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ABSTRACT

Agriculture plays an important role in Indian Economy. Agricultural sector, an important component of Priority Sector Lending (PSL). For a country to be called as a prosperous country, the base is to what extent the country is strong in its growth under Agriculture. India is struggling to achieve the growth rate of 4% under Agriculture despite various initiatives taken by Government of India (GOI), National Bank for Agriculture and Rural Development (NABARD), Reserve Bank of India and various other stakeholders. Role of Indian Banks in providing technical and financial support to the farmers play a crucial role in various aspects of indicators which decides growth under Agriculture. Understanding well that nearly 80% of the farmers in India are coming under the purview of small and marginal farmer category, RBI fixed 8% of Adjusted Net Bank Credit (ANBC) as benchmark in the latest priority sector guidelines. No doubt that financing of agriculture by the commercial banks brought a change in economy of the farmers, yet financing to agriculture sector is not free from some issues and inconveniences. So this paper is an attempt to study and discuss the trends of agricultural lending in India, Issues and strategies to be adopted in near future for betterment of country’s development in various aspects of meeting demand and supply factors.

Keywords: Agricultural Finance; Priority Sector Guidelines; Issues in Agricultural Finance; Strategies to Improve Agricultural Finance; Production Credit; Investment Credit; Cross Selling Under Agriculture

INTRODUCTION

“The discovery of agriculture was the first big step towards a civilized life”— Arthur Keith

Developing countries like India still have dominance of agriculture in their economy in terms of revenue generation as well as man power employment. Agriculture contributes nearly 14% of Gross Domestic Product (GDP) whereas developed countries get only 2% of their GDP from agriculture. About 10% of the national exports originate in this sector. It shows clearly that economic growth and development of India is closely tied to development of agriculture. Growth in agriculture acts as base for other sectors to grow.

“If agriculture fails, nothing else will go in right direction”.- Smt. Usha Thorat.

importance

Agricultural sector occupies a key position in the Indian economy. It provides an employment to about 65 percent of the working population of India. It provides basic needs of a common man. Indian economy, basically an agrarian economy depends upon vagaries of monsoon. Financial stability of any country depends upon robust growth in agricultural sector, an important and priority primary sector for development of an economy. Various initiatives had been taken by central and state government of India for increasing institutional credit towards agriculture and thereby achieved a very good growth under agriculture. But, last few years, due to one or the other reasons, India could not achieve the
expected growth rate under Agriculture. One of the important factors for the same is lack of focused lending under Agriculture by commercial banks.

Component of Priority Sector Lending

Agriculture, an important component of Priority Sector Lending (PSL) comprises of Farm credit, Agriculture infrastructure and Ancillary activities vide RBI/2014-15/573 FIDD.Co.Plan.BC.54/04.09.01/2014-15 dated 23.04.2015.

- **Agriculture:** The distinction between direct and indirect agriculture is dispensed with.
- **Small and Marginal Farmers:** A target of 8 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, has been prescribed for Small and Marginal Farmers within agriculture, to be achieved in a phased manner i.e., 7 percent by March 2016 and 8 percent by March 2017.

Farm Credit

Loans to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual farmers, provided banks maintain disaggregated data of such loans], directly engaged in Agriculture and Allied Activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture. This will include:

- **Crop loans** to farmers, which will include traditional/non-traditional plantations and horticulture, and, loans for allied activities.
- **Medium and long-term loans** to farmers for agriculture and allied activities (e.g. purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm, and developmental loans for allied activities.)
  - **(iii)** Loans to farmers for pre and post-harvest activities, viz., spraying, weeding, harvesting, sorting, grading and transporting of their own farm produce.
- Loans to farmers up to `50 lakh against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months.
- Loans to distressed farmers indebted to non-institutional lenders.
- Loans to farmers under the Kisan Credit Card Scheme.
- Loans to small and marginal farmers for purchase of land for agricultural purposes.

Loans to corporate farmers, farmers’ producer organizations/companies of individual farmers, partnership firms and co-operatives of farmers directly engaged in Agriculture and Allied Activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture up to an aggregate limit of `2 crore per borrower. This will include:

- **Crop loans** to farmers which will include traditional/non-traditional Plantations and horticulture, and, loans for allied activities.
- **Medium and long-term loans** to farmers for agriculture and allied activities (e.g. purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm, and developmental loans for allied activities.)
- Loans to farmers for pre and post-harvest activities, viz., spraying, weeding, harvesting, sorting, grading and transporting of for agricultural purposes.

Agriculture Infrastructure

- Loans for construction of storage facilities (warehouses, market yards, godowns and silos) including cold storage units/ cold storage chains designed to store agriculture produce/products, irrespective of their location.
Soil conservation and watershed development.

- Plant tissue culture and Agri-biotechnology, seed production, production of bio-pesticides, bio-fertilizer, and vermi composting.
- Loans up to Rs.50 lakh against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months.

Ancillary Activities

- Loans up to Rs.5 crore to co-operative societies of farmers for disposing of the produce of members.
- Loans for setting up of Agrclinics and Agribusiness Centres.
- Loans for Food and Agro-processing up to an aggregate sanctioned limit of Rs.100 crore per borrower from the banking system.
- Bank loans to Primary Agricultural Credit Societies (PACS),
- Farmers’ Service Societies (FSS) and Large-sized Adivasi Multi-Purpose Societies (LAMPS) for on-lending to agriculture.
- Loans sanctioned by banks to MFIs for on-lending to agriculture For the above loans, an aggregate sanctioned limit of Rs.100 crore per borrower from the banking system, will apply.

