

# MET MANAGEMENT RETROSPECT

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## Our Faith

न चौर हार्यम् नच राज हार्यम् ।  
न भातृभाज्यम् नच भारकरी ॥  
व्यये कृते वर्धते एव नित्यम् ।  
विद्याधनं सर्वधन प्रधानम् ॥

Knowledge can neither be stolen by a thief,  
nor snatched by king.  
It is indivisible unlike ancestral property,  
It never burdens the bearer,  
It multiplies manifold when offered to others.  
Knowledge is the supreme form of wealth.

विद्ये विना मती गेली, मती विना नीती गेली,  
नीती विना गती गेली, गती विना वित्त खचले,  
इतके अनर्थ एका अविद्येने केले  
- महात्मा ज्योतिराव फुले

Lack of knowledge leads to indiscretion;  
Indiscretion leads to lack of ethics  
Lack of ethics leads to absence of direction and momentum;  
Absence of direction and momentum results in bankruptcy;  
Such is the HAVOC caused by the lack of knowledge.  
- Mahatma Jyotiba Phule

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The research contributions by the scholars have made the journal enrich. The journal has diversified areas covered under its ambit giving maximum option for the research scholars. We thank all the authors and editors for their contribution.

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## Shopping Behavior Model for Retail Format Choice

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### Abstract

The retail industry in India is getting organized. The share of unorganized sector in retail trade is declining. Customers are wooed by retailers from both the sectors i.e. organized and unorganized. The research work is carried out with objective of understanding choice of customers for these two sectors. Six identified dimensions affecting shopping behavior of customers are used to compare shopping behavior in organized and unorganized retail formats. The research was carried out in tier two cities of Madhya Pradesh namely Indore and Bhopal. Discriminant analysis was used to identify choice of customer for retail formats. The model was developed for the choice of retail formats on the basis of cutting scores calculated.

**Key-words:** Six Dimensions of Shopping behavior, Discriminant Analysis, Retail formats, Shopping Behavior, Cutting Score, organized formats, unorganized formats

### Introduction

Retailing is any business that directs its marketing efforts towards satisfying the final consumers based upon the organization of selling goods and services as means of distribution (Gilbert, 2007). India's transition in retail industry is visible with corporate giants showing interest in retail industry. With cabinet sanction of FDI in multi-brand retailing numbers of international retail brands are planning with their investment strategy in India. The Indian retail industry has expanded by 10.6 per cent between 2010 and 2012 and is expected to increase to US\$ 750-850 billion by 2015. Accounting for around 14-15 per cent of the gross domestic product (GDP), the Indian retail industry is estimated to be worth around US\$ 500 billion currently. Ninety percent of Indian retail sector is controlled by tiny family-run shops i.e. the unorganized segment. Thus, organized retailers, controlling 10% of retail market share, have a lot of room for further penetration in this flourishing economy. In 2010, larger format convenience stores and supermarkets accounted for about 4 per cent of the industry, and these were present only in large urban centres. Now the trend is changing, and such concepts are mushrooming in smaller cities and towns as well. Organised retail segment is

expanding at 20 per cent a year, driven by the emergence of shopping centers and malls and growing middle class (ibef.org).

Unorganized retail formats are those which are selling products and services through fixed or mobile location and the number of people employed are less than ten. Thus, the neighborhood baniya, paanwala, cobbler, vegetable and fruit vendors, etc. would be included in the unorganized sector (Pradhan, 2009). In other words unorganized sector refers to the traditional formats of low-cost retailing such as the local kirana shops, owner-managed general stores, paan/beedi shops, convenience stores, handcart, and pavement vendors. Whereas, organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses (Datar and Laghate, 2011).

### **Literature Review**

Most of the literature related to organized and unorganized formats of retail discussed strategies adopted by retailers to attract customers. Morganosky (1997) predicted the fierce competition in retail sector owing to emergence of new formats. Kokatnur (2009) in a study quoted the changes in retail sector in developing countries. Developing countries are going through rapid transformation from unorganized to organized format in retail business. The competition between retailers has resulted in better offerings to the customers. This in turn has raised expectation of customers. His study on responses of retailers from both organized and unorganized retail store reveal some pattern and challenges for organized and not organized stores. Organized stores are adopting product strategies (like private brands, wide assortment etc), price promotion strategy (Discount, loyalty, EDLP) and service strategy (like ambience, parking etc). Strategies adopted by unorganized retailers in above dimensions are focusing on adding product line/varieties (product strategies), discounts, reducing price (price promotion strategy), home delivery and credit facility (service strategy). Study revealed that though presently unorganized sector is not greatly influenced by competition but fierce competition is waiting and unorganized retailers are preparing themselves for this.

As organized retail market is in its nascent stage in India, not many studies have been conducted in this area. Several studies in developed markets have focused on the impact of malls and supermarkets on the strategies followed by small stores. A study by Morganosky (1997) on retail market structure change carries certain implications for retailers and

consumers. The study revealed that owing to the emergence of new retail formats, competition between retailers of all types is heightening, with pervasiveness and complexity of consumer cross-shopping patterns across various retail channels. In a study by Hurton (2007) on the rapid rise of supermarkets in developing countries, induced organizational, institutional and technological change in agri-food systems, highlight that with rapid transformation of the food retail sector in developing regions, the share of supermarkets rose from roughly 15% in 1990 to 55% in year 2002, in Latin America. The same situation prevails in South-East and East Asia, parts of Southern and Eastern Africa, Central Europe, and the incipience of such a transformation very recently in South Asia and Eastern Europe. These changes have intensified competition.

Apart from intense marketing activities changes at operational level are also observed. Organizations centralizing procurement decisions instead of relying on traditional wholesalers is one example to illustrate above. Seiders et al. (2000) studied the impact of supercenters on traditional food retailers in four markets and found that supercenters are gaining 15% to 20% of primary shoppers. The big retailers continue to gain rapidly share at the expense of competitors who do not differentiate themselves in some significant way. Hallsworth and Worthington (2000) in a study on local resistance to larger retailers taking example of market towns and the food superstore in the UK highlights that the loyalty card system adopted by large retailers was successful. Though the local retailers protested, they lacked the resources to continue the fight. Brennan and Lundsten (2000) analyzed the impacts of large discount stores on small US towns, reasons for shopping and retailer strategies, and found that consumer shop at discounters for low prices and large variety and specialty stores for the unique items they cannot find elsewhere. It was observed that consumer shop at the new discounters more than at the existing stores.

Gagnon and Julian (2005) in their study warn small players for threats from large organization. They mention that traditional strategy will not be adequate to cope with trends such as unprecedented customer diversity, market polarization and dominant mega retailers. He emphasized on focusing on 'well curve' (serving specific customers) instead focusing on 'bell curve'(serving masses). Their research is showing both opportunities and threat in retail market especially for small players. Watkin (1986) proposed that the strategies adopted by small players, should avoid low price and differentiation domain of the large retailer and emphasize a focused offer. Covin and Covin (1990) added that small business strategist proposes customer service and product specialization or customization as appropriate strategic moves for small retailers.

Watkin (1986) has advocated the use of a focus strategy for small retailers to help capture market segments not fully addressed by larger firms. This approach involves being aware of and targeting various idiosyncratic customer purchase criteria. This view is similar to the one propounded by Covin and Covin (1990) according to which small retailer strategy rests on a high level of customer service and product specialization/customization.

McGee and Rubach (1996) have carried out a study to determine whether the competitive behavior of small retailers in the US differed in hostile and benign environments. Their results are in line with Covin and Covin (1990). They find that the successful small stores of their sample used other competitive factors such as superior service, apart from the usage of pricing. According to Berman and Evans (2007) and Conant and White (1999) major advantage possessed by small, independent retailers is the flexibility in devising strategy. They have a high degree of freedom in determining the elements of the marketing mix. They can adopt appropriate mechanisms to tailor-make their offer in line with the needs of their target segments. This indicates the importance of the strategic dimension in operating their businesses.

Ramakrishnan (2010) study on grocery sector demonstrates the existence of various types of retail functional and business strategies by small and big retailers. He observed that superior performance was delivered by organizations synthesizing majority of retailing strategy. This includes clear positioning, focused customer service supported by functional strategies emphasizing the product. It is also apparent from his research that an attempt at full-service strategy integration with a low emphasis on the use of technology, leads to average performance, at best, as can be seen from the case of the traditional merchants. He concluded that variations in retail strategy have led to differences in levels of performance. Superior performance, which may be considered a result of competitive advantage, appears to be directly related to the ability to integrate all the generic strategies—low cost, differentiation, and focus.

Attaining this degree of strategic synergy should be the endeavor of small retail managers in emerging economies like India to meet challenges from organized formats.

Keeping in view above, need was felt to devise appropriate method for capturing customers. As most of the strategies were based on differentiation of product, focus on segment, and cost leadership. The customers' need was not deeply analyzed. For this research work of Bansal and Choubey(2013) was used as basic framework in identifying shoppers' need. In their research work they identified that shopping behavior of customers is affected by their personal, social and environmental aspects. These aspects resulted in six dimensions of

shopping behavior ; Shopping Contentment, Reference Shopping, Store Image, Store Patronage, Enthusiastic Shopping and Shopper orientation. The choice of retail stores is influenced by above dimensions.

#### Objectives

The literature available on organized and unorganized formats has mostly focused on strategies adopted by retailers to attract customers. Area which requires attention is related to understanding customers' behavior for organized and unorganized retail formats. The study aims to understand inclination of customers towards organized and unorganized retail formats on the basis of shopping behavior they are displaying. The discriminant analysis was used to compare both the formats. The objectives and hypotheses of this research work respectively are:

To identify the dimensions which significantly discriminate preference of customers towards organized or unorganized retail formats

To develop model on retail format choice on the basis of identified dimensions

#### Hypotheses

H<sub>01</sub>: The means of discriminant functions for organized and unorganized retail formats are equal.

For the second objective mentioned above following hypotheses were framed:

H<sub>02</sub>: Preference to shop in organized or unorganized retail formats can't be predicted by Shopping Contentment dimension.

H<sub>03</sub>: Preference to shop in organized or unorganized retail formats can't be predicted by Reference Shopping dimension.

H<sub>04</sub>: Preference to shop in organized or unorganized retail formats can't be predicted by Store Image dimension.

H<sub>05</sub>: Preference to shop in organized or unorganized retail formats can't be predicted by Store Patronage dimension.

H<sub>06</sub>: Preference to shop in organized or unorganized retail formats can't be predicted by Enthusiastic Shopping dimension.

H<sub>07</sub>: Preference to shop in organized or unorganized retail formats can't be predicted by Shopper Orientation dimension.

#### Research Methodology

The study was undertaken to compare organized and unorganized retail formats. The dimensions identified by Bansal and Choubey(2013) were used to measure individuals'

shopping behavior for both organized and unorganized retail formats. The dimensions which significantly discriminate choice of shoppers towards organized or unorganized retail formats are required to identify using discriminant analysis method. Therefore, dependent variables are organized and unorganized formats and independent variables are six identified dimensions. For the study a sample of 694 respondents was finalized from 700 contacted respondents of selected tier-II cities of Madhya Pradesh namely, Indore and Bhopal (Table 1). Six instruments were rejected due to incomplete responses. Therefore, response rate was 99.14 percent. In the absence of sampling frame non-probability convenient sampling method was applied to select the sample from the population of individual shoppers present in the selected cities

The instrument used to collect primary data comprised of two parts. The first part intends to collect demographic information. The second part was based on shopping behavior dimensions identified by Bansal and Choubey (2013). The instrument consisted of 60 items that influence shopping behavior of respondents. Respondents were asked to rate all 60 items first for organized and then for unorganized retail sector on five point Likert scale ('Strongly Agree [5]' to 'Strongly Disagree [1]'). First, the respondents were asked to choose any one retail category from three selected retail categories namely apparels, grocery and electronic goods. Then they were asked to rate the items on basis of their shopping experiences at organized retail format of the chosen category. Lastly, they were asked to rate the items on basis of their shopping experience at unorganized retail format in the same category.

Discriminant analysis is the technique of analyzing data when dependent variable is categorical and the independent variables are interval in nature (Bajpai, 2011). Therefore, the dependent variables in this research are formats of retailing i.e. organized (named as Group1) and unorganized (named as Group 2). Independent variables are responses on six dimensions of shopping behavior i.e. shopping contentment, reference shopping, store image, store patronage, enthusiastic shopping, and shopper orientation (Bansal and Choubey, 2013).

Discriminant analysis is given by :

$$D = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4 X_4 + b_5 X_5 + b_6X_6 \quad \dots\dots\dots \text{(Equation-1)}$$

Where,

D = Discriminant Score

b<sub>0</sub> = Constant

b<sub>1</sub>..... b<sub>6</sub> = Six coefficients of linear discriminant function.

X<sub>1</sub>..... X<sub>6</sub> = Mean scores of six dimensions influencing shopping behavior.

The sample of 694 respondents was collected separately for both organized and unorganized retail formats. Out of total 1388 responses (694+694 for mutually exclusive organized and unorganized formats), 70 percent of responses were randomly selected for the estimation of discriminant function and called as analysis sample. Remaining 30 percent were used for the validation of estimated function and referred as hold-out or validation sample. According to Hair et al. (2011) no definite guidelines have been established for determining relative sizes of analysis and holdout subsamples. Some researchers prefer a 60-40 or even 70-30 split between analysis and holdout groups, depending upon overall sample size. To allocate respondents randomly in analysis and hold out samples, random number generator function 'rv.bernoulli' was used. 971 cases (70 %) were selected to generate discriminant function and 417 (30 %) were kept as hold out sample for validation Table-2.

The discriminant function has been developed by using SPSS 16.0. This discriminant function developed was further analyzed by using cutting score and classification accuracy techniques in the following manner.

**Cutting Score:** According to Hair et al. (2011) cutting score is criterion against which each individual's discriminant Z score is compared to determine predicted group membership. Centroids of each group are used in calculating cutting score. Centroid is mean value for the discriminant Z scores of all objects within a particular group. Therefore, in the present study two centroids for two groups were used to calculate cutting score with the help of following formula:

$$Z_{cs} = \frac{N_A Z_B + N_B Z_A}{N_A + N_B} \dots\dots\dots(\text{Equation 2})$$

$Z_{cs}$  = Optimal cutting score between group A\* and B\*

$N_A$  = Number of observation in group A of analysis sample.

$N_B$  = Number of observation in group B of analysis sample.

$Z_A$  = Centroid for group A

$Z_B$  = Centroid for group B

\***Note:** For the present research work organized formats (group 1) form group A and unorganized formats (group 2) form group B

**Evaluating Classification Accuracy :** To assure practical significance of discriminant analysis, the achieved classification accuracy must exceed the selected comparison standard or threshold level by 25 percent (Hair et al., 2011). Achieved classification accuracy is given by hit ratio. It is the percentage of cases correctly classified, can be obtained by summing the

diagonal elements and dividing it by the total number of subjects. Threshold level is represented by  $C_{PRO}$  (proportional chance criterion). A formula for  $C_{PRO}$  is given as:

$$C_{PRO} = P^2 + (1-P)^2 \quad \dots\dots\dots \text{Equation 3}$$

$C_{PRO}$  = Proportional chance criterion

$P$  = Proportion of firms in analysis sample of group A\*

$1-P$  = Proportion of firms in analysis sample of group B\*

\***Note:** For the present research work organized formats (Group 1) form group A and unorganized formats (Group 2) form group B

Press's Q is another measure of classification accuracy:

$$\text{Press's Q} = \frac{[N-(nK)]^2}{N(K-1)} \quad \dots\dots\dots \text{Equation 4}$$

$Q = \chi^2$  with 1 degree of freedom

$N$  = total observation in analysis sample

$n$  = number of observations correctly classified in analysis sample

$K$  = number of groups\*

\***Note:** For the present research work there are two groups: Organized retail format and Unorganized retail format.

## Results

Direct method was used to determine the discriminant function coefficients. In direct method all the independent variables are included simultaneously. There are six independent variables and discriminant function coefficients of each variable can be obtained by substituting each respondent's individual score for each of six variables in Discriminant analysis of SPSS 16.0. The results of this analysis are as follows:

Values of discriminant function coefficients are calculated on basis of canonical discriminant function coefficients given in Table-7. These values are placed in the equation-1 as per the following manner:

$$D = -0.719 - 0.285 (\text{Shopping Contentment}) - 0.449 (\text{Reference Shopping}) + 1.625 (\text{Store Image}) + 0.195 (\text{Store Patronage}) - 0.081 (\text{Enthusiastic Shopping}) - 0.287 (\text{Shopper Orientation})$$

Testing of Hypotheses

***Testing Statistical Significance of the Discriminant Function***

Table-4 could be seen for testing of  $H_{01}$ .

**$H_{01}$ : stands rejected.**

Wilks' lambda is statistic that assesses whether the discriminant analysis is statistically significant (Hair et al., 2002). To test the significance of the discriminant function, chi-square transformation of Wilks'  $\lambda$  is used. At Chi-square value of 157.168, p-value of function was found significant at 0.000. It can be concluded that means of all the discriminant functions in all groups (organized and unorganized retail formats) are not equal. Hence,  $H_{01}$  is rejected. It indicates that discriminant function is statistically significant and further interpretation of function can proceed.

***Identification of Important Predictors***

Table-3 shows important predictors (significance of independent variables i.e. six dimensions) of discriminant function. The results of testing of hypotheses  $H_{02}$  to  $H_{07}$  are presented below:

**$H_{02}$ : stands accepted.**

The p value of 0.752 was not significant at 5% level of significance. Hence preference to shop in organized or unorganized retail formats can't be predicted by Shopping Contentment dimension.

**$H_{03}$ : stands rejected.**

The p value of 0.006 was found significant at 1% and 5% levels of significance ( $p \leq 0.01$ ). Hence preference to shop in organized or unorganized retail formats can be predicted by Reference Shopping dimension.

**$H_{04}$ : stands rejected.**

The p value of 0.000 was found significant at 1% and 5% levels of significance ( $p \leq 0.01$ ). Hence preference to shop in organized or unorganized retail formats can be predicted by Store Image dimension.

**$H_{05}$ : stands accepted.**

The p value of 0.116 was not significant at 5% level of significance ( $p \geq 0.05$ ). Hence preference to shop in organized or unorganized retail formats can't be predicted by Store Patronage dimension.

**H<sub>06</sub>: stands accepted.**

The p value of 0.200 was not significant at 5% level of significance ( $p \geq 0.05$ ). Hence preference to shop in organized or unorganized retail formats can't be predicted by Enthusiastic Shopping dimension.

**H<sub>07</sub>: stands accepted.**

The p value of 0.079 was not significant at 5% level of significance. Hence preference to shop in organized or unorganized retail formats can't be predicted by Shopper Orientation dimension.

Standardized canonical discriminant function coefficients are also shown in Table-5. On the basis of magnitude of coefficients it could be noted that Store Image dimension is the most important predictor in discriminating the groups followed by Reference Shopping, Shopper Orientation, Store Patronage, Enthusiastic Shopping, and at last Shopping Contentment. The same results are given in structure matrix (Table- 6). Structure matrix gives canonical loadings or discriminant loadings for independent variables of the study. It gives pooled value or averages of group correlation. Higher the magnitude of correlation higher is the importance of predictor variable.

***Calculation of Cutting Score***

For calculation of cutting score first of all centroids are calculated and given in Table-8.

