crore in the form of grants, scholarships and loans to aspiring students.

Why CSR

With the advent of technology and development we are shifting towards a society that is divided on the basis of capital – haves and have nots. This inequality leads to conflict between the two. With the growth in democratisation of information the poor is also becoming aware of his rights and asking for his inclusion in development planning. Due to increase in media exposure he is aware of the life style what rich is enjoying and he also aspires for the same. Civil rights movements are boosting up his morale to live in a more equitable society. Not only this, he is asking for sustainable development. All these factors are compelling business houses to play proactive role in the development of society.

CSR today has grown beyond the earlier concepts of charity, philanthropy and relief measures. Today, it is recognised that CSR can play a vital role in nation building through public-private partnerships. It has become important in overall progress of the nation and renewal of lives in towns and villages by generating employment and by contributing to the education and health sectors.

For the CSR to be meaningful it must reach out to the large majority of our people who not only lack purchasing power, but are fundamentally deprived of basic livelihood. Though business houses realise the importance to be proactive to disseminate the fruits of goodness, yet the efforts put by only a few business houses are insufficient to make an overall difference in the lives of millions. When companies are spending millions of dollars for the

upliftment of public at large, what are they getting out of it?

Corporate Social Responsibility in a new paradigm

From day one Tata Group has been considered a people oriented organisation that has returned a lot to the society in exchange of the profits it has earned. Many more organisations are coming in the forefront to show their concern for society at large.

a) Establishing strong relations with public

In the contemporary scenario, businesses have realized that problems in the communities are complex that they need to form partners to make a greater impact. While poverty is a tough problem of our times, it is understood that it can be mitigated in our lifetime. And so these partnerships are focused on development- by governments, development agencies, NGOs and all others who come together in their own specialized roles. And the business community does it by defining what it is best suited to deliver - through its own core competencies. For instance 'Teach India' campaign stresses upon educating the under privileged by volunteers. The Times of India that has always been considered one of the biggest profit earning media organisation has attempted to bring a change in the society with this great initiative.

Tata Tea Ltd tied up with the Jaago India Foundation—a Mumbai-based social awareness organization launched by Maverick Media Ltd, a production house—for an online initiative targeting youth on social and environmental issues. Tata Tea then launched an aggressive marketing campaign called "Jaago Re"³, which includes a 40-second television commercial and six smaller ones, along with initiatives on print, radio and outdoor media. As tea has an awakening effect on people and that is also the main objective of the Jaago India Foundation. This is a way to connect with consumers while leveraging on the benefits of the product.

b) Changing unfavourable practices to favourable

Some companies are putting efforts on CSR front as they are very much aware of the fact that their business activities have negative impacts on society and this needs to be addressed. These are typically in the areas of hazardous waste management, emission control, effluent treatment or safety at the work place. Now companies are carefully choosing the initiatives which they advertise as a means to counter public perception of unfavourable practices that have been linked to their businesses.

For instance, Cola companies that have been blamed for

depleting water resources and exploiting child labour have made efforts to change their image from exploiters to bestowers by CSR activities⁴. There was an ongoing movement in Kerala against misuse of drinking water by Coca Cola. To counterbalance the issue Coca-Cola India's recent "Drops of Joy" campaign features an emotional narrative from one of the 80 men of the Benares Deaf and Dumb Institute who have been employed as bottle inspectors at Coca-Cola's bottling plant at Varanasi⁵.

Many of the Cola companies' initiatives are centred on rain water harvesting because water is an important input resource for soft drink business; and there is a certain expectation from the community and stakeholders to replenish what they are exploiting.

c) Serving the Downtrodden

Business is recently recognized for its power to make a big difference by innovating and reengineering its products and services to reach the large sections of underprivileged people. Be it information technology or applications in a set of key technologies to train young people. The purpose is to identify, involve and engage them to participate in the different segments of the supply-chain wherein the corporate sector builds symbiotic partnerships with the poor. At a more collective level, they are in a position to work with the government with stated tasks and goals as a more tangible thing to work for, but the overarching purpose is to serve the underprivileged. Larsen & Toubro is one of the best examples of such activities. As construction industry is the second largest employer in India after agriculture, employing about 32 million-strong workforce, L&T set out to regulate and promote Construction Vocational Training (CVT) in India by establishing a Construction Skills Training Institute (CSTI) on a 5.5 acre land, close to its Construction Division Headquarters at Chennai. CSTI imparts basic training in formwork, carpentry, masonry, bar-bending, plumbing and sanitary, scaffolding and electrical wireman trades to a wide spectrum of the rural poor totally free of cost.

Why to advertise CSR

According to the 2007 Cone Cause Evolution Survey, more than two-thirds of Americans say they consider a company's business practices when deciding what to buy. The study also indicates an evolution in consumer thinking about the ways businesses interact with society.

At present more and more companies are reporting their CSR initiatives. Globally, CSR reporting has been steadily rising since 1993. More than 1,600 company reports were

covered in audit and advisory services firm KPMG's 2005 survey. The firm found that 64% of the G250 (Top 250 companies of the Fortune 500) report on CSR, while 52% produced separate reports; for the N100 (the Top 100 companies in each of 16 countries) the figures are 41% and 33%, respectively⁶.

In India, too, CSR reporting has gone up in the past several years. However, CSR reporting in India is focused on community initiatives rather than governance, risk and disclosure.

Industry experts believe the reason behind the sudden surge in social advertising is that marketing wars on the basis of quality, technology and prices have not succeeded in a fiercely competitive market, thereby pushing companies to address social issues as a product or service differentiator. Consumers are demanding more than products and services from their favourite brands. Nowadays, stakeholders, including consumers, evaluate companies not only on their financial success but more on what they do for the community at large. Customers are likely to switch brands to one associated with a good cause, if price and quality are similar. If a company communicates its social responsibility, the company in some ways is trying to influence consumer preferences.

Apart from reaching out to consumers, industry professionals believe that social advertising also helps firms get better noticed by relevant trade bodies like CII, FICCI, ASSOCHAM etc. Advertising around social issues initiates a two-way dialogue between consumers and companies by forcing some reaction or response from them, thereby enhancing interactivity.

Experts say this trend is likely to pick up speed across sectors, especially as companies in India increasingly look at social marketing with a business approach. Companies are using CSR advertising as a tool to increase brand visibility by creating brand preference in the mind of consumers. Now-a-days when unfair practices are on rise in advertising, consumers are rejecting commercial messages in favour of those who are practising CSR in one or the other form.

Advertising the social initiatives undertaken also help the companies make the most of the investments gone into them. A company would not spend on advertising unless the advertising yields the company additional revenue, otherwise it would just be throwing away the profits. Would this logic not hold for CSR too? Just because the advertising comes in the form of social responsibility, it does not make it any less like advertising. It is a form of investment with

sure multiple returns on investment.

The corporate decision about whether to pursue CSR can be approached by management just like a marketing decision—with cost/benefit analysis. If a company advertises its corporate social responsibility as a substitute for traditional advertising, the implication is that social responsibility follows from a corporation's desire to influence consumer preferences. Thus, when consumers' preferences change in the favour of company it leads to more profits and visibility. If a firm wants to articulate change in a consumer's demand function to rationalize CSR activities, then the firm must advertise it as well. And as CSR efforts increase, there will be more incremental growth in advertising based on them.(Endnotes)

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