OBJECTIVES

1. To study and compare the agricultural lending position of various nationalized banks
2. To ascertain the issues in agricultural lending and strategies to increase the same by nationalized banks

The Present Problems of Indian Agriculture Are

1. Scarcity of input water.
2. Shortage of agricultural labor because of NREGS.
3. Mass desertion from farming to non-farm occupations because of expanding constructions.
4. Shortage of organic manures in spite of rising demand.
5. Feed problems of diary and farm animals and poultry birds.
6. Mounting overdue of farm loans and failure of cooperatives.
7. Climate related crop failures and outbreak of diseases.
8. Mental trauma of the farm families in combating economic reform.
9. Rising cost of living and deficit family budget.
10. Uncertainty of the cropping system and changing package of practices.
11. Confuse in the channel of marketing aid loss of market during harvesting.
12. Widening gap of income between farmers and non-farmers.
13. Abrupt rise and fall of agricultural commodities supply because of liberalization.
14. Transportation problems from farm to main roads.
15. Community ownership system of land adopted in the hills of NE region.
16. Acute problems of drinking water in rural areas.
17. Rising expenditure of socio-cultural activities and overconsumption.
18. Shortage of electric power and cooking fuels in remote villages.
19. Loss of working days due to extreme hot and extreme cold, and road blockade, etc.

**Table 1.** Performance of Public sector Banks under Agriculture (Rs. In crore)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Agri.</th>
<th>ANBC %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>53685</td>
<td>15.70</td>
</tr>
<tr>
<td>2002</td>
<td>63082</td>
<td>15.90</td>
</tr>
<tr>
<td>2003</td>
<td>73507</td>
<td>15.40</td>
</tr>
<tr>
<td>2004</td>
<td>86186</td>
<td>15.40</td>
</tr>
<tr>
<td>2005</td>
<td>112474</td>
<td>15.70</td>
</tr>
<tr>
<td>2006</td>
<td>154900</td>
<td>15.20</td>
</tr>
<tr>
<td>2007</td>
<td>205090</td>
<td>15.60</td>
</tr>
<tr>
<td>2008</td>
<td>248685</td>
<td><strong>18.20</strong></td>
</tr>
<tr>
<td>2009</td>
<td>296856</td>
<td>17.50</td>
</tr>
<tr>
<td>2010</td>
<td>370729</td>
<td>17.90</td>
</tr>
<tr>
<td>2011</td>
<td>414990</td>
<td>16.60</td>
</tr>
<tr>
<td>2012</td>
<td>475148</td>
<td>15.70</td>
</tr>
<tr>
<td>2013</td>
<td>532801</td>
<td>15.10</td>
</tr>
<tr>
<td>2014</td>
<td>687242</td>
<td>16.70</td>
</tr>
</tbody>
</table>

Table 1 shows that performance of Public sector banks in achieving benchmarks of 18% of ANBC is dismal. Table 2 shows that only 40% of nationalized banks could achieve benchmark of 18% of ANBC stipulated by RBI as of March 2014. The year over year growth varies from 1.63 to 49.69%. Some banks registered negative growth as of March 2015.

**Table 2.** Position of Agricultural lending of various banks (Rs. In crore)

<table>
<thead>
<tr>
<th>Bank</th>
<th>March 2014</th>
<th>March 2015</th>
<th>Y-O-Y (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agri. Total</td>
<td>Agri. ANBC%</td>
<td></td>
</tr>
<tr>
<td>Punjab National Bank</td>
<td>54586</td>
<td>19.74</td>
<td>60006</td>
</tr>
<tr>
<td>Canara Bank</td>
<td>48797</td>
<td>22.88</td>
<td>58868</td>
</tr>
<tr>
<td>Bank of India</td>
<td>40211</td>
<td>19.68</td>
<td>43183</td>
</tr>
<tr>
<td>Central Bank of India</td>
<td>35382</td>
<td>18.19</td>
<td>35957</td>
</tr>
<tr>
<td>Bank of Baroda</td>
<td>28432</td>
<td>14.02</td>
<td>37403</td>
</tr>
<tr>
<td>Union Bank of India</td>
<td>25614</td>
<td>14.94</td>
<td>31584</td>
</tr>
<tr>
<td>Indian Overseas Bank</td>
<td>26254</td>
<td>18.61</td>
<td>29236</td>
</tr>
<tr>
<td>Syndicate Bank</td>
<td>22071</td>
<td>18.36</td>
<td>26205</td>
</tr>
<tr>
<td>Allahabad Bank</td>
<td>21924</td>
<td>17.56</td>
<td>24679</td>
</tr>
<tr>
<td>Oriental Bank of Commerce</td>
<td>21177</td>
<td>16.43</td>
<td>22541</td>
</tr>
<tr>
<td>Andhra Bank</td>
<td>20267</td>
<td>20.78</td>
<td>19892</td>
</tr>
<tr>
<td>Indian Bank</td>
<td>19165</td>
<td>18.95</td>
<td>23679</td>
</tr>
<tr>
<td>UCO Bank</td>
<td>16600</td>
<td>13.86</td>
<td>19637</td>
</tr>
<tr>
<td>Corporation Bank</td>
<td>13144</td>
<td>13.14</td>
<td>19675</td>
</tr>
<tr>
<td>IDBI Bank Ltd.</td>
<td>15200</td>
<td>7.91</td>
<td>NA</td>
</tr>
<tr>
<td>Bank of Maharashtra</td>
<td>13091</td>
<td>15.75</td>
<td>15521</td>
</tr>
<tr>
<td>Dena Bank</td>
<td>10800</td>
<td>15.06</td>
<td>12312</td>
</tr>
<tr>
<td>Vijaya Bank</td>
<td>9700</td>
<td>13.76</td>
<td>7546</td>
</tr>
<tr>
<td>United Bank of India</td>
<td>9725</td>
<td>13.77</td>
<td>8600</td>
</tr>
<tr>
<td>Punjab and Sind Bank</td>
<td>7900</td>
<td>15.58</td>
<td>NA</td>
</tr>
</tbody>
</table>

Table 1 shows that performance of Public sector banks in achieving benchmarks of 18% of ANBC is dismal. Table 2 shows that only 40% of nationalized banks could achieve benchmark of 18% of ANBC stipulated by RBI as of March 2014. The year over year growth varies from 1.63 to 49.69%. Some banks registered negative growth as of March 2015.
This clearly shows a lot of importance should be given to credit flow to agricultural sector after analyzing the impediments for the same.