Group centroids are average discriminant scores for subjects in the two selected groups – organized and unorganized retail formats. Table (8) shows positive value of 0.409 for Group 1 i.e. organized retail format and negative value of -0.431 for Group 2 i.e. unorganized retail format. On basis of positive and negative signs of centroids, effects of independent variables (dimension affecting shopping behavior) on dependent variables (two retail categories - organized and unorganized) were estimated.

From the discriminant equation D (given above), it can be noted that two coefficients associated with the predictors – Store Image and Store Patronage have a positive sign and remaining four coefficient associated with predictors – Reference Shopping, Shopping Contentment, Enthusiastic Shopping and Shopper Orientation have a negative sign.

These results show that preference to shop in organized retail format is likely to be affected by Store Image and Storage Patronage dimensions. Whereas preference to shop in

unorganized retail format is likely to be affected by Reference Shopping, Shopping Contentment, Enthusiastic Shopping and Shopper Orientation dimension. But out of two predictors with positive coefficients only one i.e. Store Image was found statistically significant and therefore treated as the most important reason for preferring organized format. Similarly out of four predictors with negative coefficient only one i.e. Reference Shopping was found statistically significant and therefore treated as most important reason for preferring unorganized format. Other coefficients were not found as important predictors.

Cutting score is calculated by putting the required values of centroids (Table, 8) and number of observations of analysis sample for organized and unorganized retail formats (Table, 9) in equation-3.

$$\begin{aligned} Z_{cs} &= \frac{498 \times (-.431) + 473 \times .409}{498 + 473} \\ &= -0.02 \end{aligned}$$

The graphical depiction of cutting score is given in Figure 1.

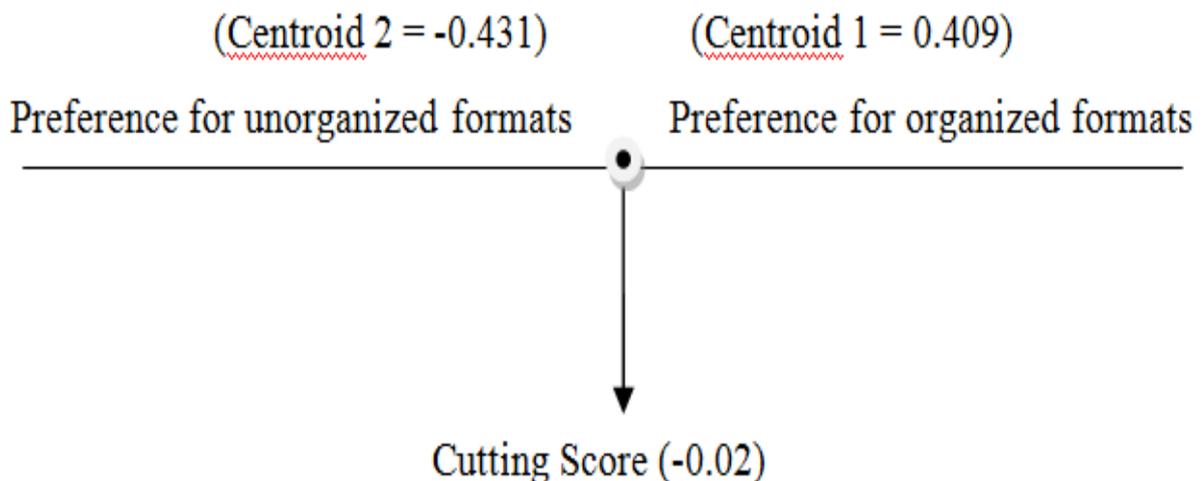


Figure 1: Cutting Score

By placing values for independent variables in discriminant equation-2, prediction could be made about preference of customer for organized or unorganized formats ( Bajpai, 2011). If calculated value of discriminant function D will be found less than -0.02, then customers would prefer unorganized retail format. On the other hand if calculated value of discriminant

function D will be found more than -0.02, then customers would prefer organized retail format.

### *Classification and Validation of Discriminant Analysis*

Classification results table is a simple table of the number and percentage of subjects classified correctly and incorrectly. In the classification matrix, the diagonal elements of the matrix represent correct classification. The hit ratio, which is the percentage of cases correctly classified, can be obtained by summing the diagonal elements and dividing it by the total number of subjects (Bajpai, 2011). The details are given in Table-9.

Classification accuracy was calculated by putting values in equation-4. The 498 respondents out of 971 in organized formats constitute approximately 51 percent of analysis sample. Whereas remaining 473 respondents in unorganized formats constitute 49 percent of analysis sample (Annexure 9).  $C_{PRO}$  value is obtained by placing values in equation-3.

$$C_{PRO} = 0.51^2 + (1-0.51)^2 = 0.50$$

To assure practical significance, the achieved classification accuracy must exceed the selected comparison standard or threshold level by 25 percent (Hair et al., 2011). The threshold level in the present case is  $0.50 \times 1.25 = 0.625$  or 62.5 percent. Hit ratios of selected cases, unselected cases and cross validated cases are correctly classified at 67.8%, 65.9% and 67.1% respectively (Annexure, 9) because they are greater than threshold level of 62.5%. Thus acceptable level of classification accuracy is achieved.

Press's Q is another measure of classification accuracy. Putting values in equation-4:

For estimated sample

$$Q = \frac{[971 - (658 * 2)]^2}{971}$$

$$= 122.57$$

For holdout sample

$$Q = \frac{[417 - (275 * 2)]^2}{417}$$

$$= 42.41$$

Note: \* Number of observations correctly classified is sum of diagonal value of classification table (Table, 9).

In both the cases calculated value exceeds critical value of 3.84 (the chi square value for 1 degree of freedom at the desired confidence level of 0.05). Hence classification matrix can be deemed statistically better than chance. In other words discriminant analysis can be described as predicting group membership better than chance.

From the discriminant function developed result shows that out of total six dimensions only two i.e. Store Image and Reference Shopping were emerged out as significant discriminant predictors for organized and unorganized formats respectively. It means that organized retail formats were preferred mainly because of Store Image dimension whereas unorganized retail formats were preferred mainly because of Reference Shopping dimension. A cutting score was also calculated to predict the inclination of customers towards organized or unorganized retail formats. Lastly, classification accuracy was measured which showed that discriminant analysis was valid.

Shopping Behavior Model For Retail Format Choice : On the basis of above results the following model is proposed for choice of retail formats.



Figure 2: Shopping Behavior Model for Retail Format Choice

## Discussions

Store image was the most important discriminator as per the results of this research. The importance of store image is shown in many research works. Ganguli et al. (2008) found store ambience as one of the important factors in developing patronage and infusing satisfaction. Sinha et al. (2002) also found ambience as one of the crucial factor which shoppers consider before deciding where to buy. Bellenger et al. (1980) suggested that to attract such shopper attractive décor and exciting shopping experiences are required. Lindquist (1974) and Oxenfeldt (1974) claims that store image plays vital role making for choice for retail formats. Mehrabian and Russell (1974) found that individual's perception of, and behavior within, a given environment are the result of emotional states created by that environment. Martineau (1958) emphasizes that success and failures of stores are mostly linked with image.

The second most important dimension, reference shopping, is indicating that unorganized formats are gaining ground on basis of references. People visit these places on the basis of references given by their close circles. Importance of Reference shopping can be traced to couple of studies. Prus, R. (1993) study on shopping with companion found that companion largely influences decisions of shoppers. Babin et al. (1994) found that hedonic values are associated while shopping on suggestions of others. Westbrook and Black (1985) identified “affiliation” needs are fulfilled if shopping is done on suggestions of close people. Tauber’s (1972) claims personal motive of “role playing is objective while taking purchase decision. Hemlatha et al. (2009), Arnold (2003) and Dholakia (1999) also proposed on similar lines. The third, fourth, fifth and sixth discriminators are in this order: shopper orientation, store patronage, enthusiastic shopping, and shopping contentment. They were not very significant discriminators in comparison to previous ones. It implies that respondents are not affected much by other discriminators.

They found services of both sectors almost same. Their enthusiasm is equal while shopping at both formats. They are loyal to place where they are usually visiting. They are equally contended about shopping from both formats. Though, a slim favor for organized formats in case of store patronage was observed. On other dimensions, unorganized formats were slightly dominating organized formats. Some other studies could be seen to understand the difference in shopping behavior in organized and unorganized retail formats. Shopper

orientation though not found significant has important implication. Covin and Covin (1990) added that small business strategists propose customer service and product specialization or customization as appropriate strategic moves. Product selection, assortment and courtesy of personnel are also extremely crucial in determining format choice and cleanliness is the most notable attribute regardless of the format of grocery store (Carpenter and Moore, 2006). Sinha et al. (2002) identified ambience and services as an important reason behind choosing stores.

To understand importance of store patronage dimension some other studies could be seen. Goswami et al. (2009) found customer patronage to grocery stores positively related to number of factors. Location, helpful and trustworthy salespeople, home shopping, cleanliness, offers, quality were positive for developing patronage and travelling requirement to the store was considered as a negative factor in developing patronage.

Even retailers can't compromise on dimensions not found significant in the present study. This may be pertaining to enthusiasm which customers may feel while shopping at particular format or contentment he/she gets after bargain at outlet. Studies by Morganosky (1997) and Seiders et al. (2000) revealed that owing to the emergence of new retail formats, competition between retailers of all types is heightening. Shoppers were not willing to trade off on any issue while purchasing. Hence, leading retailers continue to gain share at the expense of competitors who do not differentiate themselves in some significant way. Hallsworth and Worthington (2000) and Brennan and Lundsten (2000), in their study on local resistance to larger retailers, highlighted that the discount offered, large variety and specialty stores for the unique items and loyalty card system adopted by large retailers is challenging unorganized formats.

A proposed shopping behavior model can be used by retailers for understanding their customers. The model not only explains shopping behavior of an individual but also helps in understanding inclination of customers towards organized and unorganized retail formats. In the country like India, where a great transition is taking place in retail sector, the need to understand customers is more urgent. There are five steps in the decision making process of customers: recognition of the need (problem); search and evaluation of the alternatives; buying; and post purchase experience (Blackwell, Miniard, & Engel 2001; Sheth, Mittal and Newman, 1999; and Solomon, 1994). These decisions are influenced by shopping environment, socio-cultural factors and individual's orientation (Burton et al., 2001).

The model proposed here takes holistic view of customers' shopping behavior. The six dimension identified will help retailers in understanding shopping behavior of customers. The first dimension affecting shopping behavior of customers was shopping contentment. This dimension explains that customers are seeking contentment from any purchase. If contentment level will be high they will prefer to visit outlet. Second dimension Reference shopping indicates that customers shopping behavior is influenced by referrals. He/she decides to shop from any outlet on the basis of referral he/she is getting from his/her friends, family, etc. The store image dimension reflects image hold by customers for store related to price and ambience. The positive image will motivate customers to shop.

The Store patronage dimension highlights importance of loyalty. Customers visit a place because they were satisfied with previous visit. The Enthusiastic shopping dimension details about enthusiastic level of customers. If retailers can understand their needs, they can encash enthusiasm level. Sixth dimension shopper orientation is pertaining to services offered by retailers. Better services will attract customers to retail outlet. To attract customers to retail outlet retailers should consider the above six dimensions. These six dimensions of shopping behavior are influenced by several demographic variables. The back ground of customer like his age, gender, city, occupation, family type, number of earning members in family, and income level influences his/her expectations from retailers. This is reflected in their responses on above six dimensions of the model. Further the products they are interested in purchasing will also influence their expectations from retailers. This will also be reflected in above mentioned six dimensions of shopping behavior.

The model (figure, 2) shows comparison of cutting scores and discriminant scores of respondents. The discriminant scores are based on individual's response for various dimension of shopping. The response as discussed is based on demographic variables and category from which he/she is purchasing. The model shows if cutting score is higher than discriminant score unorganized formats are preferred. On the other hand if cutting score is lower than discriminant score organized formats are preferred.

### **Implications**

Store image and reference shopping were identified as very significant factors that differentiate organized and unorganized formats. Store image of organized formats was

perceived better than store image of unorganized formats whereas unorganized stores were visited more on the basis of references given by close groups than organized formats across all demographic profiles. Naturally, organized stores have to work more on informal communication (like word of mouth) and unorganized formats have to work more on improving image (like price image).

Implied to retailers is that they should design marketing programs, keeping in view family, neighborhood, colleagues, etc. of individuals. Purchasing decisions are based on the recommendations of these groups. After tracing 'opinion leaders' it becomes extremely easy for marketers to attract customers. On the other hand, if negative opinion spreads about offering, it results in massive disinterest. Word of mouth publicity is dominating while choosing the outlet for purchase. Advertisers can use this while designing the advertisements. Retail outlets could be positioned as the place where whole family and friends could shop i.e. a place where socializing may be highly effective. In this research, it was observed that people were recommending unorganized formats for purchase looking to some specialty.

Overall ambience including lighting, air-conditioning, layout, music, etc. was found positively related with shopping at retail stores. These may not be essentials, but if present, may result in preference for that store. Retailers should take proper care of ambience of outlet. Pricing is another tool available with retailers to build desired image of the store. On the basis of the price charged for the offerings, shoppers build the image of stores. Retailers may position themselves as one which offers customers value of their money. Organized formats seem to be way ahead of unorganized formats in terms of store image. Unorganized formats are required to take urgent steps to compete with organized formats. It calls for steps to be taken in improving ambience of stores and communicating about value given at outlets to consumers. Some incidences in the country are observed where unorganized formats are jointly competing with organized formats. For example, the associations of unorganized retailers like jewelers and cloth merchants offering special schemes and discounts to customers during the festive season.

### **Conclusion**

In this research paper all six dimensions were studied to identify significant discriminators of shopping behavior. Store image and Reference shopping were major discriminators in choice of organized retail formats. The other four dimensions were not major discriminators but influence the choice of retail formats.

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## TABLES

Table 1: The Sample Description

<b>Variable</b>	<b>Classification</b>	<b>Organized</b>	<b>Unorganized</b>
<b>Gender</b>	Male	345	345
	Female	349	349
<b>City</b>	Bhopal	302	302
	Indore	392	392
<b>Occupation</b>	Business	151	151
	Service	308	308
	Self Employed	128	128
	Housewife	107	107
<b>Family type</b>	Nuclear	422	422
	Joint	272	272
<b>Family Income</b>	Up to 20000	171	171
	21,000 to 40,000	155	155
	41,000 to 60,000	198	198
	Above 60,000	170	170
<b>Number of earning members in family</b>	One	208	208
	Two	307	307
	Three or more	179	179
<b>Age (in years)</b>	21 to 35	271	271
	36 to 50	268	268
	51 to 65	155	155
<b>Retail Category</b>	Apparels (Clothing)	238	238
	Grocery (Kirana)	233	233
	Electronic Goods	223	223
<b>Total Respondents</b>		<b>694</b>	<b>694</b>

**Table 2: Analysis Case Processing Summary**

Unweighted Cases		N	Percent
Valid		971	70.0
Excluded	Missing or out-of-range group codes	0	.0
	At least one missing discriminating variable	0	.0
	Both missing or out-of-range group codes and at least one missing discriminating variable	0	.0
	Unselected	417	30.0
Total		1388	100.0

**Table 3: Tests of Equality of Group Means**

	Wilks' Lambda	F	df1	df2	Sig.
ShoppingContentment	1.000	.100	1	969	.752
ReferenceShopping	.992	7.593	1	969	.006
StoreImage	.893	116.144	1	969	.000
StorePatronage	.997	2.468	1	969	.116
EnthusiasticShopping	.998	1.645	1	969	.200
ShopperOrientation	.997	3.092	1	969	.079

**Table 4: Wilks' Lambda**

Test of Function(s)	Wilks' Lambda	Chi-square	Df	Sig.
1	.850	157.168	6	.000

**Table 5: Standardized Canonical Discriminant Function Coefficients**

	Function
	1
ShoppingContentment	-.212
ReferenceShopping	-.417
StoreImage	1.139
StorePatronage	.141
EnthusiasticShopping	-.079
ShopperOrientation	-.219

**Table 6: Structure Matrix**

	Function
	1
StoreImage	.824
ReferenceShopping	-.211
ShopperOrientation	.134
StorePatronage	.120
EnthusiasticShopping	.098
ShoppingContentment	.024

**Table 7: Canonical Discriminant Function Coefficients**

	Function
	1
ShoppingContentment	-.285
ReferenceShopping	-.449
StoreImage	1.625
StorePatronage	.195
EnthusiasticShopping	-.081
ShopperOrientation	-.287
(Constant)	-.719
Unstandardized coefficients	

**Table 8: Functions at Group Centroids**

	Function
Formats	1
Unorganized	-.431
Organized	.409

Unstandardized  
canonical discriminant  
functions evaluated at  
group means

**Table 9 : Classification Results<sup>b,c,d</sup>**

				Predicted Group Membership		Total
				Organized	Unorganized	
Cases Selected (Analysis Sample)	Original	Count	Organized	332 <sup>1</sup>	166	498
			Unorganized	147	326 <sup>2</sup>	473
	Cross-validated <sup>a</sup>	Count	Organized	330	168	498
			Unorganized	151	322	473
Cases Not Selected (Hold Out Sample)	Original	Count	Organized	136 <sup>3</sup>	60	196
			Unorganized	82	139 <sup>4</sup>	221

a. Cross validation is done only for those cases present in the analysis sample. In cross validation, each case is classified by the functions derived from all cases other than that case.

b. Hit ratio of 67.8% show selected original grouped cases (analysis sample) correctly classified

c. Hit ratio of 65.9% show unselected original grouped cases (hold out sample) correctly classified.

d. Hit ratio of 67.1% show selected cross-validated grouped cases correctly classified.

**Note:** <sup>1</sup> and <sup>2</sup> were added to calculate number of observations correctly classified in Press Q classification accuracy measure.

<sup>3</sup> and <sup>4</sup> were added to calculate number of observations correctly classified in Press Q classification accuracy measure.

**“An Analytical Study of Changes in Consumer Shopping Behavior strategies with special reference to Organized Retail Sector in Nashik City”**

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**Abstract:**

Retailing plays a vital role in the world economy. Indian retailing industry has seen outstanding changes. The retail sector in India, which is dominated by small and unorganized entrepreneurs consisting of standalone stores, boutiques and kirana stores are drastically changing its face. In Nashik city great changes have taken place in organized retail sector in 2001-2010. Today retailing is a fun-filled experience for the whole family. Where the Nashik city was in the dominance of unorganized retailing conventional kirana stores (grocery stores), roadside mini departmental stores at the panwala shop, the roadside self-service restaurant; the organized retailing sector has now emerged in a crucial way. This study is undertaken with view to analyze the changes in consumer shopping behavior with special reference to organized retail sector. It also studies the changes in organized retail sector. It attempts to know different motivating factors affecting the buying decision in organized retail shops. The study tries to find out limitations in organized retail outlet.

**Keywords:** Changes in consumer shopping behavior, Changes in organized retail sector.

**1. Introduction**

Retailing acquires an important role in the world economy. Indian retailing industry has seen outstanding changes. The retail sector in India, which is dominated by small and unorganized entrepreneurs consisting of standalone stores, boutiques and kirana stores, are drastically changing its face. There has been significant expansion in organized retailing business in recent years. Many big industrial houses have entered in organized retail sector with very strong-minded future growth plans. There has been a huge development of new retail formats such as malls, hypermarkets, supermarkets and lifestyle stores. Change is only constant in the retail world; survival in organized retail will depend on the ability to adapt the change. These new retail formats are rising at a rapid speed in India; there remains a need among Indian businesses to understand the changing behavior of consumers towards shopping in these organized retail outlets.

In Nashik city great change has taken place in organized retail sector in 2001-2010. Today retailing is a fun-filled experience for the whole family. Where the Nashik city was in the dominance of unorganized retailing conventional kirana stores (grocery stores), roadside mini departmental stores at the panwala shop, the roadside self-service restaurant; the organized retailing sector has now emerged in a crucial way. The Nashik market space is being engaged by shopping malls, chain stores, departmental stores, shopping centers, food courts, fast food outlet. The shopping behavior, life style of Nashik customer, in particular, has been changing noticeably, which can be viewed as paradigm shift. The significant change has taken place in consumer shopping behavior in Nashik city.

The exact understanding of consumer need to help the retailer make product that likes to be successful in the market. Consumer understanding or an understanding of changing consumer shopping behavior is initial point of strategy formation. It is not only important to understand what consumer knows about a product? But also what they do not know? Therefore all main players in retailing are focusing to understand changing consumer shopping behavior and develop strategy for tapping consumer. The firm needs to study consumers to see how its product is perceived, if there is good match, Therefore all main players in retailing are focusing on understanding changing consumer shopping behavior and develop strategy for tapping consumer.

## **2. Rationale of the study:**

“An Analytical Study of changes in Consumer Shopping Behavior with special reference to Organized Retail Sector in Nashik City” is important because of the following reasons:-

- 1 To understand retail business and practices followed in India.
- 2 To understand the changing trends in retail industry.
- 3 To study the changes taken place in consumer shopping behavior such as:
  - The psychology of consumers, how do they feel, and how do they select between different alternatives;
  - The behavior of consumers while shopping and impact on purchase decisions;
  - How consumers’ motivation and decision strategies differ at various modern retail formats?

- How and when marketers can adapt and improve their marketing campaigns and marketing strategies more effectively to reach the consumer.
- 4 To know the impact of changing trends in consumer shopping behavior and marketing strategies.
  - 5 This study would help to provide guidelines and some groundwork for the new ventures before entering in Nashik, as many new major players interested to enter in Nashik city.
  - 6 This Study is also helpful to find lacunae in organized retail sector and also to provide remedial measures to overcome the lacunae in organized retail sector.

### **3. Objectives of the Study:**

Following are the objectives of the study:

- a) To identify the consumer shopping behavior with respect to organized retail sector and to know the changes in consumer shopping behavior.
- b) To know the different motivating factors affecting the buying decision in organized retail sector.
- c) To study the changes in organized retail sector.
- d) To find out the limitations of organized retail sector.
- e) To suggest remedial measures to overcome the limitations of organized retail sector.

### **4. Hypotheses of the Study**

Following hypotheses are constructed for the study:

- a) Purchasing pattern of consumer and Impulse buying behavior are interrelated to each other in organized retail sector.
- b) Motivating factors for actual buying and Various discount schemes are Interdependent in organized retail sector.
- c) Emergence of organized retail sector and Changes in consumer shopping behavior are interdependent on each other.
- d) Different schemes offered by the organized retail outlets influence consumer shopping behavior.

## 5. Research Methodology:

### 5.1. Data Collection:

The data has been collected through following sources –

#### Primary Data

The primary data has been collected with the application of simple random sampling method. In addition to the above techniques of data collection, field visits were done to know the actual changes in consumer shopping behavior and changes in organized retail sector and their problems etc.

To collect the required primary data following tools/ techniques of data collection have been used.

- Sampling
- Questionnaires
- Interviews and Field visits
- **Sampling :**

For the study samples are selected from Nashik city. Following are the samples for the study:

**Consumers** who are buying from organized retail format (Shopping Mall , Hypermarket, Departmental Stores , Specialty Stores , Franchisee , Company showroom , Multi-brand showroom , Supermarket , Mom and Pop Store ) in Nashik city .

**Employees** working at organized Retailing format

**Sampling Technique:** The samples were selected with the **Random sampling method.**

#### Sample Size:

Research first carried out pilot survey and observed; average footfall of organized retail shop at weekend and considered 1% of that average footfall as consumer sample size. For the employee same method has been carried out considered 1% organized retail sector employee as employee sample sized. (Pilot survey enclosed to annexure).

**Total Consumer Sample Size = 856**

**Total employee sample size = 150**

- **Questionnaires:**

Primary data has been collected by using two different structured questionnaires. The first questionnaire consists the data from consumer who were buying from organized retail format that emphasized exploring consumer hopping behavior. Changes in consumer shopping behavior, individual factors affecting on consumer shopping

behavior like Cognitive thinking processes which include perception, attitudes, motives and consumer personal characteristics like demographics, lifestyles, personality traits are also considered in first questionnaire.

The second questionnaire has been applied to collect data from employee working at organized retail format to find changes in organized retail sector.

### **5.2 Secondary Data**

Secondary data are essential for most organizational research. The secondary data refers to the information gathered by someone other than the researcher. Such data can be internal or external and accessed through the internet, books, and annual reports.

Secondary Source:

The secondary data has been collected from:

1. Publications of the Govt. periodicals, publications of federal bodies/ associations, institutions. Reports of various committees, Bureau of statistics etc.
2. Published data are also collected from Govt. Offices, Research Institutions and Financial institutions.
3. Research papers published and unpublished on the subject were studied.
4. The Journals, Magazine and News papers were used.

### **5.3 Data Processing**

The data thus collected is systematically coded, processed, tabulated, classified and analyzed by using electronic processing methods. The data collected was initially coded. After data collection, tabulation was made; thereafter analysis and interpretation were attempted.

For the purpose of analysis and interpretation the methods and techniques like Percentage, chi-square test, graphical presentation and charts were used.

### **5.4 Scope of the Study**

The scope of this research is restricted to the organized retail sector in Nashik City. The Study was made by the researcher for the period of the 2001-2010. Therefore scope of the study is restricted to this period and organized retail sector in the Nashik city only.

This research is restricted only to Nashik city. Thus results and conclusions are related and suitable for Nashik City only. They may or may not be applicable to other areas of the India or any part of the world.

#### 5.4 Limitations of the Study

The research has been done for the period from 2001-2010; therefore whatever data was available in this period was utilized for the study. If there is some variation in the data, then the result and conclusions may not be the same.

All the conclusions are drawn on the basis of the data and information given by the respondents of the organized retail sectors in Nashik city. But because of the secrecy 100% correct data was not given by them therefore data is inadequate and incomplete. There is a possibility of deficiencies in the conclusions. However researcher has tried at his level best to conduct correct and reliable data from the respondents.

#### 6. Review of Literature

1. **Dholakia (1999)** in article on “Going shopping: key determinants of shopping behavior and motivations” published in International journal of retail and distribution management mentioned, the rationale for shopping is making physical visits to a shopping site . It is considered as a household task as well as a form of recreation, relaxation and entertainment along with buying goods.
2. **Howard (2007)** in his article on “New shopping centre’s: Is leisure the answer?” published in “International journal of retail and distribution management” believes shopping to be a leisure pursuit and with the rapid development of shopping centers, both retailers and developers are trying to make it more of a pleasure activity. Many studies done in an attempt to identify motives of shopping, the one by **Tauber (1972)** is a prime one. **Tauber(1972)** in his study on “Why do people shop?” published in “Journal of marketing” identified motives of shopping in a market based economy apart from the acquirement of products and services and classified them as role playing and social experience outside home (**Howard, 2007**).
3. Social reasons are important, as **Lunt and Livingstone (1992)** describe in Mass Consumption and Personal Identity, Open University Press, Buckingham that shopping as a spectacle in which the person who is shopping is both a spectator and a performer. However, most of these motives that have been mentioned in the table can be described as pleasure or leisure related.

4. Many studies that have followed **Tauber's (1972)** study have made an attempt to generate some evidence from reality to confirm these motives. A lot of consumer behavior researcher have investigated and found insights into the personal and situational experiences of shopping and its emotional and behavioral effects (**Howard, 2007**).

## 7. Conclusions and Recommendations

These Conclusions and Recommendations are as below:

### 7.1. Conclusions:

- I. The first hypothesis for this study is **“Purchasing pattern of consumer and Impulse buying behavior are interrelated to each other in organized retail sector.”**.

For the testing of this hypothesis, the researcher has collected data from the consumers' buying from organized retail sector and the employees' working at organized retail sector:

1. The Researcher has tested the data at 5% significant level. Chi-square computed value for above data **11.11** is greater than table value of **3.84** on **01** degree of freedom. Thus there is an association between purchasing pattern of consumer and impulse buying behavior. **Hypothesis is accepted.**
2. Majority (42.06%) of the consumers purchasing is linked with 25% Plan and 75% impulse buying. Many consumers' (20.56%) purchasing pattern is linked purely with impulse buying. Only 8.18% consumers buying patterns linked with plan buying.

Hence, it has been concluded that maximum consumers (62.62%) have impulse buying behavior.

3. Majority of the employees 20.67% and 36% (i.e. 56.67% in total) are “strongly agree” and “agree” respectively on the view that purchasing pattern of consumer in organized retail is more on impulse buying. Only 28.66% respondents are “disagree” with it.

Therefore it is concluded that “Purchasing pattern of consumer and Impulse buying behavior are interrelated to each other in organized retail sector”.

**Hence Hypothesis is accepted.**

- II. The second hypothesis for this study is **“Motivating factor for actual buying and Various discount schemes are interdependent in organized retail sector”**.

For the testing of this second hypothesis, the researcher has collected data from the consumers' buying from organized retail sector and the employees' working at organized retail sector:

1. The researcher has tested the data at 5% significant level. Chi-square computed value for above data **30.48** is greater than table value of 3.84 on **01** degree of freedom. Thus there is association between motivating factor for actual buying and various discount schemes. **Hypothesis is accepted.**
2. Majority of the consumers i.e. 34.70% and 23.13% are "strongly agree" and "agree" on the view discount schemes as a main motivation factor at organized retail. Very few consumers (i.e. 22.90%) are "disagree" and "strongly disagree" to discount schemes as a main motivation factor at organized retail.
3. Majority of the employees 26% and 41.33% (i.e. 67.33% in total) are "strongly agree" and "agree" on the view that various discount schemes at organize retail as main motivating factor for actual buying.

Very few employees (i.e. 16%) are "disagree" and "strongly disagree" with the statement that various discount schemes at organize retail are main motivating factor for actual buying.

Therefore, it has been concluded that, "Motivating factor for actual buying and various discount schemes are interdependent in organized retail sector".

**Hence the Hypothesis is accepted.**

### **III. Third hypothesis for this study is "Emergence of organized retail sector and Changes in consumer shopping behavior are interdependent on each other".**

For testing of this third hypothesis, the researcher has collected the data from the consumers' buying from organized retail sector and the employees' working at organized retail sector.

1. The Researcher has tested the above data at 5% significant level. Chi-square computed value for above data 13.29 is greater than table value of 3.84 on 01 degree of freedom. Thus there is association between emergence of organized retail sector and changes in consumer shopping behavior. **Hypothesis is accepted.**
2. Majority of the employees 20.67% and 40.67% (i.e. respectively total 61.34%) are "strongly agree" and "agree" on the view that consumer shopping behavior in Nashik has changed.

Very few employees' (i.e. 21.32%) are "disagree" and "strongly disagree" with the statement consumer shopping behavior in Nashik has changed significantly.

3. Majority of the employees 42.67% and 24.67% (i.e. respectively total 67.34%) are “strongly agree” and “agree” with the view with emergence of organized retail sector there is change in the shopping behavior of consumer.

Very few respondents (i.e 18.68%) are “disagree” and “strongly disagree” to emergence of organized retail sector there is change in the shopping behavior of consumer.

Therefore it has been concluded that, “Emergence of organized retail sector and Changes in consumer shopping behavior are interdependent on each other”

**Hence the, Hypothesis is accepted.**

#### 4. Changes in Consumer Shopping Behavior

After analyzing the employees’ feedback, the researcher has identified that, significant changes have taken place in consumers’ life style in Nashik city. Those changes are:

- i. Traditional Outlook to Modern Outlook,
  - ii. Shopping as a necessity to Shopping for pleasure,
  - iii. Itemized Purchase to Bulk Purchase,
  - iv. Prepared food to readymade food,
  - v. Conservative spending to Liberal spending,
  - vi. Increasing buying during Holidays and festival seasons.
5. Consumers are agree with the view that “there are significant changes in post purchase action at organized retail shop”

Majority of the consumers are agreed with the statements (statements are related to changes in consumer shopping behavior):

“I have started shopping with my family”

“I often check price between stores”

“I buy more than what I Plan at Retail”

“I have stopped visiting the old shop”

“My purchasing pattern is more on Impulse buying”

“I feel significant changes have taken Place in my life style ad shopping behavior”

It is found that, maximum consumers realized changes in their shopping behavior.

- a. Many consumers have stopped visiting old shops.
- b. Many consumers have started shopping with their families.

- c. Many Consumers have interested shopping along with the entertainment in organized retail sector. Many consumers have perceived shopping as fun full experience.

Maximum respondents agree that now a day's our major part of shopping is based on impulse buying. It was based on planned buying previously.

On the basis of foregoing study, it is concluded that "Significant changes have taken place in consumer life style in Nashik city".

**IV. The Fourth hypothesis for this study is "Different schemes offered by the organized retail shops influence consumer shopping behavior".**

For the testing of this fourth hypothesis the researcher has collected the data from the consumers' buying from organized retail sector and the employees' working at organized retail sector:

1. The researcher has tested the above data at 5% significant level. Chi-square computed value for above data 7.95 is greater than table value of 3.84 on 01 degree of freedom. **Hypothesis is accepted.**
2. It has been analyzed that, majority of consumers i.e. 34.70% and 24.42% are "strongly agree" and "agree" with the statement that different schemes offered by organized retail format influence for more shopping.

Very few consumers are disagree and strongly disagree (i.e. 20.80%) with the statement different Schemes offered by organized retail format influence for more shopping.

3. Majority of employees 14% and 37.33% (i.e. respectively in total 51.33%) are "strongly agree" and "agree" to different Schemes offered by the organized retail shop influence consumer shopping behavior.

Very few employees (i.e. 34.66%) are "disagree" and "strongly disagree" with it.

Therefore it has been concluded that the "Different schemes offered by the organized retail shops influence consumer shopping behavior".

**Hence the Hypothesis is accepted.**

**V. Consumer Shopping Behavior**

1. It has been observed that 38.20% respondents are agreed with the view that "Main purpose to visit organized retail shop is life style".

Majorly youth consumer group and working age group included in it. 30.02% respondents are agreed to that, the purchase of cloth also important purpose for visiting organized retail shop.

It has been concluded that new life style, clothing and purchase grocery are main purposes to visit organized retail shop.

It is verified that there is an association between gender, age group, monthly income level and purpose of consumer to visit organized retail shop.

Hence, it is concluded that purpose of consumer to visit organized retail shop is related with gender, age group, monthly income.

2. 33.76% respondents prefer organized retail shop due to good offers. 27.80% respondents prefer organized retail shop due to large variety, 10.51% respondents preferred organized retail shop because of pleasure shopping.

It is concluded that good offers, large variety, pleasure of shopping are main motives/ reasons of consumers to visit organized retail shop.

It has been analyzed that there is an association between gender, age group, educational qualification, monthly income level and different motives/ reasons of consumers to visit organized retail shop.

It is concluded that “Motives/ reasons of consumers to visit organized retail shop is associated with gender, age group, education qualification, monthly income”.

3. It is found that, majority of (30.14%) respondents appreciate family as main source of information, 29.44% respondents consider friends as source of information.

It has been concluded that, Friends, families are the most important sources of information for consumers.

It has been analyzed that there is an association among gender, age group, educational qualification, monthly income level and source of information.

It has been concluded that the “Source of information is associated with gender, age group, educational qualification, monthly income”.

4. It has been observed that, 31.31% respondents appreciate “retail shop location and side” for the selection of organized retail sector, 28.97% respondents appreciate “retail shop image” for the selection of organized retail sector, and 29.91% respondents prefer “retail shop atmosphere” for the selection of organized retail sector

It has concluded that “retail shop location and side” is the most important factor for selection of organized retail shop. “Retail shop image and retail shop atmosphere” play very important role for the selection of retail shop.

5. The analysis shows that 32.01% respondents agree elders as a major decision influencers in shopping at organized retail shop. 29.90% respondents consider friends as major decision influencers in shopping at organized retail shop.

Therefore it has been concluded that elders and friends are major decision influencers on shopping at organized retail shop.

6. It has been concluded that, consumers are satisfied and gaining good shopping experience in organized retail shop. There is no gap present between the expectation before shopping and actual shopping experience.

7. It has been analyzed that, majority (26.87%) respondents spend Rs 2000 and above in a month at organized retail shop. 25.35% respondents spend Rs 1001-1500 in a month at organized retail shop.

It has been concluded that maximum consumers spending more than Rs 2000/- in a month. Maximum consumers have liberal spending nature with high buying capacity. Very few consumers (i.e. 11.21%) have conservative spending (Rs 0-500 in a month). It has been analyzed that there is an association among age group, monthly income level with spending at organized retail shop.

It has been concluded that “Spending at organized retail shop is associated with gender, age group, educational qualification, monthly income”.

8. It has been observed that majority (30.22% and 22.66%) of respondents preferred debit card and credit card as modes of bill payment at organized retail shop.

It has been concluded that Debit cards and credit cards (Plastic money) are the most famous modes of bill payment in mall culture. Coupons are least preferred options for bill payment at organized retail shop.

It has been analyzed that there is an association among age group, educational qualification, monthly income level and mode of bill payment at organized retail sector.

Hence it is concluded that “mode of bill payment at organized retail shop is associated with gender, age group, educational qualification, monthly income”.

9. The result shows, 53.50% respondents have membership card of organized retail shop and 46.50% respondents don't have membership card of organized retail shop.

It is reflected that maximum consumers are loyal and regular buyers of organized retail shop.

It has been analyzed that there is an association among gender, age group, educational qualification, membership card. It has been concluded that “membership cards are associated with gender, age group, educational qualification, monthly income”.

## **VI. Changes in Organized Retail Sector**

1. 16% and 44% (i.e. 60%) employees are “strongly agree” and “agree” that there are significant changes in organized retail sector in Nashik city. Very few respondents (24%) are “disagree” and “strongly disagree” that there are significant changes in organized retail sector in Nashik city.

It is concluded that, there are significant Changes in organized retail sector in Nashik city.

2. 62% respondents appreciated creating private label is new changing trend in organized retail sector in Nashik city. 62.66% respondents appreciate various offers and discounts are new changing in trends organized retail sector in Nashik city.

It has been concluded that creating private label, promoting various offers and discounts are major new trends in organized retail in Nashik city.

3. 90% employees at organized retail shop agree to, there is a significant change in sale volume due to different scheme offered by organized retail shop. Only 10% responses are negatively about it. But the respondents are not ready to tell exact amount of change (figure) observed in sale volume due to different schemes.

It has been concluded that, there is a significant change in sale volume due to different scheme offered by organized retail shop.

4. 92% employees at organized retail shop agree that, there is a significant change in footfall due to different schemes offered by organized retail shop. Only 08% are negative about it.