**Issues and strategies**

**Scope for Integrating Investment Credit and Production Credit** - Bankers should consider total credit needs of cultivators so as to avoid the farmers from availing loan from informal agencies and from money lenders. Though Kisan Credit Card (KCC) is in force, many banks extending crop loan to farmers through conventional method causing difficulties to farmers i.e. submission of land records and completion of documentation formalities every year.

Banks should make the Kisan Credit Card (KCC) as compulsory. Integration of features of KCC should be properly incorporated in software used by the banks so as to avoid inconveniences while rendering services in all respects to the farmers.

**Subvention Benefits** - Due to subvention benefits and additional subvention benefits farmers showed their interest in availing only production credit that too only up to Rs.3.00 lakh Evenother or big farmers restricted their quantum of loan up to Rs. 3.00 lakhs for availing subvention benefit due to wrong notion.

Government stopped extending subvention benefits to farmers after 01.08.2015. It is good that bank can maintain the financial discipline with the farmers. However, this facility can be extended to at least marginal farmers reason being nearly 70 % of the farmers coming under marginal and small farmers in India.

**Ideal Ratio between Investment Credit Vs Production Credit** - For an ideal agricultural sector growth the ratio between investment credit and production credit should be 60:40.

The following table clearly indicates that concentration towards medium and long term advances by the banks drastically reduced over the years and this trend is to be changed immediately and need of the hour to have the sustained growth under agriculture.

**Table 3. Share of short term and long term loans to agriculture (Rs. crore)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Short Term Loans</th>
<th>Long term Loans</th>
<th>Total</th>
<th>Share of short Term loans (% to total)</th>
<th>Share of Long Term loans (% to total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>42.35</td>
<td>127.97</td>
<td>170.32</td>
<td>24.87</td>
<td>75.13</td>
</tr>
<tr>
<td>1991-92</td>
<td>46.31</td>
<td>123.51</td>
<td>169.82</td>
<td>27.27</td>
<td>72.73</td>
</tr>
<tr>
<td>1992-93</td>
<td>49.88</td>
<td>133.00</td>
<td>182.88</td>
<td>27.28</td>
<td>72.72</td>
</tr>
<tr>
<td>1993-94</td>
<td>54.25</td>
<td>136.88</td>
<td>191.13</td>
<td>28.38</td>
<td>71.62</td>
</tr>
<tr>
<td>1994-95</td>
<td>61.54</td>
<td>147.66</td>
<td>209.20</td>
<td>29.42</td>
<td>70.58</td>
</tr>
<tr>
<td>1995-96</td>
<td>71.73</td>
<td>162.55</td>
<td>234.28</td>
<td>30.62</td>
<td>69.38</td>
</tr>
<tr>
<td>1996-97</td>
<td>87.66</td>
<td>175.61</td>
<td>263.27</td>
<td>33.30</td>
<td>66.70</td>
</tr>
<tr>
<td>1997-98</td>
<td>95.22</td>
<td>189.24</td>
<td>284.46</td>
<td>33.47</td>
<td>66.53</td>
</tr>
<tr>
<td>1998-99</td>
<td>108.21</td>
<td>189.98</td>
<td>298.19</td>
<td>36.29</td>
<td>63.71</td>
</tr>
<tr>
<td>1999-00</td>
<td>126.10</td>
<td>208.32</td>
<td>334.42</td>
<td>37.71</td>
<td>62.29</td>
</tr>
<tr>
<td>2000-01</td>
<td>154.42</td>
<td>228.28</td>
<td>382.70</td>
<td>40.35</td>
<td>59.65</td>
</tr>
<tr>
<td>2001-02</td>
<td>188.82</td>
<td>262.24</td>
<td>451.06</td>
<td>41.86</td>
<td>58.14</td>
</tr>
<tr>
<td>2002-03</td>
<td>232.11</td>
<td>305.93</td>
<td>538.04</td>
<td>43.14</td>
<td>56.86</td>
</tr>
<tr>
<td>2003-04</td>
<td>319.82</td>
<td>361.21</td>
<td>681.03</td>
<td>46.96</td>
<td>53.04</td>
</tr>
<tr>
<td>2004-05</td>
<td>427.98</td>
<td>527.21</td>
<td>955.19</td>
<td>44.81</td>
<td>55.19</td>
</tr>
<tr>
<td>2005-06</td>
<td>599.71</td>
<td>756.32</td>
<td>1356.03</td>
<td>44.23</td>
<td>55.77</td>
</tr>
<tr>
<td>2006-07</td>
<td>760.06</td>
<td>930.12</td>
<td>1690.18</td>
<td>44.97</td>
<td>55.03</td>
</tr>
<tr>
<td>2007-08</td>
<td>961.52</td>
<td>1066.44</td>
<td>2027.96</td>
<td>47.41</td>
<td>52.59</td>
</tr>
<tr>
<td>2008-09</td>
<td>1262.85</td>
<td>1298.34</td>
<td>2561.19</td>
<td>49.31</td>
<td>50.69</td>
</tr>
</tbody>
</table>
Bankers should create awareness among the farmers that creation of assets by financing investment credit automatically creates demand for production credit. Particularly, farmers who depend upon rain for raising crops wholly should be encouraged to avail finance under minor irrigation and necessary agricultural equipments and thereby migration of farmers from villages to urban areas can be arrested.

**Absence Of Cross Selling Within the Agriculture**

Banks failed to cross sell their products within the Agriculture sector due to voluminous works under production credit. All kinds of farmers, particularly small and other big farmers can be exploited to fulfill their complete short, medium and long term needs. If it is so, farmers availing finance from private money lenders at an exorbitant rate of interest can be avoided.

**Scale of Finance**

Considering the new development in technologies and the need to adopt high quality inputs, flexibility in the scale of finance is extended by the banks. But, there is no uniformity among the banks. In the era of competition, private banks started extending more scale of finance more than 100% of basic scale of finance stipulated by District Level Technical Committee (DLTC).

The norms of financing under agriculture should be same across the banks. RBI, NABARD and Government of India should stipulate uniform conditions or flexibility in extending scale of finance.

**Encouraging Central and State Ware Housing Corporations**

Shankar Lal Guru Committee and the Inter-Ministerial Task Force have identified areas such as contract farming, private market yards, public-private partnership for integration of farmers production with domestic and global markets. Banks also encouraged post harvest and pledge finance to a considerable extent. But, due to incidences of private ware house owners disposing off the produce with our bank’s consult created huge Nonperforming assets under this portfolio.

Banks should encourage finance against Negotiable warehouse receipts and proper monthly monitoring of advances to ascertain the value of the commodity and to maintain proper loan to value ratio.

**Opportunities under New Priority Sector Lending Classification**

Credit expansion is not happening uniformly particularly in drought-prone areas.

There is immense scope for the banks to step up credit disbursement under various agricultural activities under land rejuvenation, better irrigation and water management systems, reclamation of waste land and fallow land. The schemes like micro irrigation, sprinkler irrigation, water shed management, village pond development, farm pond development and dry land farming. Ceiling of up to Rs. 100 crore comes under priority sector advances.

**Hi-Tech Agriculture and Precision Farming**

Banks are not financing to high technology and capital intensive export oriented agricultural projects. Few banks opened few specialized hi-tech agriculture branches and experienced failures in the area of aquaculture, floriculture. However, many small and medium size hi-tech projects proved good business to banks.
Mr. Sadananda, (of Tapsihalli village of Dodbellapur taluk of Bangalore, Karnataka State) a marginal farmer having nearly 2.40 acres of rain fed land earning average income of Rs. 10 lacs to 12 lacs on a conservative approach due to integrated, hi-tech and precision farming.

Banks should identify such progressive innovative farmers in their command areas and financing for integrated, multiple, precision and hi-tech agriculture activities.

**Value Addition through Agro Processing**

As per recent PSL norms, finance to agro processing industries upto Rs. 100 crore now comes under Agriculture. It is an opportunity for the banks to increase the portfolio under agriculture and export promotional opportunities can be explored. India in 2013 earned $26 billion from $276 billion trade in commercial services. Whereas agricultural trade of $71 billion fetched as much as $23 billion trade surplus. Thus agriculture has the net foreign exchange earnings almost at par with IT service sector. Urban and metro branches can entertain and contribute more towards agro processing sector under agriculture.

**Union Budget**

Though importance has been given to address the basic issues of farmers and agriculture like irrigation, farm credit, soil health, rural infrastructure and better price realization for farmers, support to the agriculture in the central budget has been reduced by 14.3 per cent in 2015-16 over the 2014-15 budgets. Better implementation of Rashtriya Krishi Vikas Yojana, Pradhan Mantra Krishi Sinchai Yojana, providing soil health cards to all 145 million farm holders in three years by all the stakeholders will increase productivity under agriculture.

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sown Area</th>
<th>Net Irrigated Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>139.85</td>
<td>62.74</td>
</tr>
<tr>
<td>2007-08</td>
<td>141.02</td>
<td>63.19</td>
</tr>
<tr>
<td>2008-09</td>
<td>141.90</td>
<td>63.64</td>
</tr>
<tr>
<td>2009-10</td>
<td>139.17</td>
<td>61.94</td>
</tr>
<tr>
<td>2010-11</td>
<td>141.56</td>
<td>63.60</td>
</tr>
<tr>
<td>2011-12</td>
<td>140.80</td>
<td>65.26</td>
</tr>
</tbody>
</table>

**E-Market Services**

In Karnataka, 51 of the 155 main market yards and 354 sub yards have been integrated into a single licensing system. Rashtriya e-market Services Ltd. (ReMs), a joint venture created by the state government and NCDEX Spot Exchange, offers automated auction and post auction facilities (weighing, invoicing, market fee collection, accounting), assaying facilities in the markets, facilitate warehouse based sale of produce, facilitate commodity funding, price dissemination by leveraging technology. This kind of linking the farmers with good marketing arrangements will increase the confidence of farming community to concentrate on the agricultural activities.

**Development of Human Resources**

Staff related issues are to be sorted out by the management for better outreach of commercial banks for increased and sustained growth under agricultural finance. Posting of officers conversant with areas such as agriculture, veterinary, fishery etc, in adequate numbers, absorbing more and more number of agricultural graduates for manning rural branches are some important points still needed. However, the most important task is to change the mindset of the bankers. To some extent, in rural branches better infrastructural facilities to be enhanced for optimum delivery by bankers.
Re-Examining Legal Provisions

Like SARFAESI, suitable legal measures to be created by Government of India so as to create the atmosphere of financial discipline in repayment of loan availed from banks. Needful support and cooperation from revenue authorities and government needs to be strengthened.

Related To Branch Infrastructure

Absence of separate Agri. commercial branch to tap big ticket Agricultural advances, branches having high potential with inadequate staff to handle the portfolio, manpower shortage, Improper job rotation, inadequate infrastructures like sufficient number of computers, poor technology related inconveniences are to be be adressed immediately by the nationalized banks.

Staff Related Reasons

Coordination between the staff members in providing good customer service to the farmers’ community needs to be strengthened. Field officers/Agricultural extension officers/ rural development officers recruited to the banks should not be treated as specialized category and moreover they should be treated at par with general officers in their career opportunities. Suitable posting in their own state and providing adequate training to handle high value agricultural proposals needs to be strengthened. Human capital is very important for success of any sector and hence transparent promotion process, regular and indiscriminate transfer exercise, unbiased incentive system to all classes of employees, punishments for frauds with mala fide intentions needs to be strengthened and supported.

Area Specific Schemes

Banks should concentrate more on the formulation of area specific schemes. Role of controlling offices in creating opportunities to the branches for increasing their portfolio under this sector is very important. Encouraging public private partnership, contract farming, bi-partite and tripartite tie up schemes are few examples for the same.

Kisan Call Centre

Creation of Kisan Call Center (KCC) facility by the banks so as to clarify the issues raised by the farmers in availing finance from the banks needs to be encouraged. Inculcating agricultural skills in younger generations, students immediately after completion of degree/colleges needs to be implemented in all the states.