It has been concluded that, there is a significant change in footfall due to different scheme offered by organized retail shop.

5. Majority of employees’ 22% and 36.67% (i.e. 58.67%) are “strongly agree” and “agree” on the view that “Overall image of organized retail shop in Nashik city has changed”. Very few employees’(i.e. in total 26.66%) are “disagree” and “strongly disagree” that the overall image of organized retail shop in Nashik city is changed.

It is concluded that, “Overall image of organized retail shop in Nashik city has changed.”

6. Majority of employees’ 28.68% and 31.33% (i.e. in total 59.99%) are “strongly agree” and “agree” that “Interior and exterior atmospheric factor of organized retail

shop in Nashik has changed”. Very few employees’ (26.66%) are “disagree” and “strongly disagree” with “Interior and exterior atmospheric factor of organized retail shop in Nashik has changed”.

7. Major Changes in organized retail sector:

- Change in Market Size: Retailing in India is emerging as one of the largest industry with total market size of USD 320 billion in 2006 and extended USD 421 billion in 2010 growing at healthy CAGR of 5% till date.
- Change in organized retail market share 4% to 7.44% and projected to be 9 per cent of total retail market by 2015 and 20 per cent by 2020. In a span of last 10 years, organized retail has expanded in urban cities and makes an entry in semi-urban and rural areas. In 2007 organized retail market was 4 percent of the total retail, that is around Rs 67,310 crore and expanded to compound at 27 percent per annum, aggregating to Rs 1,75,103 crore (7.44 percent of the total retail) in 2010-11. Organized retail projected to be 9 per cent of total retail market by 2015 and 20 per cent by 2020
- Significant changes in retail format - Conventional Formats to Modern retail formats
- Foreign Investment and Employment opportunity has increased in organized retail sector.
- Change in reforms (2001-2012): UPA government has hung an ‘Open’ sign for foreign retailers. The cabinet has approved for 51% FDI in multi-brand retail sector and 100% FDI in single brand. The policy will allow global retailers to set up shops in the country's \$450 billion (Rs. 2,500 crore) retail sector, and is aimed at drawing more overseas investment and taming inflation.

Till 2011, Indian central government unused to FDI in multi brand retail, unfriendly foreign groups from any ownership in supermarkets, convenience stores or any retail outlets. Even single brand retail was restricted to 51 per cent ownership and a ritual process.

In Nov 2011, India's central government declared retail reforms for multi brand store and single brand stores. These market reforms covered the way for retail modernization and competition with multi brand retailers such as Wal-Mart, Carrefour and Tesco, as well single brand majors such as IKEA, Nike, and Apple.

The announcement sparked activism, both in opposition and in support of the reforms.

## VII. Limitations In Organized Retail Sector

Maximum respondents don't like to pay for parking. Many respondents want help from the sale persons during buying process. Maximum respondents said premium prices for many products which are not affordable to them; such consumers want value format. Respondents want more discounts, offer which are affordable to middleclass families.

It has been concluded that pay parking, less involvement of sale person during buying process, premium price, credit facility, lack of relationships are limitations of organized retail shop.

In unorganized retail sector customer enjoyed personal relationship touch of retailer but in organized retail sector customers do not enjoy this personal relationship touch.

### 7.2 Recommendations:

1. **“Purchasing pattern of consumer and Impulse buying behavior are interrelated to each other in organized retail sector”**. Thus retailer should develop special theme to encourage impulse buying behavior.
  - a. For encouraging unplanned buying pattern means to encouraging impulse buying pattern; retailers should use special occasions, use festival and develop themes. Theme should be based on visual merchandising. Retailers should develop theme on the bases of seasons or occasions e.g. New year, Christmas, Summer, Holi, Diwali etc. Events and festival like world cup/ Ganpati Utsav etc can also be used as a theme.  
For e.g. Holi theme with colorful accessories, bowls/packets containing colors, pichkari etc should be displayed. This can be use to encourage the unplanned buying pattern of consumers
  - b. Maximum consumers have impulse buying behavior; it means a lot of scope for retailer to tap consumers pocket space. Retailers have to excite consumer for more buy by various discount scheme, offers and display.
2. **“Motivating factor for actual buying and Various discount schemes are interdependent in organized retail sector”**. The retailers should develop various discount schemes to motivate consumers during actual buying.

- a. The Researcher has observed that maximum respondents appreciate “Sabse Sasta Din” and “Maha Bachat” as most tempting schemes. These schemes are motivating factors for actual buying. Thus organized retailer should develop schemes base on Each Day Low Prize which is followed by many big retailers like Wal-Mart.
- b. Good offers, large variety, pleasure of shopping, fun full experience are main motives/ reasons of consumers to visit organized retail shop. Organized retailer should always provide new offers with large variety of goods and services to make consumer satisfied. They should provide fun full experience, pleasure during shopping.

**3. “Emergence of organized retail sector and Changes in consumer shopping behavior are interdependent on each other”.** The retailers should adopt many emerging trends in organized retail sector to retain consumers.

- a. The researcher has analyzed that significant changes have taken place in organized retail sector.

Creating private label, quick home or phone delivery, diversifying into sale of SIM and mobile, E-tailing, various offers and discount are major new emerging trends in organized retail sector. Thus retailer should adopt these emerging trends in organized retail sector.

- b. Consumers are attracted towards modern retail format and it is the sign of changing consumer shopping behavior. Shopping mall and CIRO are preferred shops by the consumers. Retailer should point out this change and try to retain consumers.

**4. “Different schemes offered by the organized retail outlets influence consumer shopping behavior”.** The retailers should influence consumer by developing various schemes e.g. special offer on festival, discount schemes, weekend offers and seasonal offers.

#### **5. Consumer Shopping Behavior**

1. Majority of consumers (Between 26-40) visit the shopping malls with their families. Retailer should make special provision for this age group. Mostly these groups want everything under one roof which results in the saving in costs as well as in time. At the same time 15-25 age group is most neglected age group for this untapped segment the retailer should make special arrangement in themes of entertainment, game zone, and restaurant. This age group has definitely got the purchasing power (in terms of pocket money). They are visiting the malls more for having fun and passing their time rather than making the purchases.

For the elder age group retailer should develop new format which will increase interest and buying habit of elder age group or which will concentrate on health care, fun, or elder clubs.

2. The Retailers should follow six ways to attract youth
  - **College/school fashion show:** College/school fashion shows in central mall. They arrange this fashion show at Mall. Each youngster who participates brings along an average of six families and friends to mall to watch the fashion show.
  - **Campus Promotion:** If the Mall is situated near a college. Arrange a table at colleges to introduce new students about Mall. Give store coupons and lucky draw prizes. The shopping habits begin due to this activity. Many schools and colleges will be pleased to offer the counter at orientation or during the first week of college and school to offer discounts and prizes to students.
  - **Day Contest:** Day contests at shopping mall mainly included special events on Labor Day, Independence Day and Mother Day. Arrange contest for youngsters who have birth date around Independent day or Labor Day. Have the youngsters register at any of participating stores. The winner is the youngsters whose birth date closest to 12:01 a.m. on Independence Day! The lucky youngster wins clothing, from one of store. Convey the details to radio stations and newspapers about Day contest. It's a grand public relations chance. Retailer can get a news paper or radio station to sponsor the program.
  - **Back to college:** Make a back to college shopping listing or register/catalog that lists where students can find a range of back to college supplies. Distribute this list by the mail or drop it at college.
  - **Welcome Students:** Arrange a welcome event for students. Give them a chance to use coupons, leaflets for shopping.
  - Tie up with college as a sponsor for some event or youth festival.
3. Maximum educated consumers buy from organized retail shop. Educated consumers, the elite class preferred to visit organized retail shop. Retailer should consciously focus on this class about marketing communication, service.
4. Maximum consumers are from high buying capacity therefore retailer should focus to expand their basket size by tempting them.
5. Shop preference or shop choices decision is based on consumers' gender, age group, educational qualification and monthly income. Thus retailers should analyzed

demographic profile of target segment and develop retail format by considering gender, age group, educational qualification, monthly income of target segment.

6. Maximum consumers prefer weekends shopping and the first week of a month (After salary date) shopping. Footfalls in organized retail shop are high in weekends and first week of a month. Retailers should make required arrangement for these weekends in terms of manpower planning, availability of goods and services, special offers, discounts scheme for weekends. Housewives, young consumer groups frequently visit organize retail shop for shopping.
7. Purchase frequency of consumers is related to gender, age group, educational qualification, monthly income. Retailers shall make arrangement of goods and services for consumers who have maximum purchase frequency. For example housewives, young consumer group are frequently visit organize retail shop for shopping for that the retailers can make necessary provision to satisfy these consumer segment.
8. Life style, clothing and purchase grocery are main purposes to visit organized retail shop. The Retailer should give priority to this segment and provide variety, offers on it for attracting and retaining consumers.  
Purpose of consumer to visit organized retail shop changes as change in demographic profile of consumer. Retailer should identify different purposed with respective to changes in demographic profile for serving different segment.
9. Friends and families are most important source of information for consumers. Organized retailers use these two as main sources for attracting consumers. Publicity, road shows, advertising in local media is important tools for influencing family and friend.
10. “Retail shop location and side” is the most important factor for the selection of organized retail shop. “Retail shop image and retail shop atmosphere” play very important role on selection of retail shop. For providing good shopping experience to consumer retailer should properly arrange location, image and atmospheric of shop.
11. Elders and friends have major influence on shopping at organized retail shop. In this case if the elders and friends are coming for shopping to assist consumer in buying process for that retailers should provide atmospheric, experience, display, offers to this third party to influence consumer for shopping. Retailer should excite third party i.e. elder and friends to influence consumer for buying.

12. Maximum consumers have liberal spending nature with high buying capacity. Maximum consumers are spending more than Rs 2000/- in month. Very few consumers have conservative spending (Rs 0-500 in month). This is change in shopping behavior conservative spending to liberal spending. Retailer should excite consumer to buy more than what they plan. Try to expand the basket size of liberal consumer.
13. Debit cards and credit cards (Plastic money) are the most famous mode of bill payment in mall culture. Coupons are least preferred options for bill payment at organized retail shop. Retailer can tie up with many banks, debit card - credit cards by co-branding and provide the bonus point to consumers on bases of their shopping. Retailer should make necessary arrangement like swapping machine.
14. Membership card of organized retail shop is an indication of customers' loyalty. For gaining shopping points membership card holder doing repetitive purchase. Retailer should penetrate maximum membership card to the consumers.
15. Shop selection is majorly depend upon promotions and offers, convenient parking, better services, and one stop shopping. Retailers should focus on it. Consumers always complain about parking space, paid parking for this issue retailer should refund parking fee on specific amount of buying.
16. Maximum customers are satisfied after shopping at organized retail shop. It is good for retailer that many consumers are satisfied. Some customers complain about offers, discount, price level, paid parking solve this by analyzing consumer feedback form.
17. There are significant changes in post purchase action after purchasing at organized retail shop. Retailer should be happy that maximum changes are positive for organized retail shop. Retailer should maintain consistency in this performance.
18. In Nashik majority of consumers are using offline shopping to enjoying pleasure of shopping and fun full entertainment at shopping mall. Retailer need to wait some time for virtual store and virtual shopping in Nashik City.
19. There is a need to provide seating arrangements in the shopping area because constant walking consumers feel exhausted, their children start crying for some seating place and because of this consumer think to leave the shopping mall and go back. This will certainly affect on losing the possible sales. It is verified fact that more the time consumer spends in the organized retail format more is the chance that they will buy.
20. Consumer wish to buy grocery once in a month, cosmetic items a monthly, vegetable and fruits daily, beverages and snacks on weekly and ready to eat food once in

month. People prefer to buy products whenever they required so organized retail shop must put all the items in shelves every time.

21. Some people visit the organized retail format as free time activity so retail store should use strategy to make income from such people retail store should charge for vehicle parking. Place some items to boost impulse buying.
22. Due to rise of women in buying at organized retail format, retailer should keep items which can gain the attention of the women.

## **6. Changes in Organized Retail Sector**

Organized retailers situated at shopping malls have realized that they have to make whole shopping destination for the consumers which has a mix of retail stores, entertainment places, eating joints which offers consumers the whole shopping experience. The promoters should take the consultancy from experts to make a fair tenant mix so that the consumers are able to get everything they want under one roof. It shall satisfied consumers intention of coming to the shopping mall. The retailers should make a unique image of the shopping malls by the process of segmentation and formation of specific shopping environment. For example, the brands for price sensitive consumers and the high end luxurious brands should not be put under one roof. This will assist them retain viewers belonging to different customer segments. Apart from this, the organized retailers can also encourage shopping malls as specific shopping destinations. For example, there would specialize malls like specific mall for bags, mall for furniture, and mall for Jewellery etc.

After analyzing changes in consumer shopping behavior and changes in organized retail sector, research suggested some innovative ways to attract consumers:

1. A Balloon can be fixed with the organized modern retail shop and the logo should be part at the entrance of the mall. The balloon can be of any dark color showing the logo of the brand. It will be noticeable from far away as well as will emphasize the logo.
2. Discos and clubs: Modern retail stores may have tie ups with discos and clubs for the consumers or provide some space for disco and clubs, Where consumers can stand to win gift vouchers and prizes from retailers.
3. Fashion shows: Modern organized retail can organizes fashion show every year Mr. and Ms. Nashik in their store and win attractive prizes.
4. Tourist Point: A tourist point should be developed in shopping mall, especially for tourists who want to visit famous places in Nashik City. They can plan their trips with

the help of shopping corner. Shopping Mall may provide them vehicle. They can enjoy their holidays along with shopping.

5. Health Centre/Gym Facility in shopping Mall: That would help to attract people every day at shopping mall.
6. Mom Corner: Where Mom can keep her child for safety and protection and can do Shopping freely.
7. Beauty Corner: Provide special tips and counseling about beauty. Retailer can sale some beauty product along with beauty counseling.
8. Game Zone and Personal Care.
9. Set up Customer Advisory Boards to get suggestions from customer and give them a chance to voice their opinion about modern retail format.
  - Strategy to offer discount on Taxi Services to its customers. On the bases of loyalty program.
  - Use some space for payment center for telecom services, medical stores and health clinic banks, insurance.
10. Turn mall parking into a profit generator: Retail organization makes parking lot into revenue generators with an exclusive advertising system. Even parking space can use for vehicle servicing and earn profit on it.
11. Promotional ways and new offer  
Organized retail format can accept a variety of promotional ways like,
  - Widespread advertisement in newspapers frequently.
  - Advertisements should be prepared in famous English and different other state language.
  - Leaflets/advertising material can be circulated in face of colleges and school; it can be done during off season sales.
  - T.V. and Radio use for advertising purpose.
  - Emails and SMS can be sent to the consumers for intimating various schemes, offers.
  - Banners, Posters, Hording can be place on main areas so that it covers the population of city.

## 7. Remedial Measures to Overcome the Limitations of Organized Retail

### Sector

- a. Less involvement of sale person during buying process, pay parking, premium price, credit facility and lack of relationship are limitations of organized retail shop.
  1. It is recommended that retailers should give refund parking charges on specific amount of buying. For getting this refund amount consumers will buy something from shopping mall and that footfall will actually convert into sale.
  2. Retailer should increase service staff for assisting customers during buying process. There should be sufficient help desk for helping customers.
  3. In Nashik for middle class families premium prices are not affordable to customers. Retailer should develop a value format.
  4. For credit facility - Retailer should tie up with banks by co-branding. Retailer should provide credit card facility to customer. Retailer can focus on private label which will be affordable to consumer.
  5. In unorganized retail sector customers enjoy personal relationship touch of retailer. In organized retail sector customers do not have enjoyed personal relationship touch.
 

For this personal relationship organized retailer may use relationship management. Organized retailer can maintain all possible data base of consumer and will use this data base for greeting customer on special occasions.

Example SMS, greeting cards on birthday, this is one to make relationship with consumer and give them personal touch.
- b. Friendly behavior of staff is necessary to satisfy consumer and this is one of the key factors on which these shopping malls are scoring very high. When consumers enter into the shopping mall and even the security guard standing at the door wishes consumers good afternoon/evening which makes the consumers feel special.

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**Website:**

1. [www.indianretailforum.com](http://www.indianretailforum.com)
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## “Environmental fidelity -The sole Panacea for Business Right”

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“Earth provides enough to satisfy every man's needs, but not every man's greed.”

— Mahatma Gandhi

A talk on the environment does not relate to the laws made by human but the laws of the nature which is omnipotent and self-reliant and sometimes an abstract and a metaphysical but at the end certainly “divine”. Man is also one of the units of the nature but the only difference is intellect is bestowed upon him by the nature. Bestowing intellect certainly demands that he should work for the solidarity and safeguarding the creatures of nature from any calamities and impediments. In the case of *Ridge v. Baldwin* Lord Reid observed on the natural justice of a human being, where a police officer was unheard by the authority and dismissed. He challenged the same on the principle of *audi alteram partem* (hear the other side too): His Lordship observed:

“The principle *audi alteram partem* goes back many centuries in our law and appears in a multitude of judgments of judges of the highest authority. In modern times opinions have sometimes been expressed to the effect that natural justice is so vague as to be practically meaningless. But I would regard these as tainted by the perennial fallacy that because something cannot be cut and dried or nicely weighed or measured therefore it does not exist. The idea of negligence is equally insusceptible of exact definition, but what a reasonable man would regard as fair procedure in particular circumstances and what he would regard as negligence in particular circumstances are equally capable of serving as tests in law, and natural justice as it has been interpreted in the Courts is much more definite than that.”(Italics supplied)

The reason for quoting these wordings of the most revered Justice in England is that environment though bestowed on every individual equally and where none of us know how the air looks like, few of us touched the moon and stars in the galaxy but not we all, none of us dare to touch the Sun but we perceive it by our sense and none of us know the range of sky and why it looks blue but we enjoy its omnipresence. What here the author would like to stress that not necessary that the every aspect of the environment and its existence could be defined but still it has its own perennial existence. Environment therefore cannot be encompassed and measured .It does not have its own voice but has its expression by

existence. It proves sometimes a boon to the humanity and sometimes a bane. All existence on the earth therefore depends on the behavior of the environment which itself is beyond the range of human imagination. So what is left into the hands of human intellect is to walk on the path of protection and preservation of cohesive environment because secret of his own survival depends on it.

So, as the learned judge in the above case has observed natural justice is the right of every human being i.e “Right to be heard” in the same sense though environment is voiceless the human has to pay heed to it and shall not pay blind eye or deaf ear as he is the product of the same. Environment is the basic structure of the universe and therefore author would like to define it as ““What man creates is an Environment and it is the product of keen or casual observation of duties by him and the ultimate impact of which will be there on his and others living rights.” (Emphasis added).

Environment – International scenario, Constitution, Legislations and Judicial Decisions.

It was defined by UNEP as “ that outer physical and biological system in which man and other organisms live- is a whole, albeit a complicated one with many interacting components” which includes “rocks, mineral, soils and water, its land and their present and potential vegetation, its animal life and potential for livestock husbandry and its climate”. It was defined as “the physical surroundings, conditions, circumstances etc. in which a person lives” As per the Environment(Protection) Act, 1986 ... “Environment includes water, air and land and the inter relationship which exists among and between water, air and land and human beings, other living creatures,plants,micro organism and property”. The Encyclopedia Britannica observed “Environment means the entire range of external influence acting on an organism, both the physical and biological and other organism.