Conversion of Agricultural Land for Other Purposes

Government of India should tighten the policy of conversion process of Agricultural land into non agricultural land or it can be totally stopped with for at least another 5 years to maintain the cultivable area and bringing more area under cultivation by the way of creating awareness to farmers.

CONCLUSION

“Credit – an important agricultural input” being used an instrument of agricultural development and indicators of performance.

“The farmer is the only man in our economy who buys everything at retail, sells everything at wholesale and pays the freight both ways”. John F. Kennady

Despite various initiatives taken by RBI, NABARD,Central and State Government of India towards flow of credit to agricultural sector, the policy on agricultural credit should move away from input focus to marketing and value addition focus. This would be possible when value chain approaches to financing agriculture are designed and adopted on a wider scale by banks. Financing of processing units, storage and transparent should not be stand alone projects, but integrated with production and marketing of relevant crops. This would ensure that banks are able to chase value as it moves up the chain, securing repayments of loans at lower levels at successive higher links of the value chain.
Knowledge management and capacity building of the officers of the banking system to be strengthened to change the mindset of bankers (attitudinal change and approach towards agricultural lending) in extending credit to farmers and to see agriculture is a profitable business proposition. NABARD, RBI and IBA should take care of minimum skill set required for rural officers to take care of farmer’s timely need of agricultural credit input.

Reserve Bank of India stand on stopping waiver schemes to be supported by central and state government. It is time to have a relook of maintaining financial discipline, removal of indiscriminate pricing and collateral security which are some of the impediments in credit dispensation by the banks.

“When tillage begins, other arts follow. The farmers, therefore are the founders of human civilization” – Daniel Webster

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ABSTRACT

Investors invest in a company after evaluating its financial performance. If the performance is volatile then it may affect adversely on the decision regarding investment of the investors. So this evaluation should be done very carefully and rationally. Investors go for financial analysis to judge financial performance. This analysis can be done by using various tools, such as ratio analysis, decision theory etc. The result of analysis shows the present performances, but it cannot exhibit whether the company will have any chances of bankruptcy in near future or not. Z score is a financial tool which is used for bankruptcy prediction. It analyses financial data and the result of analysis categorizes a company in a zone according to its performance out of three zones; the zones are- bankruptcy, grey and safe / healthy. The aim of this paper is to judge the financial performance of selected Indian companies with the help of some selected ratios and to see whether the companies have probability of bankruptcy in near future or not.

Keywords: Z Score; Bankruptcy; Financial Health; Distress Analysis; Indian Companies

INTRODUCTION

A company can continue its operation when it has adequate amount of funds and such funds utilizes in an efficient way. The funds are used to meet short term as well as long term obligations. Short term obligation includes- payment of creditors, salary, wages, interest, dividend etc. and long term obligation includes- acquisition of fixed assets, making investments, acquisition of company etc. Investors provide funds to a company in the way of investment to get some positive return in future. But if they don’t get expected return then it will be difficult for the company to arrange funds in next time. So it is the duty of the management to ensure the effective utilization of funds. Different stakeholders (such as- shareholders, creditors, banks, employees, management etc.) analyze the financial information for making various decisions. The result of the analysis shows the present performance and future prospects of the company.

Distressed analysis is a part of financial analysis, which shows whether there is any possibility of bankruptcy of a company in near future or not. Actually bankruptcy refers to the situation when a company is unable to pay its debts. When a company faces financial distress for long period then company’s liquidity position, solvency position become very poor. Revenue collection go down due to reduction of sales, as a result company cannot pay its due and cannot earn profit. Thus the amount of net worth gradually reduces and all these things adversely affect on company’s share price and goodwill. There are different reasons for the distress of a business entity, such are- lack of finance, lack of demand of the product in the market, conflict between management and employees, lack of managerial efficiencies and some other internal and external problems. If these problems persist for a long period of time in a company, then it can be declared as bankrupt and goes into liquidation. As a result, it reduces employment opportunities, Government earnings, industrial growth etc. and also deeply effects on the surrounding areas where the entity belonged. So it is very clear that prediction of
bankruptcy of business firms’ has a great value to the stakeholders. Because if the result of bankruptcy prediction shows that a firm has the chances of bankruptcy in near future then investors can be concerned about their investment as well as management can be taken remedial actions to avoid it and make the firm in good position.

OBJECTIVES OF THE STUDY

The specific objectives of the study are pointed out below:

1. To analyse the financial performance of the selected companies for the study period.
2. To evaluate the financial health of the companies by using Z score.