So environment is nothing but the relation of biotic and abiotic things forming part of the ecology. Existence of abiotic things is that necessary for the biotic things as that of walls in the making of house. But making of the house is not enough because the house is known by its homeliness and this responsibility utterly rest on the man who is the intellect dweller in this nature and its bastion. He can grace or disgrace the nature by his intellect but same is not the case with other creatures. Every individual creature of nature may be living beneath or above the earth, beneath or above the water or in the air redeem the nature what it takes. This process of pollination and giving back to the nature for rejuvenation can be witnessed in other creatures except the man. Hence the intellect of the man only extracts from the nature and never pays back. May it be Water, Earth, Wood, Food and Air. Therefore to regulate his uncontrolled greed for development a thought was given by the International and National

community for laying some yardstick for development of which no ambit no scope was defined under the garb of exhuming from the nature forgetting deliberately or intentionally the existence of other creatures. The author would like to touch upon some obligations laid down at the International platform in the hard work for “Environment and its Protection”.

1) International Impetus:

The United Nations assembled at Stockholm in 1972 to take a look on the environment quality for human existence where some principles were laid down by the member nations. The measures taken by this Conference was to intensify at national, regional and international level an elimination of impairment of the human environment and improve the surroundings for human survival. The object of the Conference was (1) Planning and management of human settlements;(2) Natural resources and its management; (3) Identify and control the Pollutants and nuisances affecting international world. (4)Importance of environment in educational, social, cultural sphere and information thereof in general ;( 5) To highlight upon development and environmental aspect and (6) Implementation of decisions taken at international platform on environmental concern. Interestingly the efforts for conservation were appreciated and the “Stockholm Declaration” accordingly presses upon seven important truths of man and also laid down the 26 principles for Human Environment. The seven truths highlight upon the fact that man is the creator and alternator of his environment and hence an intellect of man should always incline in favour of environment and its preservation on the path of development. The 26 Principles had been laid down at the same conference showing a concern that man has the fundamental right to live and at the same time his duty is towards the inter-generational equity, so that each generation could enjoy the vital resources of nature. The principles are nothing but a call for developed and developing countries to ensure economic development with prerequisite of environmental protection and natural resources conservation.

After this In 1976 UN Habitat Conference on Human settlement held at Vancouver. 1976.It was convened on the recommendations of the UN conference on Human Environment where the General Assembly expressed that there is a need to consider conditions of Human settlements, especially in developing countries. Basing upon the principles of the United Nations Charter, the conference was called upon to provide solutions for world problems and to create an international community based on equity, justice and solidarity. The issues of concern dealt with in the conference were Social, economic, ecological and environmental deterioration, World population growth trends in the next 25 years and their need for growth, food and shelter etc., Uncontrolled urbanization and related problems, Rural backwardness

compelling many to live in backwardness, Involuntary migration from own region, establishment of a just and equitable world economic order establishment of a just and equitable world economic order, recognizing that there is a need of establishment of a just and equitable world economic order and its imperativeness. The Conference highlighted upon “Opportunities and solutions” to deal with all these problems. General principles laid down that the Economic development must result into the Quality of life, dignity of human. No forceful settlements in the territory should take place and it should be condemned. Sovereignty of the country must be respected and every State has the right to take the necessary steps to maintain under public control the use, possession, disposal and reservation of land. Every individual have a right of free movement and have a right of settlement within the domain of his own country. Every State has the right to take the necessary steps to maintain the use, possession, disposal and reservation of land. Every State has the right to plan and regulate use of land, which is one of its most important resources, in such a way that the growth of population centers both urban and rural are based on a comprehensive land use plan. Every State has right to protect its Historical Monuments and settlements against any attacks or aggression. Developing countries must try to involve youth and women in political, economic and social activities of the country. “Guidelines for actions” had been given in details (1-22) so that the Governments and the International organizations should strive for the better Human settlements for the future world by maximum utilization of land in a planned manner for the betterment of human existence. The United Nations Environment Programme (UNEP) was established by UN in June 5, 1972 especially to deal with Environmental issues in the world and to coordinate the global activities relating to Environment, having it Head Office at Nairobi, Kenya. The Mission of the UNEP is “To provide leadership and encourage partnership in caring for the environment by inspiring, informing, and enabling nations and peoples to improve their quality of life without compromising that of future generations.” Its functional programmes are carried through (1) Division of Early warning and Assessment (DEWA) It provides timely, scientifically credible, policy-relevant environmental analyses, data and information for decision-making and action planning for sustainable development. It monitors, analyzes and reports on the state of the global environment, assesses global and regional environmental trends and provides early warning of emerging environmental threats.(2) Division of Environmental Policy Implementation(DEPI) It functions for Ecosystem management for human well-being and covers Ecosystem services, and economics, Fresh water and terrestrial ecosystems, and Marine and coastal ecosystems. It also addresses environmental causes and

consequences of disasters and conflicts; and Adaptation to climate change. It deals also with Poverty and environment initiative thorough UNDP-UNEP Partnership. Also it emphasizes upon the Environmental education programmes. (3) Division of Technology, Industry and Economics (DTIE) Set up in 1975, three years after UNEP began. It (DTIE) provides solutions to decision-makers and helps change the business environment by offering platforms for dialogue and cooperation, innovative policy options, pilot projects and creative market mechanisms.(4) Division of Communication and Public Information( DCPI). Communication lies at the very heart of UNEP's mandate and effective communication is an integral part of the strategic management of the organization. It communicates for Public awareness via different media. Celebrate World Environment Day and campaign on food waste (Think, Eat and Save).Organizing activities and events on environmental issues. Own publications “Our Planet” and “Tunza” and maintaining Library for public enquiry and questions. UNESCO organized intergovernmental conference on Environmental Education in Soviet Georgia. It had given the emphasis on Environmental problems, Role of Education, Inter-Governmental efforts in preservation of environment. The Report suggested that the It would be advisable to associate in the efforts of Environmental protection efforts, not only educational research institutions but also universities, scientific research centers and other institutions concerned with research into various aspects of the environment.

In Nairobi in 1982, 105 nations gathered for declaration on long term environmental strategies till 2002 and beyond and the same was endorsed by UNEP. They have adopted the “Nairobi Declaration” in support of the Stockholm Declaration and the pledge was taken so that the small planet earth would be transferred to our future generation fruitfully for their enjoyment. It was also decided to form a Commission which will provide a guideline on “Sustainable Development” till the year 2000 and onwards. Accordingly an Inter Governmental Committee was established on Development and Utilization of New Renewable resources of energy. In the same year the UN General Assembly adopted “World Charter for Nature” for guidelines to human in dealing with nature. The Charter for Nature is a collective call to for promoting nature conservation. Important coverage was given at the apex international forum for first time, for sustainability of life on the earth and it was readily accepted by the nations of the world.The General principles lay down the essential process in the nature shall not be impaired and the natural habitat in the atmosphere viz. on the soil, sea or else shall not be affected by human developments. The ecosystem in all its form should be preserved. Charter shall be mandatorily followed by all the States by implementing the principles in the charter at their domestic laws and similarly at the International level. In 1982

International conference on “Environmental Education” was held at New Delhi calling for education, research and monitoring and emphasized on formal and informal education on environment. An urge was also made to the NGO’s to join in the mission. Non- Aligned Movement (NAM) also joined in the momentum in that year in New Delhi and where the Prime Minister Mrs. Indira Gandhi expressed “Some people still consider concern for the environment an expensive and perhaps unnecessary luxury..... In any policy decision and its implementation, we must balance present gains with likely damage in the not too distant future. Human ecology needs a more comprehensive approach.” In the year 1985 again the emphasis was given upon the “Protection of the Ozone Layer” and a Vienna Convention was held towards international cooperation for the protection of the ozone layer. A thought was given that the atmospheric area between 15-30 km. above the earth surface where ozone is prevalent should be protected which prevents and filters the harmful ultraviolet radiation (UV) from the sun reaching towards earth. It was also decided appropriate legislative and administrative measures should be taken by the contracting parties. The Convention was followed by an international agreement in 1987 in the form of a treaty “Montreal protocol on Substances That Deplete the Ozone Layer” and a concrete step was taken to avoid and control all those pollutants which affect the ozone layer. Later on the “Earth Summit” at Rio-de-Janerio in 1992 was called upon on “Environment and Development” to preserve Environment form irreversible damage and reaffirming the Declaration of Stockholm in 1972. Agenda 21 as a blue print and About 27 principles were laid down for the guidance of States in 1992. The Principles again emphasized upon sustainable development. States are bound to control the damages caused by their developmental activities to other transboundry States and shall give such prior intimations. Environmental impact assessment should be mandated which likely to cause adverse impact on environment and the same is subjected to the decision of competent authority. Women and youth should be given the participatory role in environment protection. Indigenous people and their communities and other local communities should be made aware about environment protection by preserving their identity, culture and interests. Also States shall strive for the protection of environment even during warfare likely to cause destruction. States and the people should cooperate in furtherance of the principles embodied in the declaration for sustainable development. In 1996 UN Conference at Human Settlement (Habitat-II) held in Istanbul, Turkey and adopted the “Habitat Agenda” highlighting on “everyone has right to adequate standard of living for themselves and for their families, including adequate food, clothing, housing, water and sanitation and to continuous improvement of living conditions”. So (Habitat II) addressed

upon two themes- "Adequate shelter for all" and "Sustainable human settlements development in an urbanizing world". Human beings and their shelter (sustainable human settlements) are the concerns for sustainable development balancing with the nature.

The UN Millennium Declaration in its Fifty Fifth sessions held on 8th Sept.2000 and it was pledged that UN shall work as an effective instrument for development and against poverty, ignorance and disease, injustice, violence, terror and crime, degradation and destruction of our common home." It was in 2002 the International conference on "Sustainable Development" was called at Johannesburg. It was mostly directed on the measures- Commitment for sustainable development, global society with human dignity, provide future generation a world free from indignity, indecency caused by poverty and degradation caused by unsustainable development, to strengthen upon sustainable development by economic development, social development and environmental protection - at the local, national, regional and global levels, to assure the future generations that they will inherit the sustainable environment from the preceding generations and to have a practical and visible plan to bring about poverty eradication and human development at the crossroads. .Afterword, United Nations Conference on Sustainable Development Rio+20, Earth Summit 2012 takes place. This conference came with a political outcome document containing clear practical measures for the sustainable development. The Sustainable Development Goals (SDG's) and Millennium Development Goals (MDG's) with post 2015 development agenda speaks for the same. Also a highlight was made on Green Economic Policies. The Conference also pledged for number of thematic, including energy, food security, oceans, cities, and decided to convene a Third International Conference on SIDS in 2014. The Rio+20 Conference also galvanised 700 voluntary commitments and witnessed the formation of new partnerships to advance sustainable development. It highlighted upon the thematic "Future We Want" – and generated new momentum for achieving sustainable development. So this synergy, in between the countries at UN level certainly ends into a world of sustainable development. Many more efforts at National, International and domestic level are taking place under the directives of UN for the growth with sustainable environment. India is bound by those international covenants vide its constitutional provision where Parliament is mandated to make legislations on the same parameters.

2)Constitution - Environmental concern and some Judgments.

Our Constitution has taken care for sustainable development of all in the very prologue of the Constitution called "Preamble". It States that citizens of India pledged for securing Justice, Liberty, Equality, Dignity and permeate Fraternity, Unity with Integrity in the Country. This

pledge is taken by all for the citizens of India, but now the real issue is whether we have succeeded in making our pledge true.

If we talk in terms of Justice- Social, economic and political we can say that only one is satisfied i.e. political but not social and economic. In terms of Liberty- of thoughts, expression, belief, faith and worship we still not achieved that in its true spirit because the liberty brings differences and clashes mostly on ethnic and religion basis in our heterogeneous democracy. Equality- for status and opportunity is still fighting though we have many policies on the issue. In this backdrop fraternity, unity and integrity of the nation seems to be fragile. Then what is the solution? In the view of author it is only our pledge in the same Preamble for “dignity of the individual” if sustained then we may fulfill the dream of our versatile democracy. This dignity of the individual certainly has a concern with the wholesome environment too because livable environment could only survive the people of India and secure as promised in the preamble..

Our Constitution makers certainly had given a thought to this “Environment” concern and had taken care while granting “Fundamental Rights” under Part- III that though they are fundamental they are not absolute in all sense and hence let us have a look on those prominent Articles...imbibing on the concern for environment.

Art-19- Protection of certain rights regarding freedom of speech, etc.-

(1) All citizens shall have the right-

- (a) to freedom of speech and expression;
- (b) to assemble peaceably and without arms;
- (c) to form associations or unions;
- (d) to move freely throughout the territory of India;
- (e) to reside and settle in any part of the territory of India; [and]
- (f)(Omitted by 44th Amendment Act, 1978)
- (g) to practice any profession, or to carry on any occupation, trade or business.

The freedom of speech is subjected to reasonable restriction in the interest sovereignty and integrity of India, the security of the State, friendly relations with foreign States, public order, decency or morality, or in relation to contempt of court, defamation or incitement to an offence. In the same way freedom of assembly is restricted in the interests of the sovereignty and integrity of India or public order. Freedom of association is restricted in the interests of the sovereignty and integrity of India or public order or morality. Freedom of movement, residence and settlement is restricted by in the interests of the general public or for the protection of the interests of any Scheduled Tribe. Freedom of practicing profession....

Restricted by the State by making any law imposing in the interests of the general public the reasonable restrictions and at the same time the State can prescribe professional or technical qualifications for practicing any profession or carrying any occupation, trade or business or even the State can exercise monopoly in the matter of any trade, business, industry or service to the exclusion complete or partial of citizens or otherwise. (Italics supplied)

So for the present topic in hand if one give a detailed look at Art-19(6) imposing reasonable restrictions on the trade or profession in the interest of general public vested in the hands of State and the State can accordingly take the welfare measures in the interest of general public because State holds a Public trust. Not only this, Art-21- Protection of Life and Personal Liberty- was expounded by the Supreme Court in every form and aspect of Life and laid down many judgments on the same line observing “Wholesome Environment” is right to life and which cannot be denied under the garb of Freedom of trade, business or profession.

The Apex Court held “The Precautionary Principle and The Polluter Pays Principle” are the salient features of the “Sustainable Development. Art-21, Art-48-A and Art51-A (g) makes it obligatory on the State and the citizens to protect and preserve the environment. In Taj Trapezium case the Court applied directly the precautionary Principle observing that it is our duty to preserve our prestigious monuments. In A.P.Pollution control Board case the Court observed that inadequacies in the science compel the Court to interfere and it is better to err rather than allowing a harm which is irreversible. In Oleum Gas Leak case the Court observed that the manufacturers of products discharging toxic effluents into the region would be liable for payment of the Compensation on the principle of “Absolute Liability” under Indian scenario. It was observed that “hazardous or inherently dangerous industry which poses a potential threat to the health and safety of the persons working in the factory and residing in the surrounding areas owes an absolute and non delegable duty to the community.” It laid down further that “We have to evolve new principle and lay down norms which adequately deal with the problems which would adequately deal with the new problems which arise in a highly industrialized economy. We cannot allow our judicial thinking to be constricted by reference to the law as it prevails in England or for that matter of that, in any other foreign country.”(Italics supplied) The Supreme Court therefore dissents on any exceptions to liability as bearing in the case of Rylands v. Fletcher decided in England on the principle of strict Liability evolved in 19th Century.

Bhopal gas tragedy is the patent example where the people since 1984 fighting for the justice and the Court in 1987 therefore addressed the issue by laying down this principle of Absolute liability. Also referred as, No Fault liability or Liability without fault. The above case is a

mile stone, in the development of Environmental Jurisprudence in India. In *M.C.Mehata v. Kamal Nath* the Court directed the Motel to pay compensation by way of cost for the restitution of environment and ecology of the area. The respondent attempted to divert the natural flow of the river for private and commercial use. The Court further observed that the State by leasing ecologically fragile land to the Motel has committed a patent breach of public trust. On the same line the Court observed the Mahapalika has committed a breach of Public Trust when Lucknow Mahanagar Palika permitted a builder to develop an underground market below public park. The Constitution further vide Art 23. Prohibits traffic in human beings and forced labour and Art 24 Prohibits employment of children below the age of fourteen years in factories, mine or engagement in any other hazardous employment. Further Art-25 and 26 speaks about public order, morality and health as the preconditions for enjoyment of freedom of religion. So vision of our Constitution makers very apparently indicates that no freedom shall be absolute and same is the case with the right to trade, business, profession or occupation. Even further Part- IV on "Directive Principles" expressed vide- Art-48-A- Protection and Improvement of environment and safeguarding of forests and wild life. In *M.C. Mehta (II) v. U.O.I*

Supreme Court had given the direction under this Article that various local bodies and Boards shall take appropriate steps to preserve the water from pollution and as per Part-IV-A, Art51A(g) under "Fundamental Duties" the Central Government should introduce compulsory subject of teaching on improvement of natural environment. In *T.N.Godhavaram* case the Court directed the Government to take appropriate steps in the protection of wild buffalo.

If one turns towards the laws on the issue of environment and its protection which are put to amendment from time to time one can notice they are many. Not only this even we have the other laws dealing on the subject viz. Indian Penal Code, Code of Criminal and Civil procedure, Bombay Police Act etc. Also the prohibitory Local Laws and norms are there. For the State of Maharashtra we have The Maharashtra Felling Of Trees (Regulation) Act, 1964 for better provision for regulating the felling of certain trees in the State of Maharashtra and operated under the chairmanship of Collector for revenue areas. Other Act, The Maharashtra (Urban Areas) Protection And Preservation of Trees Act, 1975 was made operative under the chairmanship of Municipal Commissioner. The Act is enacted to make better provisions for trees in urban areas in the State by regulating felling of trees and providing for planting of adequate number of new trees in those areas. The Maharashtra Ownership Flats (Regulations of The promotion Of Consturction, Sale, Management And Transfer) Act, 1963, controls the

multistoried dwellings in the cities. Even the Corporation (town planning Department) rules expects the builders to plant the number of trees and against that also deposit amount was taken which may be returned only if rules followed. Even the corporation may not provide the “Commencement Certificate” for non completion of the desired requirements for plantation of trees and their safety. But, we failed largely on this aspect because of unawareness of the occupant customer and lackadaisical approach of Administration and nexus with Builders.

So the rules, regulations, byelaws and legislations are many on the issues on environmental preservation (air, water, Noise, wild life, Forest etc). The legislations are made in alignment with the Constitution and International treaties certainly are effective. But on the other side of the coin it is also true that “Development” is the need of the global world. Certain amount of pollution is permissible and without which development is impossible. But the real question is, it should not be at the cost and unwarranted destruction of our own environment. The resources of benefit must reach to all without discrimination otherwise we are playing fraud with our Constitutional duty. We must rest development upon the pivotal of inter generational equity. Recently even our own Supreme Court ordered Goa Government to take necessary steps in preservation of environment. The problem of threat to mangroves in Mumbai was also at threat and the forest department is proposing a conservation project that promises to double the amount of mangroves across six districts in the state over a decade. Three of these districts-Mumbai, suburban Mumbai and Thane-fall in the Mumbai Metropolitan Region (MMR), while parts of Raigad are also part of the MMR. The lions share in the management of the issues of Environment certainly lay in the hands of local self Government. Urban and Town Planning authorities have to implement the policies as per the spirit of law and the people have to respond to the cause affirmatively.