REVIEW OF LITERATURE

Many research works have been done by researchers around the world to analyse the corporate failure of the companies. Beaver (1966) was the first person who used financial ratios to predict corporate sickness. He used 30 financial ratios and selected 79 non-failed and 79 failed firms for his study and concluded that cash flow to total debts ratio is the best business failure predictor. Edward I Altman (1968), a professor of New York University carried out research for predicting bankruptcy. He considered 33 failed and 33 non-failed companies as sample. He developed Z score model, which is based on “Multiple Discriminate Analysis” (MDA), is use in prediction of bankruptcy of a company. The result of his study showed that bankruptcy prediction could be correctly made with 95% success in the first year before the bankruptcy, it decreased to 72% in the second year, 48% in third year, 26% in fourth year and 19% in fifth year prior to bankruptcy. L.C. Gupta (1979), in Indian context, attempted to predict the corporate sickness, so he had selected 41 textile companies (out of which 20 sick and 21 non-sick) and 39 non-textile companies (out of which 18 sick and 21 non-sick) as sample. He used different financial ratios to evaluate the performance of the sample companies. Johah Aiyabei (2002) used Z score model to analyze the financial performance of small business concerns of Kenya and discussed the theoretical aspects of distressed firms. K. Chaitanya (2005) measured the financial performance of IDBI by Altman Z score and came to the conclusion that IDBI is not in healthy zone and likely to be insolvent in near future. M. Kannadhasan (2011) attempted to measure the financial health of Wendt (India) Limited by using Altman Z score model and concluded that the financial health of the company was good during the study period. B. Pardeshi, P.L. Bisoyi and P.C. Patil (2012) examined the financial solvency position of selected airline companies in India and concluded that the financial solvency position of Kingfisher Airlines is medium, as it belong to the grey zone, Jet Airways belong to distress zone as because it’s solvency position is very much poor and Spice Jet has the sound solvency position. M. Duvvuri (2012) examined the financial health of Nagarjuna Fertilizers and Chemicals Limited by using Z score model, developed by K.B. Mehta and concluded that the company entered in the grey area from bankruptcy zone and moving to the safe zone, so investors can invest to this company. S.C. Sheela and Dr. K. Karthikeyan (2012) analyzed the financial performance of selected Indian pharmaceuticals companies with the help of Altman Z score and reached to the conclusion that the companies belong to the healthy zone. Dr. M.M. Sulphey and Nisa. S (2013) attempted to analysis the solvency position of 220 companies listed in the BSE Small Cap Index by using Z score model and reached to the conclusion that 79 companies belong to the safe zone, 117 companies belong to grey zone and remaining 24 companies belong to distress zone during the study period. S. Ganguly (2013) examined the financial performance of Hindustan Motors Limited by using Z score model, developed by Prof. K. B. Mehta and he concluded that the overall financial position of the company is not satisfactory during the study period due to some internal and external issues. F. Hussain, I. Ali, S. Ullah and M. Ali (2014) investigated that can Altman’s Z score model predict business failures and for this purpose they used 21 textile companies of Pakistan as sample, out of which 12 were non-bankrupted and remaining 9 were bankrupted organizations. They concluded that this model can predict the business failure up to four years prior to failure with a higher level of accuracy and this model is very much helpful to measure the financial soundness of any business concern.

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This study has been done by using secondary data and it has collected from published financial reports of selected Indian companies for the period of 2010-2011 to 2014-2015. Three Indian companies namely- Andrew Yule & Co. Limited, India Glycols Limited and Usha Martin Limited have been randomly selected. The Z score model developed by Prof. K.B. Mehta has been used to conduct this study. This model is a modified model of Edward I Almant’s Z score model.

**Model Explanation**

The discriminant function of the Prof. K.B. Mehta’s model is:

\[ Z = 0.717X_1 + 0.845X_2 + 3.107X_3 + 0.42X_4 + 0.995X_5 \]

Where,

- \( X_1 = \) Working capital divided by total assets.
- \( X_2 = \) Retained earnings divided by total assets.
- \( X_3 = \) EBIT divided by total assets.
- \( X_4 = \) Book value of equity divided by book value of total debts.
- \( X_5 = \) Net sales divided by total assets.

Z score is calculated by multiplying the following accounting ratios with their corresponding weights:

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Explanations</th>
</tr>
</thead>
<tbody>
<tr>
<td>( X_1 = ) Working capital divided by total assets.</td>
<td>This ratio shows the liquidity position of a company towards its total capitalization. Working capital refers to the current assets over the current liabilities.</td>
</tr>
<tr>
<td>( X_2 = ) Retained earnings divided by total assets.</td>
<td>Retained earnings refer to the amount of profits which are not distributed among the shareholders. It is known as reinvest of profit in the business. This ratio expresses how much amount company retained against its investment in the business.</td>
</tr>
<tr>
<td>( X_3 = ) EBIT divided by total assets.</td>
<td>This ratio measures the company’s operating earning capacity against utilization of total assets. If the operating profit earning capacity is higher, then it shows sound operating performance.</td>
</tr>
<tr>
<td>( X_4 = ) Book value of equity divided by book value of total debts.</td>
<td>This ratio measures the long-term solvency position of a company.</td>
</tr>
<tr>
<td>( X_5 = ) Net sales divided by total assets.</td>
<td>Sales represent the company’s earnings. This ratio shows the earning capacity of a company by utilizing its total assets.</td>
</tr>
</tbody>
</table>

According to this model the following situations arises:

<table>
<thead>
<tr>
<th>Situation</th>
<th>Value of Z Score</th>
<th>Zone</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Less than 1.2</td>
<td>Bankruptcy</td>
<td>Company’s failure is certain.</td>
</tr>
<tr>
<td>B</td>
<td>Between 1.2 to 2.99</td>
<td>Grey</td>
<td>The failure in this situation is uncertain to predict. This is known as grey area.</td>
</tr>
<tr>
<td>C</td>
<td>Above 2.99</td>
<td>Safe/healthy</td>
<td>Financial position is good or healthy of a company.</td>
</tr>
</tbody>
</table>

**LIMITATIONS OF THE STUDY**

The limitations of the study are:

1. The study is limited to five years only, (i.e. from 2010-2011 to 2014-2015).
2. The study has been done by using secondary data.
3. The study has been done by using standalone financial statements, consolidated financial statements have not been considered.

**FINDINGS**

By using K.B. Mehta’s model the following results have been found for the study period:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Working Capital / Total Assets (X₇)</td>
<td>0.0575</td>
<td>0.0424</td>
<td>0.0465</td>
<td>0.1457</td>
<td>0.1033</td>
</tr>
<tr>
<td>Retained Earnings/ Total Assets (X₈)</td>
<td>0.1354</td>
<td>0.1562</td>
<td>0.1764</td>
<td>0.2444</td>
<td>0.2440</td>
</tr>
<tr>
<td>EBIT / Total Assets (X₉)</td>
<td>0.1384</td>
<td>0.0641</td>
<td>0.0552</td>
<td>0.0779</td>
<td>0.0488</td>
</tr>
<tr>
<td>Book Value of Equity / Book Value of Total Debt (X₄)</td>
<td>0.4036</td>
<td>0.4365</td>
<td>0.4696</td>
<td>0.6877</td>
<td>0.6632</td>
</tr>
<tr>
<td>Net sales / Total Assets (X₅)</td>
<td>0.5886</td>
<td>0.6536</td>
<td>0.6778</td>
<td>0.7721</td>
<td>0.7481</td>
</tr>
<tr>
<td>Z Score</td>
<td>1.3408</td>
<td>1.1951</td>
<td>1.2255</td>
<td>1.6099</td>
<td>1.4548</td>
</tr>
</tbody>
</table>