Conclusion: In the end it can be said that the main concern is not about the development but about the undefined ambit of development which may explode the globe and ruin the life on the earth of which reason is men and his greed and the preys are all even the innocent creatures. Laws are one of the mode of controlling human activities contributing pollution occurred by trade, business, occupations etc. Right to profession and livelihood is the guaranteed right under Art- 19 &21 but right never travels lonely but is subjected to duty. Performing own duties reciprocally results into protection of right of the others. So the right to business never been denied but certainly subjected to reasonable restrictions imposed by law and the reasonability will always be tested by the independent judicial mind. Even the

right to Freedom of Religion under our Constitution is subjective and governed by Public order, morality and health.

So the solution to this entire dilemma can be traced from the well settled law by one of the venerated Justice Lord Atkin in *Donoghue v Stevenson* [1932] AC 562 House of Lords-observing:

"The rule that you are to love your neighbor becomes in law you must not injure your neighbor; and the lawyer's question "Who is my neighbor?" receives a restricted reply. You must take reasonable care to avoid acts or omissions which you can reasonably foresee would be likely to injure your neighbor. Who then in law is my neighbor? The answer seems to be persons who are so closely and directly affected by my act that I ought reasonably to have them in contemplation as being so affected when I am directing my mind to the acts or omissions which are called in question."(Italics supplied)

This principle of neighborhood given by the learned judge has no bound and can be applied even beyond the boundaries of nation when in *Trail Smelter Arbitration case* The sulphur dioxide fumes emitted from the plant in Canada and spread over to USA causing damage were challenged and the Arbitration Tribunal awarded compensation to the Government of USA. So the different countries exist on the one earth by fragmentation however the nature at every corner of the globe is same and never discriminate. Pollution at one end of the globe certainly maligns the other corner. Hence major responsibility rests on the trading and business Industries who relentlessly contribute pollution to air by fumes and noise, pollution to water by effluents and sludge, health hazards by wastes and deforestation, ecological imbalance by mining, quarry and other excavations. So development should be rational and not errant. If man sows(development) errantly he has to reap it accordingly.

So finally while giving rest to the thoughts on this issue, it seems that the ethical business is the only panacea which rests in the lap of the principle of neighborhood i.e. duty to take care and respect others rights and define the boundaries of development by gauging the Environment Impact Assessment. Under Indian way of life and indigenous thinking the community living is the strength and web of the society. Community living includes not only human relations but his relationship with flora and fauna and the nature around him. To be humane with environment only can provide him the blissful and dignified life as we have cherished in the Preamble of our Constitution and business is not an exception to this. Business without fidelity towards neighborhood environment leads to a dismal and bleak life.

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<sup>3</sup> Illustrated OXFORD Dictionary, DK, 2003.

<sup>4</sup> Sec 2 (a).

<sup>5</sup> Art-253- Legislation for giving effect to the international agreement. See Schedule VII, Entry-13, of the Constitution of India.

<sup>6</sup> Vellore Citizens Welfare Forum v. U.O.I. AIR 1996 SC 2715

<sup>7</sup> M.C.Mehata v. U.O.I AIR 1997 SC 734

<sup>8</sup> AIR 1999 SC 812

<sup>9</sup> M.C.Mehata v. U.O.I AIR 1987SC1086

<sup>10</sup> (1868) LR 3 HL 330.

<sup>11</sup> (1997) 1 SCC 388

<sup>12</sup> AIR 1999 SC 2468

<sup>13</sup> (1983) 1 SCC 471

<sup>14</sup>AIR 2012 SC 1254

<sup>15</sup>The Water (Prevention and Control of Pollution) Act, 1974

- The Water (Prevention and Control of Pollution) Rules, 1975
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- The Public Liability Insurance Act, 1991
- The Public Liability Insurance Rules, 1991
- The National Environment Tribunal Act, 1995
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<sup>16</sup>In May, the Bombay High Court (HC) had directed the NMC to form a proper tree committee on the lines of the Pune Municipal Corporation's committee. Tree activists have alleged that the NMC suppressed facts and did not inform the HC about the partly-constituted committee. (Ref- <http://timesofindia.indiatimes.com/city/nashik/Green-panel-invites-experts-for-expansion/articleshow/41133804.cms> visited on 11th Feb.2015)

<sup>17</sup> Art-39-Certain Principles of policy to be followed by the State.; *The Constitution of India*

<sup>18</sup> Letter to James Madison (6 September 1789) ME 7:455, Papers 15:393.- Thomas Jefferson said - the earth belongs to each of these generations during its course, fully and in its own right. The second generation receives it clear of the debts and encumbrances of the first, the third of the second, and so on. For if the first could charge it with a debt, then the earth would belong to the dead and not to the living generation. Then, no generation can contract debts greater than may be paid during the course of its own existence.( [http://en.wikiquote.org/wiki/ Thomas Jefferson](http://en.wikiquote.org/wiki/Thomas_Jefferson)) visited on 11<sup>th</sup> Feb.2015.

<sup>19</sup> The expert committee has been asked by the supreme court to submit a report within six months on how the mining dumps in the state of Goa should be dealt. It will submit the final report within 12 months. The Goa government has been directed by the supreme court to frame a comprehensive scheme with regard to the Goan iron ore permanent fund in consultation with the CEC for sustainable development and inter generational equity and to submit it to the court within six months. <http://timesofindia.indiatimes.com/topic/Goa-illegal-mines/news/> visited on 11<sup>th</sup> Feb.2015

<sup>20</sup><http://timesofindia.indiatimes.com/city/mumbai/Mumbai-for-Me-More-mangroves-may-cover-our-mudflats/articleshow/12774663.cms> visited on 11th Feb.2015

<sup>21</sup> Ref. 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendment.

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## “Higher Education in India: Challenges and Opportunity”

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**Abstract:** India is amongst the youngest nations in the world. With nearly 140 million people in the college-going age group, one in every four graduates in the world is a product of the higher education Indian. Higher Education is one of the important pillars of any Country. Higher Education sector in India has witnessed a tremendous increase in the number of Universities/University level Institutions & Colleges since Independence. So it becomes necessary to know the specific inside of Higher Education system in India. This research paper, therefore, tries to finding out the opportunity and challenges for Higher education in India.

**Key Words:** Higher Education, Opportunity, Challenges

### Higher Education in India:

India is offering a plenty of high quality educated people to the world. India has become the one of the fastest growing economies among all the countries in the world since the country has been able to provide educated human resource in huge numbers.

The importance of higher education has always been emphasized by the founding leaders of the nation. Over 60 plus years of independence, we have seen significant importance being given to bring about better educational standards. During the time of independence, there were just around 500 colleges and 20 universities across the nation. With the growth in population, the numbers have also increased quite exponentially.

- Today India has more than 600 universities falling under various categories like central, state, private, deemed, and other institutions established through legislations by the state governments.
- Additionally, there are other institutes specializing in technical education, information technology, business management, architecture, research and science institutes.
- 3.8% of the GDP is being spent on education by the Indian government
- The literacy rate in India according to the census of 2011 is 74.04%. This percentage is below the world literacy rate of 80.4%. While the male literacy rate is around 82.14%, literacy rate in females is 65.46%.

- India has been attracting Foreign Direct Investment in the education sector as well. \$31.22 million has been invested by foreign investors according to the statistics of May 2012. With the fast paced globalization, there has been increasing awareness on the importance of quality higher education in the global economy. More and more students in India are opting for higher education, and they are showing a keenness to pay for quality education.
- When it comes to enrolments, India is the third largest educational system, ranking just behind the USA and China. In the year 2010-11 total enrolments in colleges and universities had touched 16 million.
- When it comes to number of institutes offering higher education, India is second to none. According to the census of the year 2011, India has 33,023 colleges, in addition to 610 universities.
- When it comes to investment opportunities in the education sector of India, higher education ranks second. Higher education in India has seen a phenomenal growth after independence.
- With the growth of economy, there has been a significant increase in the numbers of higher middle class people.

### **Rationale of the study:**

Higher Education sector in India has witnessed a tremendous increase in the number of Universities/University level Institutions & Colleges since Independence. So it becomes necessary to know the specific inside of Higher Education system in India. India is a regional hub for higher education, attracting global learners from all over the world. The Indian higher education system is needs-blind, with all eligible students receiving financial aid. Two-thirds of all government spending towards higher education is spent on individuals, including faculty and students. It is necessary to understand inside of higher education in India therefore researcher addressed the challenges and opportunity of higher education in India.

### **Review of literature**

**National Knowledge Commission report 2006** pointed out that the existing framework, rather than fostering accountability, constrains the supply of good-quality institutions whilst excessively regulating the existing institutions in the wrong places and is not conducive to innovation or creativity'. These findings are backed up by another report which describes the Indian higher education sector as: 'Over-regulated and under-governed'. At the same time, quantity expansion has also been grossly inadequate, making the challenges daunting on dual fronts of quantity and quality

**According to the Team Lease report**, well over half — 58 per cent, in fact — of young Indians suffer from some degree of skill-deprivation. The study also showed that non-availability of courses, inadequate infrastructure facilities, inadequate financial resources, lack of flexibility and autonomy to the institutions among others have dented efforts in improving the quality and scale of education, employability and employment. The study also states that the challenges of higher education been caused due to low college enrollment, employability crisis of unskilled labor and lack of flexibility of the education sector

**McKinsey-(NASSCOM 2005)** He mainly pointed out that those employers stating their dissatisfaction with the quality of graduates. There are jobs — in the IT sector, for instance — but not enough qualified engineers to fill them.

**Judhajt Das**, opines that (Chief HR Officer, ICICI Prudential) —The issue of employability is centered on two challenges. The first one is lack of access to education and skills, and the second is rigour in education quality standards. Calculated investment and new technology can take care of the first issue. The second challenge is more about quality of students which results in aspiration mismatch between skills and job/salary expected.

**Twelfth Five Year Plan (2012-2017):** This report suggested that accountability indicators designed to ensure quantity were inhibiting the quality of graduates, particularly in relation to their creative and entrepreneurial skills. It also pointed out that higher education system in India can scale up in quality and reach only by creating competition with transparent regulation. Some of the proposed solutions include legitimizing distance education, fostering public-private partnership models, deregulating higher education and tweaking the skill and employment ecosystem. While stressing the importance of Indian higher education challenges in the context of globalization following objectives are set forth

#### **Objective of the Study:**

**To study the opportunity and challenges of higher education in India.**

**Methodology :**Researcher collected secondary data from Ministry of higher education Government of India, University Grants Commission reports, corporate expert's opinion and other published and unpublished reports which is relevant to the study.

#### **Observations**

##### **Challenges for Higher Education in India:**

- The supply-demand gap: India has a low rate of enrolment in higher education, at only 18%, compared with 26% in China and 36% in Brazil. There is enormous unmet demand for

higher education. By 2020, the Indian government aims to achieve 30% gross enrolment, which will mean providing 40 million university places, an increase of 14 million in six years.

- The low quality of teaching and learning: The system is beset by issues of quality in many of its institutions: a chronic shortage of faculty, poor quality teaching, outdated and rigid curricula and pedagogy, lack of accountability and quality assurance and separation of research and teaching.

- Uneven growth and access to opportunity: Socially, India remains highly divided; access to higher education is uneven with multidimensional inequalities in enrolment across population groups and geographies.

- Constraints on research capacity and innovation

India does not have enough high quality researchers. The number of students taking PhDs and entering research posts is very low: 4,500 PhDs are awarded per year in science and engineering, compared to 30,000 in China and 25,000 in the US<sup>34</sup>. There is systemic segregation of teaching and research; most teaching-focussed universities (the vast majority) do not provide students with research experience or the skills which would prepare them for research careers.

- Only discussion but No solution: Many scholar, academician and industrialist spend too much time spent on assessing the problems, rather than finding tangible solutions.

If you attend any conference/Seminar/workshop frequented by them and it's like listening to a broken record player. You have hour long speeches, expert panel discussions and solutions from experts in the industry. And these solutions are more or less the same – “Attitude needs to change”, “We need to get back to the basics”, “Funding needs to increase”, “Structural and design changes”, “Awareness needs to increase” and my personal favourite, “we need more data and analysis”. All good points no doubt, but these conferences are mostly for networking purposes where individuals want to establish themselves as thought leaders in order to impress the right people and move up in their careers. In the end the sponsors get their 2 second vote of thanks, visiting cards are exchanged and everybody leaves with some souvenirs to carry home.

- Mushrooming of low quality, money making Institutes.

As a result of that huge gap, people who have no reason to be in the field of education want to capitalize on the shortage of supply. It's no secret that the education industry has long lost its noble cause and is more of a business. Politicians, realtors, businessmen/women -

basically anybody who wants to mint some serious cash, start to open colleges. (Probably already own half the colleges in the country)

Driven by market opportunities and entrepreneurial zeal, many institutions are taking advantage of the lax regulatory environment to offer 'degrees' not approved by Indian authorities, and many institutions are functioning as pseudo non-profit organisations, developing sophisticated financial methods to siphon off the 'profits'. Regulatory authorities like UGC and AICTE have been trying to extirpate private universities that run courses with no affiliation or recognition. Students from rural and semi urban background often fall prey to these institutes and colleges. One the fundamental weaknesses of the system are lack of transparency and recommendations has been made to mandate high standards of data disclosures by institutions on performance.

### **Opportunity for Higher Education in India:**

- The Indian education sector has been recognized as a “Sunrise Sector” for investment in the recent past. This recognition stems from the fact that the sector offers a huge untapped market in regulated and non-regulated segments due to low literacy rate, high concentration in urban areas and growing per capita income.
- Indian higher education currently the third largest in the world, is likely to surpass the US in the next five years and China in the next 15 years to be the largest system of higher education in the world. Indian higher education has a complex structure riddled with many contradictions, still has great possibilities.
- India is a regional hub for higher education, attracting global learners from all over the world. The Indian higher education system is needs-blind, with all eligible students receiving financial aid.
- Two-thirds of all government spending towards higher education is spent on individuals, including faculty and students
- India’s massive open online courses, started by several elite research universities, collectively enrol 60% of the world’s entire student population
- India is the largest provider of global talent, with one in four graduates in the world being a product of the Indian system
- Huge market size both in terms of number of students and annual revenues
- A potential growth rate of 16% is expected over the next 5 years
- Significant activity in terms of new foreign entrants and participation is expected to be witnessed in the years ahead •

- Public expenditure not enough to meet the burgeoning requirements The Government of India has set itself an aggressive target of achieving 30% GER in Higher Education by 2020, which translates into doubling the GER in the next 8 years. Growing role of private sector
- The private sector's role in the higher education sector has been growing at a rapid pace over the last decade and needs to further expand at an accelerated rate in order to achieve the GER target.
- Existing & Future Opportunities for Private & Foreign Sector Participation the number of people entering the Indian higher education sector is growing at a significant rate.
- Few globally renowned educational institutions
- Huge demand – estimated 150 mn population in 18-23 age group
- Growing middle class with increasing incomes
- Growing economy with numerous employment opportunities
- Huge demand for Indian students in overseas markets
- Unsaturated demand for quality global education
- Low GER of 15% in Higher education as compared to 84% in USA
- Sharp decline in dependency ratio predicted in the next 30 years
- India is expected to emerge as a Global hub in education in Asia Pacific region

**Conclusion:**

A lot of commissions and committees appointed by the government for suggesting reforms have also pinned upon same obstacles in the Indian Higher Education. But there has been sheer dearth of courage and a political will. It is also important that the way attempts have been made to reform secondary level education in schools, higher education needs to be reformed too. It is high time that universities cater to the growing demand of students or else this human resource boon will soon prove to be population bane for the economy. Though these are clearly positive trends, the Indian higher education system continues to demonstrate many structural shortcomings which in turn create challenges in meeting future expectations. The government alone can't make improvements as much as it is their job. Reforms that are not name sake, heavy involvement from the private sector and more youngsters venturing into the field of education are few of the things that could help alleviate the problem. But we need to start somewhere.

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## **Talent Management & Talent Retention Strategies as new age facet of best HR Practices in Hospitality Industry**

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### **1.1 Introduction:**

Talent is the currency of new millennium. Retention of talented and skilled staff is the biggest challenges before the organizations in general and Hotels in particular. The emerging global economy is facing the challenge aroused from war for talent. The Hospitality Industry as important sector in the global economy are designing more specific retention strategies so as to retain talented and skilled employees, since they have realized that cost of recruiting and training new blood is more costly than managing existing talent.

Redefining and re engineering the HR practices for attracting new talent and retaining the good one is important facet for Hotel Industry for achieving business goals and to also sustain in competitive markets. Therefore re-engineering of new age HR practices for the emerging knowledge economy is on the agenda of every Board Room.

There is need for the hospitality and tourism industry to develop a common understanding of the concept of Talent Management. This will encapsulate into international talent management standards which encapsulate the general hospitality and tourism industry. In addition there is need to create human resources management infrastructure to support all hospitality businesses which should improve recruitment practices, employee development, performance management and managing talent.

### **1.2 Meaning of Talent Management:**

Talent Management, as the name itself suggests is managing the ability, competency and capability of employees within an organization. The concept is not restricted to recruiting the right candidate at the right time but it extends to exploring the hidden and unusual qualities of employees and developing and nurturing them to get the desired results. Attracting, hiring and retaining employees are the biggest challenges for the talent management professionals. To tackle this, it is equally important to develop value propositions for jobs to attract & retain talent sufficiently. Employee value proposition means creating a balance of rewards and recognition in return to an employee's performance at workplace. It is a people centered approach that is directed to existing employees and integrated with manpower planning strategies.

### **1.3 Review of Literature :**

According to study revealed by Accenture (2001), 80% of global business leader believes that, 'people issues' are more important today than few years ago and 68 % believes that retaining talent is more important than acquiring fresh faces. Organizations are realizing that retention is strategic issue and represents competitive advantage(Walker2001)

Retention management is driven by several key factors such as organizational culture and structure, recruitment strategy, pay and benefits philosophy, employee support program, career development system. (Fit enz 1990) According to Huselid(1995) high involvement work practices will enhance employee retention.

As a service industry, tourism is highly labour intensive, and in this context, the management of employees working in the industry is a critical function (Grobler & Diedericks, 2009). The need for talent management is based on the fact that talent management improves performance which drives productivity (Cheese, 2008) and competitiveness (Baum 2012).

For those companies facing an acute talent crunch; recruiting and retaining existing workforce through special programs, flexible schedules or family-friendly policies has become more than a good human resource practice. The organizations can no more afford to think only of existence, they need excellence for survival. The example of great organizations indicates that it is not the fixed assets, the plant and machinery, the technology but what contributed in their own way to an organizational success, is the Human Capital of Thought Capital!

### **1.4 Objectives :**

1. To study and identify that effective Talent management practices results in retention of talented and skilled workforce in Hospitality Industry in Nashik Region.
2. To study the fact that redefining of employee friendly practices is necessary factor for the Hotels to sustain in the emerging new age 'Economies of Soul.'

### **1.5 Hypothesis :**

1. There is relation between talent management practices and employee retention.
2. There is impact of employee friendly practices on employee's performance and loyalty parameter.