**Source:** Own source

**Table 1. Results of Andrew Yule &Co. Limited**

![Z score of Andrew Yule & Co. Limited](image)

**Graph 1**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Working Capital / Total Assets (X₇)</td>
<td>-0.1325</td>
<td>-0.0507</td>
<td>0.0149</td>
<td>-0.0451</td>
<td>-0.1467</td>
</tr>
<tr>
<td>Retained Earnings/ Total Assets (X₈)</td>
<td>0.1749</td>
<td>0.1556</td>
<td>0.2018</td>
<td>0.1479</td>
<td>0.1344</td>
</tr>
<tr>
<td>EBIT / Total Assets (X₉)</td>
<td>0.0580</td>
<td>0.0926</td>
<td>0.1005</td>
<td>-0.0113</td>
<td>0.0130</td>
</tr>
<tr>
<td>Book Value of Equity / Book Value of Total Debt (X₄)</td>
<td>0.2325</td>
<td>0.1991</td>
<td>0.2694</td>
<td>0.1870</td>
<td>0.1685</td>
</tr>
<tr>
<td>Net sales / Total Assets (X₅)</td>
<td>0.7382</td>
<td>0.8998</td>
<td>1.1248</td>
<td>0.8991</td>
<td>0.8099</td>
</tr>
<tr>
<td>Z Score</td>
<td>1.0652</td>
<td>1.3617</td>
<td>1.7256</td>
<td>1.0307</td>
<td>0.9253</td>
</tr>
</tbody>
</table>

**Source:** Own source

**Table 2. Results of India Glycols Limited**
CONCLUSION

From the above results the conclusion that can be drawn for Andrew Yule & Co. Limited that, the values of Z score was ranging from 1.1951 to 1.6099 under the study period. In the financial year 2011-2012 the company was in bankruptcy zone, but in remaining four years the company was in grey zone. So in this situation bankruptcy prediction is uncertain. However based on the analysis the following points can be highlighted:-

➢ The overall financial performance was moderate during the study period.
➢ Short term solvency position was good during the study period.
➢ Company earned EBIT in each year.
➢ Long term solvency position was not so good during the study period.
➢ Sales gradually increased in each year of study.
Net profit earned by the company in every year but at a fluctuating trend. The result of India Glycols Limited shows that the value of Z score was ranging from 0.9253 to 1.7256 under the study period. In 2011-2012 and 2012-2013 the company was in grey zone but in remaining three years the company was in bankruptcy zone. So as per the K.B. Mehta’s model the company has the probability of bankruptcy in near future. Besides the following points can be highlighted based on the analysis:

- The overall financial performance of the company was not healthy during the study period.
- Company had not sound short term solvency position during the study period, because in financial year 2012-2013, company had positive working capital but in remaining four years the working capital was negative, as a result company was unable to meet its short term liabilities.
- Company earned EBIT in every year, except in the year 2013-2014.
- Long term solvency position was poor for the study period.

The Z score of Usha Martin Limited was ranging from 0.6952 to 1.1309 during the study period. It was below 1.2 in each year of study. So it indicates that company belongs to bankruptcy zone. So it can be said that the company has the chances of bankruptcy in near future. The following points can be mentioned based on the analysis:

- The overall financial performance of the company was not healthy during the study period.
- Company’s short term solvency position was not good during the study period. Because except the financial year 2011-2012, the amount of current liabilities was more than the amount of current assets in each year of study. As a result the company could not meet its short term dues.
- Long term solvency position was very poor for the study period and it had gradually decreased year after year.
- Company earned EBIT in each year.
- Sales increased gradually in each year of study.
- Company’s profit earning capacity was not satisfactory during the study period. Because it suffered from net losses in three years (i.e. 2011-2012, 2013-2014 and 2014-2015).

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Journals


Book

LENDING TO MSE SECTOR UNDER CGTMSE SCHEME - EMERGING THREAT AND CHALLENGES FOR THE BANKERS

Ramamoorthy Muthaiah
Senior Manager (Faculty), Union Bank of India, Bangaluru, India
Email: dinumech98@gmail.com

ABSTRACT
MSEs or Micro and Small Enterprises form the backbone of an economy. In India, MSEs have been picking up pace for past few years now. Though while acknowledging the significance of small businesses, banks do hesitate in extending loans to the first generation entrepreneurs. Owing to the inability of providing adequate collateral security against loans, micro and small enterprise owners face hurdles in having access to bank credit. Taking this into account, the government introduced the Credit Guarantee Fund Scheme for MSEs in August, 2000, wherein an Entrepreneur can avail loan without offering any collateral security and third party guarantee. It also targeted at lowering the hindrances to credit flow to Micro and Small Enterprises. The objective of this scheme was to reduce the problem of collateral security. Further, CGTMSE in the current year has proposed to go for many changes including temporary suspension of CGTMSE scheme coverage to some banks due to very high level of NPAs under CGTMSE scheme accounts, reported by some of the Banks. This paper attempts to study and discuss the various changes proposed by CGTMSE and its impact on MSE sector’s lending and future challenges for the Bankers to extend credit under the said scheme.

Keywords: Micro and Small Enterprises; Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE); Non-Performing Asset (NPA); Member Lending Institutions (MLI); Credit Guarantee scheme (CGS); Guarantee fee (GF); Interest Rate Cap; Base Rate (BR); Annual Service Fee (ASF)

INTRODUCTION
While Micro and Small enterprises drive economic growth with their ability to innovate and employ in large numbers, the biggest challenge faced by them is access to finance. As MSEs have been the green-field for nurturing entrepreneurial talent, first generation entrepreneurs should be facilitated in accessing desired finance through Banks/Financial Institutions (FIs).

One of the major reasons for banks/financial institutions (FIs) being unable to meet the financial requirements is the perceived credit risk involved in financing to these sectors. This is primarily on account of non-availability of valid bills, proper accounting systems and lack of known buyers etc. To mitigate such credit risk and banks typically look for enhanced collateral or traditional equity, both of which cannot be brought in by most entrepreneurs.