### **1.6 Research Methodology :**

The research methodology used for the study consist of collection of relevant and required data from both primary and secondary sources. The primary data is collected from 21 Hotels in Nasik district for the purpose of analysis. The data used in this study paper is derived from a standard questionnaire developed by the researcher and collected by undertaking the survey and visits to all 21 Hotels under sample.

Moreover structured observations including interviews of Vice Presidents- HR, Talen Acquisition Managers, key personnel and employees were also conducted. . The five-point Likert-type scales was used which tap into individual's perceptions, ranging from 1 (strongly disagree) to 5 (strongly agree) throughout the questionnaire.

### **1.7 Data Collection**

The data collected to study the prevailing HR Practices and Retention Policies in the selected Hotels in Nashik can be grouped as follows :

#### **1.7.1 Primary Data**

For this Study, a total of 115 Questionnaire were distributed to HR Heads and Vice Presidents (Human resources) and to employees from the various levels of 21 Hotels in Nashik region consisting of midsized to Five star hotel properties . There were 8 respondents who failed to return the questionnaires and 3 respondents failed to give their answers to all of the questions asked. These unanswered questions were treated as missing values to be discarded to avoid the data having any missing value. As a result only 104 respondents were included in the final sample.

#### **1.7.2 Secondary Data**

The data supporting Retention Policies and HR Practices is also collected from secondary sources like - Policy Manual, Books on Human Resource Management, Magazines, Journals & Research articles on Innovative HR Practices, Internet & websites devoted to Human Resource Development.

### **1.8 Data Analysis and Interpretation:**

The analysis of data revels following reasons for high drop off rates among employees as they reach the peak of their career.

	<b>For Woman Employees : Issues for drop off</b>	<b>% of respondents</b>
1.	Pursuing higher studies	6
2.	Starting own consultancies	7
3.	Motherhood	37
4.	Gender Discrimination	3
5.	Male Dominance	6
6.	Lack of family support/ lack of domestic help	10
7.	Child/kids care is priority than own career	22
8.	Elder people care	2
9.	Relocation due to marriage of women employees	4
10	Change in job or transfer of spouse	3

	<b>For Male Employees: Reasons for drop off</b>	<b>% of respondents</b>
1.	Salary expectations not matching	6
2.	Lack of promotion prospects	4
3.	Lack of adequate training and development	4
4.	Undesirable work locations	3
5.	Lack of cordial Organizational Culture	10
6.	Conflicts with Seniors	3
7.	Easy availability of jobs with better prospects	22
8.	Work related stress	21
9.	Early Retirement or VRS	8
10	Safety and security Issues	4
11.	Disciplinary Actions	2
12.	Starting own Consultancy	13

### **Interpretation:**

In case of issues for high drop off rates among women employees, the researcher has identified through primary data, that motherhood is the strong reason to leave the company as highest no of respondents agree to it. In case of issues for high drop off rates amongst men employees, easy availability of jobs with better prospects is strong reason for leaving job as identified from the collected primary data.

**1.9 Findings :****Rank order of Employee friendly Practices by the employees in the Organizations Under Study :**

<b>Sr. No.</b>	<b>HR Practices</b>	<b>Rank</b>
1.	<b>Job Security</b>	<b>I</b>
2.	Staff welfare schemes	V
3.	Flexi timing of Hotel working	VIII
4.	<b>Career Growth opportunities</b>	<b>II</b>
5.	Online & quick resolution of grievances	IX
6.	<b>Good Pay Package</b>	<b>III</b>
7.	Certification for Training & skill enhancement (On campus)	<b>IV</b>
8	Counseling & career guidance	X
9	Work life balance	VII
10	Career breaks/ Sabbatical leave for higher studies (off campus)	VI
11	Health care benefits	XII
12.	ESOP, Cash bonus, Profit partnering	XI

**Interpretation :** It can be easily interpreted from the above table that, the TOP 5 HR practices expected by employees in the organizations under study are, Job security, Growth opportunities, Good Pay package, Training programs and staff welfare schemes.

The above mentioned HR practices are already followed in the organizations under study and has resulted in retaining the employees who were on the verge of leaving the organization. Thus the first objectives gets fulfilled by above fact.

**1.10 Facilities To retain the Talent Pool:**

The interaction with the workforce revealed that more specialized facilities are required by the employees which is necessary to create the sense of belongingness and will further result in retaining talent capital. The employee friendly services which can be made available are mentioned below:

1. Transport facilities to workforce at concessional rate
2. Health Check up facilities
3. Facilitation for Spousal employment
4. Opportunities for hiring employees with disabilities

5. Fast Track solutions for grievances.
6. Involvement in Policy making
7. Employees affinity groups and portals
8. Participation in employee forums
9. Employee Recognition Reward System like star employee, employee of the month etc
10. Skill and Competency Mapping
11. Quarterly Performance Review
12. Free Coupons for Retail shops or sponsored vacation travelling.

### **1.11 Suggestions:**

1. Employers can provide professional and affordable childcare for Single Parents.
2. Participation in Compulsory Health Camps by all employees.
3. Training and re-skilling opportunities by organizing workshops on Personality Development, Soft skills, Mind Power, Seven Habits of Effective people.
4. Initiatives to ensure at least 30% women in decision making positions by addressing legal, structural and cultural barriers.
5. Fast track remedies for workplace harassment & Gender Sensitive Issues for woman employees

On the basis of above observations and suggestions, the second objective which states that re-engineering of HR practices is necessary and important to sustain in today's economies of soul get fulfilled.

### **1.12 Negative consequences resulting from talent departure. :**

- High financial cost due to additional hiring, recruiting and training cost.
- Productivity losses and workflow interruptions
- Service quality to guest gets hampered
- Loss of expertise and skilled Human Capital
- Job satisfaction of remaining employees
- Image of the Hotel due to frequent change in employee

### **1.13 Conclusion:**

The hospitality sector has been continuously seeing a high number of employee turnover. The two most important reasons for the same being-quality of leadership and overall work culture, and impact on family life. Dissatisfaction with current compensation and benefits, growth opportunities abroad and completing higher studies are also common reasons for attrition

across hotels in India. Attrition rates across hospitality industry in general are unsustainable and probably in the range of 35-40 per cent per year. The reasons are many but the most significant one is no doubt the fact that whilst significant growth in room inventory supply in the last few years has exploded the demand for human capital, the supply especially of quality manpower has severely lagged behind. There is a critical mismatch between skills and talents needed on the one hand and that of supply on the other hand resulting in the available 'hot talent' being pursued by all key industry players leading to short tenures everywhere. At the same time, every hotel wants to attract the best and brightest talent and only effective management of human capital determines the success of the future. Therefore the effective and attractive talent management as well as talent retention strategies are necessary for Hospitality Industry in Nashik Region.

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## **“A Study of Relationship between Performance and Efficiency of Selected Indian Commercial Banks”**

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### **1. Introduction:**

The fuel for the growth and development of an economy is finance. However, mere funds would not suffice the purpose, unless it is regulated and channelized in the proper direction with proper management. This need of regulating and channelizing the flow of finance in the economy is taken care by the Banking system. Efficient banking system is essential for the purpose of smooth functioning of the economy. If finance is believed to be the life blood of an economy, then banking system plays the role of heart of the economy. The importance of banking system in any economy cannot be denied. Banking system is said to be the backbone of the economy.

Banks are the subsets of the banking system. As per Section 5(c) of Banking Regulation Act, 1949 a "Banking Company" means any company which transacts the business of banking in India. Also, As per Section 5(b) of Banking Regulation Act, 1949, banking means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdraw able by cheque, draft, order or otherwise. However, with the changing scenario, the role of banking system is not only confined to accepting deposits and lending loans, but increased to a large extent. The increasing competition has made banks to carry out many functions apart from core banking operations including, insurance, investments and other financial services like investment planning, etc.

Banks carry out various functions that are essential for an economy, some them can be listed as;

- i. Safeguarding the savings and interest of the depositors
- ii. Control over flow of money and supply of credit in the economy
- iii. Encouraging savings habit amongst the citizens of the economy
- iv. Channelizing savings into investments
- v. Promoting growth of the economy by giving loans and advances

Monitoring and Supervision of the banking sector always remains a major challenge in the changing scenario.

### **CAMEL technique**

The US Federal Financial Institution Examination council adopted the CAMEL (Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity) rating system in 1979. This was further adopted by the US National Credit Union Administration in 1987. In India, as per the recommendations of the Khanna Committee (1995) and amendments in RBI Act in 1997, a three tier supervisory system was set up. It included the use of CAMEL for the purpose of supervision of the performance of Banks and Non-banking financial institutions.

### **DEA technique**

Data Envelopment Analysis is an efficiency measurement tool. It is a non-parametric technique based on linear programming principles. It considers multiple inputs and outputs for measuring relative efficiency scores for the decision making units. It can be applied to any sort of business where there are multiple inputs and outputs and direct relationship between specific inputs and outputs cannot be defined.

### **Research Problem**

The changing economic scenario poses many challenges in front of the banking system. In the quest to fulfill the same, the banking system has been liberalized and many more reforms are taking place. These reforms would lead to increasing opportunities as well as challenges for the banks. The entry of new private sector as well as foreign banks would lead to increased competition. The role of the regulatory authorities would widen, and will have to work into multiple facets of supervision.

The public sector banks approach of social benefit is now in a drifting phase from mere social welfare to business oriented social welfare. So the major difference between public sector banks and the private sector banks is narrowing and even they are equally competing with each other. Both the sectors have their own advantages and disadvantages. The challenge lies in how both the sectors cope up with the dynamic situations of the economy.

So it is of interest of the researcher to measure the performance of the sector in comparison with each other.

In the globally competitive environment, efficiency also plays a major role in every business. Banking business is no exception to this. To sustain and grow in the competitive environment, being efficient has become a necessity for every bank.

Thus, the researcher also measures the efficiency of the banks.

This research is an attempt to analyse the performance of selected Indian commercial banks based on Capital Adequacy, Asset Quality, Management, Earnings and Liquidity. At the same time, the research attempts to measure the efficiency of the same banks based on Data Envelopment Analysis. The researcher further compares the performance and efficiency of public and private sector banks.

## **2. Rationale of Study:**

The Research “**A Study of Relationship between Performance and Efficiency of Selected Indian Commercial Banks**” would be beneficial to –

### **2.1 Banks -**

The banks would get a detailed evaluation of their performance for the specific period. The banks also would have an analysis of their performance with respect to each element separately. The banks also would be able to assess the competition and prepare accordingly.

### **2.2 Government –**

Government would get a micro analysis of the representatives of the public and private sector banks and will get an idea of the elements of banking on which major regulation and control is necessary. Also, government can use this research for framing policy decisions.

### **2.3 Investors –**

The performance evaluation of banks and a detailed view of the banking industry would help in their investment decisions. The investors would be able to assess the ability of banks in various dimensions including Capital adequacy, liquidity, etc. which will help in their decision making related to their saving and borrowings with the banks.

## **3. Literature Review**

**3.1** (Kishor C. Raut, 1996) – In this book the authors measure and analyse the profitability trend of the commercial banks operating in India over a period of 1980-92. The assessment of profitability is done by using two tools namely Trend analysis and Ratio

Analysis. It is observed that the performance in terms of profitability is better for the foreign bank group throughout the period.

- 3.2** (Nath, 2001) - This paper explores the linkage between strategic grouping and performance of the Indian banking sector. Strategic grouping and performance were identified using published financial information for all public sector banks. Efficient banks were found to be more profitable and their grouping as observed in the efficiency-profitability matrix was found to be identical to the strategic groups obtained using financial ratios. The efficiency-profitability matrix indicated that there is a positive association between the two.
- 3.3** (Debasish, 2005) - analysed the performance of Indian commercial banks based on Data Envelopment Analysis for the period of 1997-2004. The banks were classified by three ways and comparison was done based on all three classifications namely, Size of assets of banks, years of operations and Ownership status. The study was concluded by stating that foreign banks were more efficient than others and new banks were more efficient than old ones, due to latter often burdened with old debts. In terms of size, smaller banks are globally efficient, but large banks are locally efficient.
- 3.4** (S. Siva, 2011) - Have analysed the performance of SBI group banks based on CAMEL for a period of 2003- 2010. It was observed that the group banks differ a lot on the CAMEL parameters as compared to each other. The State Bank of Jaipur was leading in ratings followed by State Bank of Patiala. The largest bank of the group namely State Bank of India is the last in the ratings due to its Asset quality, Management efficiency, Liquidity position.
- 3.5** (Dwivedi, 2011) - Determine the impact of various market and regulatory initiatives on efficiency improvements of Indian banks. Efficiency of firm is measured in terms of its relative performance that is, efficiency of a firm relative to the efficiencies of firms in a sample. Data Envelopment Analysis (DEA) has used to identify banks that are on the output frontier given the various inputs at their disposal. It is concluded from the table that the national banks, new private banks and foreign banks have showed high efficiency over a period time than remaining banks.

#### **4. Objectives of the study:**

Following are the objectives of the study:

- 4.1** To analyse the performance of selected Indian commercial banks based on CAMEL technique for the period of 2005-06 to 2011-12.

4.2 To analyse the efficiency of the selected Indian Commercial banks based on Data Envelopment Analysis (DEA) for the period of 2005-06 to 2011-12.

4.3 To understand the relationship between efficiency and performance of selected Indian Commercial banks for the period of 2005-06 to 2011-12.

## 5. Hypothesis of the study:

H<sub>0-1</sub> There is no significant difference between the performance of selected public sector and private sector banks.

H<sub>0-2</sub> There is no significant relationship between banks efficiency and performance (CAMEL elements).

## 6. Research Methodology:

### 6.1 Type of Research

The research carried is analytical in nature. A detailed analysis of the Indian commercial banks is carried. Performance and Efficiency of the public and private sectors is analysed.

### 6.2 Sample Design

#### a. Sample Population

The research aims to analyse the performance of the domestic Indian commercial banks which includes Public sector banks and Private sector banks.

#### b. Sampling Technique

For the research, Purposive sampling technique is applied.

The sample size for the research is of 10 banks i.e. 5 public sector and 5 private sector banks. The banks selected are on the basis of average values of Deposits and Advances for the period of 2005 to 2009. The top 5 public and private sector banks as per the decided criteria are as follows.

**The sample consists of –**

<b>Public Sector banks</b>	<b>Private sector banks</b>
State Bank of India	ICICI bank
Punjab National Bank	HDFC Bank
Canara Bank	AXIS bank
Bank of Baroda	Jammu & Kashmir Bank
Bank of India	Federal bank

## **6.3 Collection of Data**

### **6.3.1 Primary Data**

The Primary data is collected by interviews and Questionnaire method.

After the performance measurement of banks based on CAMEL technique, an opinion survey of the banking experts to understand the reasons assigned by them for the performance of the banks was carried out.

Also, the opinion of the banking experts was recorded regarding the inputs and outputs for a bank which are used for the measurement of Efficiency based on Data Envelopment Analysis.

### **6.3.2 Secondary Data**

The secondary data is obtained from the annual reports of the selected banks, reports and publications of Reserve Bank of India. The secondary data is extracted from the annual reports of the selected banks under study and the reports of Reserve Bank of India. The secondary data is used for the measurement of the performance ratios. This was followed by the efficiency measurement

## **6.4 Methods for Data Analysis**

For analysis of the data following techniques have been used.

### **6.4.1 CAMEL technique**

The CAMEL approach was developed by banks regulators in the United States as a means of measurement of the performance of a financial institution. It mainly includes the usage of performance indicators for the analysis on different parameters. Evaluating various attributes of the financial institution.

The acronym CAMEL stands for –

C- Capital Adequacy

A – Assets Quality

M – Management

E - Earnings (Profitability)

L – Liquidity

**The ratios used for the CAMEL analysis are as follows;**

**Capital Adequacy** - Capital Adequacy Ratio (%), Debt to Equity Ratio, Advances to Assets Ratio (%), Share holders' equity to Total Assets ratio (%)

**Assets Quality** - Loans to Total Assets ratio (%), Total Investment to Total Assets ratio (%), Net NPAs to Loans (%), Term Loans to Total Advances (%), Govt. Securities to Total Investments (%)

**Management** - Net Income to Total Assets ratio (%), Return on Net worth ratio (%), Credit - Deposit Ratio(%), Investment - Deposit Ratio (%), Business per employee (in Rupees Lakhs)

**Earnings** - Interest Income to Total Income (%), Operating Profit to Total Assets (%), Return on assets(%), Return on equity (%), Return on investments (%)

**Liquidity** – Liquid Assets to Demand Deposits (%), Liquid Assets to Total Deposits (%), Liquid Assets to Total Assets (%), Cash - Deposit Ratio (%), G-sec to Total Assets (%)

#### **6.4.2 The Data Envelopment analysis (DEA)**

DEA is a multifactor productivity analysis model for measuring the relative efficiency of a homogenous set of Decision Making Units (DMUs). The efficiency score in the presence of multiple input and output factors is defined as -

**Efficiency = Weighted sum of output / Weighted sum of Input.**

A survey was carried out for understanding the opinion of the banking experts regarding the Inputs and outputs for the bank.

Based on the survey, the following Inputs and outputs were finalized.

<b>Inputs</b>	Deposits	Operating Expenses
<b>Outputs</b>	Advances	Non-interest income

#### **Testing of Hypothesis**

For the purpose of testing of hypothesis, statistical tools are used based on the requirement and availability of the Data were used. The tools used include T-test for testing the similarity

or differences between the data sets. Also, Spearman's Rank correlation is used as a tool to test the rank correlation between the ranks allotted due to Performance and efficiency.

### **Ranking of Banks based on CAMEL performance**

The mean values of the means of respective ratios for the public sector banks for the period of seven years ranging from 2006 to 2012 are tabulated. Scores are assigned to the banks under each ratio based on their performance. A score of 5 indicates best performance and score of 1 indicates poor performance. Ranking is given based on the scores for each ratio and also for capital adequacy parameter as a whole.

However, the overall performance within the public sector is assessed by ranking the banks based on the overall performance related to all the ratios under CAMEL.

## **7. Findings & Conclusion:**

### **7.1 Ranking based Findings**

#### **7.1.1 Public Sector Banks**

**Table 8.1 Public sector ranking based on CAMEL scores**

	<b>C- SCORE (Sum of Scores)</b>	<b>A- SCORE (Sum of Scores)</b>	<b>M- SCORE (Sum of Scores)</b>	<b>E- SCORE (Sum of Scores)</b>	<b>L- SCORE (Sum of Scores)</b>	<b>CAMEL- SCORE (Sum of Scores)</b>	<b>Overall Ranking</b>
<b>SBI</b>	8	18	14	8	13	61	<b>4</b>
<b>PNB</b>	11	20	19	22	16	88	<b>1</b>
<b>BOI</b>	9	8	14	12	16	59	<b>5</b>
<b>BOB</b>	17	11	13	14	17	72	<b>3</b>
<b>CB</b>	15	18	15	19	13	80	<b>2</b>

**Source:** Calculations based on secondary data from annual reports and according ranking

The selected public sector banks are given composite ranking based on the sum of ranks under each parameter of CAMEL. The ranking indicates that Punjab National Bank is the best performer with rank 1 followed by Canara bank at rank 2 and Bank of Baroda at rank 3. Bank of India and State bank of India are at rank 4 and 5 respectively.

**Rank – 1: Punjab National Bank**

PNB is at rank 1 as sum of scores under CAMEL parameters is 88 which is highest as compared to other public sector banks. This is the result of ranking for the parameters Assets Quality, Management & Earnings ability is 1, also under Liquidity parameter, it has got ranking 2.

The rank 1 of PNB under Assets Quality can be traced to the components of Assets quality parameter. The Mean of Loans to total assets ratio is highest as compared to other public sector banks under consideration. Also it has been consistent performer at second position in the Net NPAs to Loans, Term loans to total advances and Government securities to total investments parameters. No other public sector bank has performed equally well in all the parameters.

This indicates that the bank has got lesser NPAs, higher proportion of term loans and more investment in Government securities as compared to other Public sector banks under consideration.

Under Management parameter PNB is the top performer as it is at rank 1 for Net income to total assets ratio and return on net worth ratio and at rank 2 for Investment to deposits ratio just below SBI at rank 1.

These ratios indicate that the PNB is able to utilise its assets in a better way to generate income as well as it is able to create returns for its share holders. The higher income is also a result of the better conversion of deposits into investments.

PNB is at rank 1 under Earnings parameter because of its better performance shown in operating profits to Total assets, Return on Assets and Return on Equity ratios and securing rank 1 in all of them.

The PNB is at second position in Liquidity parameter as it has higher cash to deposits ratio as compared to other public sector banks giving it rank 1.

**Rank – 2: Canara Bank**

Canara Bank is at rank 2 as the sum of scores under the CAMEL parameters is 80. The bank has obtained second position in all CAMEL parameters Capital Adequacy, Assets Quality, Management and Earnings parameters except Liquidity where it stood fourth.

The second position in Capital Adequacy parameter is due to its least Debt to equity ratio, second highest Capital Adequacy ratio and Advances to assets ratio.

The CB has second highest investments to total assets ratio and highest proportion of government securities to total investments amongst the public sector banks gives it second rank under the Assets quality parameter.

Under Management parameter CB is at rank 2 as it has second highest Net income to total assets ratio and Return on net worth ratios.

Interest income to total income ratio is highest for CB and also Return on investments is highest for the CB giving it rank 1 in both the parameters. In case of Return on assets and Return on equity CB is at rank 2 just below PNB. Thus the overall ranking for Earnings parameter gives CB second rank.

BOI and SBI are at bottom of the table ranking 4 and 5 respectively.

#### **Rank – 4: Bank of India**

BOI at overall rank four is the result of its least score under assets quality parameter and last but second position under Capital adequacy and Earnings parameter.

The bottom position of BOI under Assets quality parameter is justified from the performance of BOI for each ratio like Loans to total assets and Term loans to total advances where it is at 5<sup>th</sup> position and Total Investment to Total Assets ratio, Net NPAs to Loans Govt. Securities to Total Investments where it is ranked 4<sup>th</sup> position.

Despite of the bank being rank 2 under Assets quality and rank 3 under Liquidity parameter, BOI gets composite rank 4 because of its poor performance under other three parameters.

#### **Rank – 5: State Bank of India**

SBI has least score under Capital adequacy and Earnings ability parameter along with 4<sup>th</sup> rank under Liquidity parameter. This resulted in the overall ranking of SBI to 5<sup>th</sup> position.

Capital Adequacy of SBI is at rank 5 because the bank has got highest Debt to equity ratio mean as compared to other banks and so is at rank 5 along with Advances to assets ratio mean which least as compared to the other banks in the public sector.

The rank under Earnings ability parameter of SBI is also 5 as the mean of ratios of Interest income to total income, Return on assets, Return on Equity and Return on Investments are least as compared to other public sector banks giving it least rank 5 for each ratio.

Having lowest value of mean of ratios of Liquid assets to total deposits and Liquid assets to total assets, SBI is ranked at fourth position under Liquidity parameter.

Under Assets quality parameter SBI is ranked at 2<sup>nd</sup> position and under Management parameter at 3<sup>rd</sup> position which is an average performance still due to the other three parameters the bank is ranked at 5<sup>th</sup> position in the composite ranking.

### 7.1.2 Private Sector Banks

**Table 7.2 Private sector ranking based on CAMEL scores**

	<b>C- SCORE (Sum of Scores)</b>	<b>A- SCORE (Sum of Scores)</b>	<b>M- SCORE (Sum of Scores)</b>	<b>E- SCORE (Sum of Scores)</b>	<b>L- SCORE (Sum of Scores)</b>	<b>CAMEL- SCORE (Sum of Scores)</b>	<b>Overall Ranking</b>
<b>ICICI</b>	17	16	17	8	17	75	2
<b>HDFC</b>	9	10	17	22	20	78	1
<b>AXIS</b>	11	15	17	18	10	71	3
<b>J&amp;K</b>	8	12	10	11	16	57	5
<b>FED</b>	15	7	14	16	12	64	4

**Source:** Calculations based on secondary data from annual reports and according ranking

The selected private sector banks are given composite ranking based on the sum of scores under each parameter of CAMEL. The ranking indicates that HDFC bank is the best performer among the Private sector banks followed by ICICI bank and AXIS bank at rank 2 and 3 respectively.

#### **Rank – 1: HDFC Bank**

HDFC bank has composite rank 1 which is a result of all round performance of the bank under all parameters of CAMEL except Capital Adequacy where it gets 4<sup>th</sup> rank. The bank has highest score under Assets quality, Management, Earnings and Liquidity parameters.

Under Assets quality parameter the HDFC bank is at 1<sup>st</sup> position as it has got least NPAs as compared to the other private sector banks. Also, it is at rank 2 Government securities to total investments indicating second highest proportion of government securities in its investments as compared to other private sector banks. For Loans to Total Assets ratio, Total Investment to Total Assets ratio and Term Loans to Total Advances ratio HDFC bank shows average performance as it is ranked at 3<sup>rd</sup> position for these three ratios.

HDFC bank under Management parameter is at rank 1 due to its highest Net income to total assets ratio and Return on Net worth ratios where it is ranked at 1<sup>st</sup> position and at rank 3 for Credit to deposits ratio and Investment to deposits ratio indicating average performance.

HDFC bank has highest Operating profit to total assets ratio, Return on assets ratio and Return on Investments ratio as compared to other private sector banks giving it rank 1 for all these ratios. Also, it is at rank 2 for the return on equity ratio. Due to this performance the bank gets overall 1<sup>st</sup> rank for the Earnings parameter.

For liquidity parameter cash to deposits ratio and government securities to total investments ratio are highest of HDFC bank as compared to other private sector banks and is at rank 1. Liquid assets to total deposits and liquid assets to total assets ratio are at rank 2 for the bank. Thus HDFC bank gets rank 1 for the Liquidity parameter.

## **Rank – 2: ICICI Bank**

ICICI bank is at rank 2 due to its better performance under Management parameter giving it rank 1<sup>st</sup> along with its second best performance under Capital Adequacy and Liquidity parameters.

The bank is at rank 1 under Management parameter due to its better conversion of Deposits to credits giving it rank 1 for this ratio along with better conversion of deposits into investments indicated by the rank 1 of the ratio. Also it is at rank 2 for Business per employee.

The rank 2 of ICICI bank under capital adequacy can be traced to its rank 1 for share holder's equity to total assets ratio and second highest capital adequacy ratio.

The bank is at rank 2 for the Liquidity parameter as it has highest Liquid assets to total deposits ratio. Also it has second highest Liquid assets to Demand deposits & saving deposits ratio indicating better ability to cover the demand and savings account liability. The bank is also at rank 2 for Cash to deposits ratio.

HDFC bank, ICICI bank and AXIS bank all are at rank 1 for the management parameter.

HDFC bank and AXIS bank both get rank 1 under Assets quality parameter.

Federal Bank is at rank 1 for Capital Adequacy parameter where HDFC bank is at rank 4 along with AXIS bank.

Even though there are other banks performing better in some of the parameters, but HDFC comes out to be an overall better performer because it has shown consistent performance and has been better performer in all the parameters. Even in Capital adequacy parameter where the bank is at rank 4, it has complied with the statutory requirement of the capital adequacy ratio.

Thus HDFC bank is at Composite rank 1.

### **Rank – 3: AXIS Bank**

AXIS bank has got composite rank 2 due to its 1<sup>st</sup> position under Assets quality and Management parameter. Also it has second highest score under Earnings parameter.

The 1<sup>st</sup> position under Assets quality parameter can be traced to its highest Total investments to total assets ratio as compared to other private sector banks. Also the bank is at rank 2 for loans to total assets ratio indicating greater proportion of loans in its total assets. AXIS bank is at Rank 2 in the net NPAs to total loans ratio. Second rank in the Term loans to total advances indicates higher proportion of long term earnings assets.

Under management parameter the AXIS bank is at rank 2 because it has highest Business per employee compared to other banks in public sector. Net income to total assets ratio is second highest for Axis bank indicating better utilization of assets to generate income. Investment to total deposits ratio is also at rank 2 implies that the management is able to convert the deposits in investments in a better way.

Return on Equity is highest for the bank amongst the selected private sector banks giving it 1<sup>st</sup> rank. Also the bank is at rank 2 for return on assets and return on investments. It is due to this earnings ability of the bank that the bank is at rank 2 under earnings parameter.

### 7.1.3 Composite Ranking

**Table 7.3 Composite ranking based on CAMEL scores**

	<b>C</b>	<b>A</b>	<b>M</b>	<b>E</b>	<b>L</b>	<b>SUM</b>	<b>CAMEL- RANK</b>	<b>Sector</b>
<b>HDFC</b>	23	34	28	35	36	156	1	<i>Private</i>
<b>PNB</b>	16	19	32	39	32	138	2	<b>Public</b>
<b>AXIS</b>	20	37	32	33	16	138	2	<i>Private</i>
<b>FED</b>	33	21	28	30	21	133	4	<i>Private</i>
<b>ICICI</b>	23	30	33	16	30	132	5	<i>Private</i>
<b>J&amp;K</b>	27	29	21	24	29	130	6	<i>Private</i>
<b>CB</b>	24	15	27	32	25	123	7	<b>Public</b>
<b>BOB</b>	25	12	25	26	31	119	8	<b>Public</b>
<b>BOI</b>	15	6	27	23	29	100	9	<b>Public</b>
<b>SBI</b>	13	17	22	16	26	94	10	<b>Public</b>

**Source:** Calculations based on secondary data from annual reports and according ranking

The composite ranking of the selected Indian commercial banks is obtained from the sum of scores of all the CAMEL parameters. The highest sum is given rank 1 and the highest as rank 10.

Under the **Capital Adequacy** parameter the **Federal bank** belonging to Private sector is at rank 1. This is due to its highest Capital adequacy as compared to all other selected banks and also its lower proportion of Debt to equity ratio just greater than J&K bank giving it second rank for this ratio.

Under **Assets Quality** parameter **AXIS** bank has highest score followed by **HDFC** bank both belonging to Private sector. **AXIS** bank is highest due to its 1<sup>st</sup> rank in Total Investments to total assets ratio and rank 2 for Loans to total assets ratio, Net NPAs to total assets ratio and Term loans to total advances ratio. **HDFC** bank is at rank 1 for Net NPAs to loans ratio and at rank 3 for Loans to total assets ratio, Total Investments to total assets ratio Term loans to total advances ratio. Though these banks are not at rank 1 but they have shown a consistent average performance with rank 2 and 3.

Under **Management** parameter, private sector **ICICI** bank is at rank 1. The bank is at number 1 position for the Credit to deposit ratio and Investment to deposits ratio indicating

the ability of the management to convert its deposits into earning assets. Also in case of Net income to total assets ratio and Business per employee the bank is at 5<sup>th</sup> position.

**Earnings** parameter is lead by **Punjab National Bank** from Public sector. Return on Equity ratio of PNB is at rank 1 and the bank is at rank 3 for Return on Investments ratio. For the other three ratios namely Interest income to total income, Operating profit to total assets and Return on Assets, the bank is at a better position with rank 4.

Under **Liquidity** parameter **HDFC** bank is at rank 1. This can be traced to the ratios of Government securities to total assets ratio where it leads the table, its second rank for Cash to deposits ratio. The bank is at 3<sup>rd</sup> rank for Liquid assets to total deposits and at 4<sup>th</sup> rank for Liquid assets to total assets ratio.

The **parameter wise ranking** of banks indicates that Federal bank is at rank 1 under Capital Adequacy parameter. For Assets Quality parameter HDFC bank and AXIs bank both are at rank 1. Under Management parameter, ICICI bank is at rank 1. Earnings ability parameter is lead by Punjab National Bank and under Liquidity parameter, HDFC bank is at rank 1.

<b>CAMEL Parameter</b>	<b>Bank at Rank 1</b>	<b>Sector it belongs to</b>
Capital Adequacy	Federal Bank	Private sector
Assets Quality	HDFC bank and AXIS bank	Private sector (both)
Management	ICICI bank	Private sector
Earnings	Punjab national Bank	<i>Public sector</i>
Liquidity	HDFC bank	Private sector

It can be observed that under each parameter, the top performing bank is from private sector except for the Earnings parameter where the rank 1 bank is a public sector bank. 4 out of 5 parameters are lead by private sector banks indicating parameter wise better performance of private sector banks as compared to public sector banks.

The **composite ranking** shows that HDFC bank is at rank 1 followed by Punjab National Bank at rank 2. The third, fourth and fifth rank goes to ICICI bank, AXIS bank and Federal bank respectively. Jammu & Kashmir bank is at rank 6<sup>th</sup>. The rank 7 is shared by Bank of Baroda and Canara Bank. Bank of India is at 9<sup>th</sup> position followed by the State Bank of India at 10<sup>th</sup> rank.

The first five ranked banks are all from Private sector except PNB which belongs to public sector. The performance of the Indian Commercial banks measured based on CAMEL parameters indicates that the Private sector banks are better performers as compared to the public sector banks as 4 out of 5 top performer banks belong to private sector. The bottom 4 banks are all from Public sector.

### **T-test for testing Hypothesis**

**H<sub>0</sub> : There is no significant difference between the performance of selected public sector and private sector banks.**

Mean of means for all the considered 24 ratios is calculated under each parameter. The mean of means of these ratios for Public sector and private sector banks are compared and T-test is applied to check the significant difference at 5% level of significance.

**This rejects the null hypothesis;**

**This indicates that there is a significant difference between the performance of selected public sector and private sector banks.**

Also, based on the ranking it was observed that out of the top 5 performer banks, 80% of them belong to Private sector. So it can be concluded that the Private sector banks are better performance as compared to public sector banks.

## **7.2 Efficiency evaluation**

### **7.2.1 Public sector banks**

The efficiency of selected Indian Public sector banks is measured using the DEA technique. It is observed that the State bank of India is the most efficient bank as compared to its other members of the Public sector. The least efficiency score is for Punjab National Bank and is at rank 5. PNB has its efficiency moving within least of 89.52% and maximum of 100% only in 2009. SBI has been efficient for all the years under study.

The average efficiency scores of all the selected Indian Public sector banks indicates that the public sector banks have been efficient for the period under study and the efficiency has been above 97%.

But for the year 2008, the efficiency of the public sector has reduced to 96%. This could be a resultant of the global slowdown. Where due to the global slowdown, the public sector banks seem to have taken cautious steps and have been conservative.

### **7.2.2 Private sector banks**

The efficiency evaluation of private sector banks shows that HDFC bank and ICICI bank are the most efficient banks as compared to the other private sector banks. Federal bank is the least efficient bank amongst the private sector bank with an average efficiency score of 0.944933.

The average efficiency of the private sector banks is 0.982077. The average efficiency of the private sector banks is continuously increasing year on year from 2007 onwards. The impact of the global slowdown can be seen in 2008 and 2009 where the average efficiency has been stable from 0.981 to 0.982.

In the year 2010, the efficiency score of the whole private sector was 0.999 which is the highest amongst all the years under study.

## **7.2 Relationship between Performance and Efficiency of Selected Indian Commercial Banks**

The best performer under CAMEL performance measurement HDFC Bank, is the best performer under DEA efficiency evaluation. However, ICICI bank is at 5<sup>th</sup> position under CAMEL performance but is also the most efficient bank.

SBI which is also the most efficient bank with 100% efficiency, but has the last position under the CAMEL performance and is at rank 10.

Considering the sector wise ranking, in both the cases of performance and efficiency, the 4 out of 5 top performer banks under CAMEL performance and 4 out of 5 top performer banks under DEA efficiency scores are from private sector.

It can be stated that 80% of the top 5 performing banks are from private sector and 80% of the most efficient banks also belong to private sector.

Thus, Private sector banks are the dominating factor under both performance as well as efficiency.

Spearman's rank correlation was used to assess the relationship if any.

**The Spearman's rank correlation coefficient is measured and the correlation coefficient obtained = 0.151515.**

This indicates that there is no significant relationship between the performance and efficiency of selected Indian commercial banks.

## **8. Recommendations**

### **8.1 Recommendations:**

#### **8.1.1 Recommendations to the Banks**

1. Only measuring the profitability or earnings parameter would not be sufficient. Instead, the banks should focus on the overall evaluation considering the performance based on all the parameters.
2. Looking at the ranking under each parameter, a bank may be good performer in one parameter but a poor performer in another parameter. The bank should try and work on improving all the parameters.
3. Bank is a developmental tool for the economy. The banking resources should be used efficiently. So the banks should also focus on efficiency improvement.

#### **8.1.2 Recommendations to the regulators of the financial system**

1. The regulators should consider efficiency evaluation as well along with the performance evaluation.
2. As banks are the most important part of the financial system, banks also should be instructed and norms should be set regarding maintaining certain efficiency scores.
3. The efficiency can also be added as an additional parameter for the evaluation and ratings of banks.

#### **8.1.3 Recommendations to Customers and investors of banks**

1. While investing into banks or while keeping deposits with banks, the investors and depositors should have a look at the performance and efficiency of the banks.
2. A bank which might be profitable may or may not be the best performer in all the parameters and so the liquidity or capital adequacy risks may arise.
3. CAMEL performance or Efficiency scores can act as guidelines for decision making related to investments.

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## The conquest of Zinetac!

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The success story of Glaxo's ranitidine brand Zinetac is well-known to the pharmaceutical marketers' world over. Zinetac quickly progressed to become the first-ever prescription drug to cross U.S. \$ 1 billion mark in the world.

Glaxo was one of the earliest companies to introduce ranitidine, the world famous anti-ulcer drug, in India. Glaxo had put a never-before kind of promotional efforts towards gaining the confidence of the Doctors regarding the superiority of ranitidine over cimetidine and then their preference for 'Zinetac' brand of ranitidine. The result of this well orchestrated two-step approach towards gaining the conviction of the prescribing physicians in the new drug adoption and the subsequent preference of the brand Zinetac over others is brand leadership with almost one quarter of the Indian anti-ulcer market under its belt!

Conquering the Indian anti-ulcer market was a relatively tame affair for Glaxo, for neither cimetidine nor Tagamet were a force to reckon within India. The real growth of the anti-ulcer market started only with the introduction of ranitidine and Zinetac in India. From that point, winning the anti-ulcer market in India had been literally a cakewalk for Zinetac!

A study involving about one hundred forty physicians revealed the following:

<b>Sr. No.</b>	<b>Factor Considered while brand selection</b>	<b>Per cent</b>
1	Better Results	57
2	Ease of administration	8
3	Advantages of molecule over other molecules	6
4	Side effects of the product	5
5	Price of the Product	6
6	Reputation of the Company	4
7	Other motivating factors	14

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