Availability of bank credit without the hassles of collaterals/third party guarantees would be a major source of support to the first generation entrepreneurs to realise their dream of setting up a unit of their own Micro and Small Enterprise (MSE). Keeping this objective in view, Ministry of Micro, Small & Medium Enterprises (MSME), Government of India launched Credit Guarantee Scheme (CGS) so as to strengthen credit delivery system and facilitate flow of credit to the MSE sector. To operationalise the scheme, Government of India and Small Industries Development Bank of India set up the Credit Guarantee Fund Scheme for MSEs (CGTMSE). This paper attempts to study and discuss the various changes proposed by CGTMSE and its impact on MSE sector’s lending and future challenges for the Bankers to extend credit under the said scheme.

Keywords: Micro and Small Enterprises; Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE); Non-Performing Asset (NPA); Member Lending Institutions (MLI); Credit Guarantee scheme (CGS); Guarantee fee (GF); Interest Rate Cap; Base Rate (BR); Annual Service Fee (ASF)
Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) in August 2000. The objectives of the scheme is to provide guarantees to MLIs a substantial extent in respect of credit facilities extended to borrowers in Micro and Small Enterprises.

The scheme is operated through Banks/ lending institutions registered as Member Lending Institution (MLI) with CGTMSE. Scheduled Commercial Banks / Select Regional Rural Banks (RRBs) / other lending institutions eligible to register as MLIs.

The main objective is that the lender should give importance to project viability and secure the credit facility purely on the primary security of the assets financed. The lender availing guarantee facility should endeavor to give composite credit to the borrowers so that the borrowers obtain both term loan and working capital facilities from a single agency. Under the scheme, MSE Business unit can avail both term loan and working capital up to Rs.100 lakh. The loan amount can be extended without any third party guarantee or collateral security.

OBJECTIVES

1. To study the importance of CGTMSE scheme in lending to MSE sector
2. To study the various changes proposed by CGTMSE in the scheme in view of increasing level of NPA accounts sanctioned under the scheme
3. To study the challenges posed by the bank in extending credit facilities to MSE sector due to the changes proposed by CGTMSE and suggest steps to meet the challenges.

Definition of Micro, Small Enterprises

Enterprises engaged in the manufacture or production, processing or preservation of goods as specified below:

i. A micro enterprise is an enterprise where investment in plant and machinery does not exceed Rs. 25 lakh;

ii. A small enterprise is an enterprise where the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore; and

In case of the above enterprises, investment in plant and machinery is the original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide its notification.

Enterprises engaged in providing or rendering of services and whose investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006) are specified below:

i. A micro enterprise is an enterprise where the investment in equipment does not exceed Rs. 10 lakh;

ii. A small enterprise is an enterprise where the investment in equipment is more than Rs. 10 lakh but does not exceed Rs. 2 crore; and

While the scheme is under operation during the last 15 years, CGTMSE in the current year has proposed to go for many changes in the scheme as it is witnessing very high level of NPAs reported by some of the Banks going up to more than 40%. The high levels of claim due to NPAs, coupled with a highly leveraged CGTMSE Corpus – has led to take many steps including temporary suspension of CGTMSE scheme coverage by the Credit Guarantee Fund Trust to some banks.

Differential Rates of Annual Service Fee /Annual Guarantee Fee Linked To NPA Level

The Trust presently adopts non-discretionary approach in levying Guarantee Fee (GF)/Annual Service Fee (ASF)/Annual Guarantee Fee (AGF) without reference to the level of NPAs reported by the Member Lending Institutions (MLIs) on the CGTMSE portal vis-à-vis the guarantees issued to them. Considering the high level of NPAs reported by some of the MLIs vis-a-vis the guarantees issued to
them, it has now been decided to charge differential rates of ASF/AGF, depending upon the NPA levels reported by the MLIs. The existing provision of the Scheme and the revised rate structure is as follows.

<table>
<thead>
<tr>
<th>Composite all-in Guarantee Fee as under</th>
<th>The differential rates of ASF/AGF depending upon NPA levels of MLIs of the Trust are as follows:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Guarantee</td>
<td>Annual Guarantee Fee [% p.a.]</td>
</tr>
<tr>
<td></td>
<td>Women, Micro Enterprises and units in North East Region (including Sikkim)</td>
</tr>
<tr>
<td>up to Rs. 5 lakh</td>
<td>0.75</td>
</tr>
<tr>
<td>Above Rs. 5 lakh up to Rs. 50 lakh</td>
<td>0.85</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Above 20%</td>
</tr>
<tr>
<td>2</td>
<td>15% - 20%</td>
</tr>
<tr>
<td>3</td>
<td>12% - 15%</td>
</tr>
<tr>
<td>4</td>
<td>12% and below</td>
</tr>
<tr>
<td>5</td>
<td>Below 6%</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- The proposed revision shall be w.e.f. Guarantees approved by the Trust on or after October 01, 2015
- Further, the Trust shall levy ASF/AGF as per the rate structure obtaining on all Guarantees live as on March 31, 2016 while issuing Demand Notices for ASF/AGF for FY 2016-17.
- The Trust has planned to gradually move towards a risk based premia.

**Non Issuance Of Guarantee To MLIs Having NPA Level 10 % And More**

The Trust has communicated that no guarantees (includes fresh, renewals and enhancements) will be issued to MLIs which have marked cumulative NPAs (in terms of amount) of 10% or more vis-à-vis the cumulative amount of guarantees issued by the Trust to it. Such MLIs would be advised by the Trust separately giving them reasonable time to submit its eligible pending sanctions for guarantee approval. Further, if this NPA level crosses has crossed the 12% mark, the claims of such MLIs will be settled after giving notice and after thorough scrutiny of each claim.

**Reduction of Interest Rate Cap**

The trust has communicated that they have decided to further reduce the cap on Interest Rate which could be charged by MLIs for CGTMSE covered proposals from up to 4% above base rate, as applicable presently, to up to 2% and 3% above Base Rate for loans up to Rs 50 lakh and loans above Rs 50 lakh respectively considering overall exposure of the borrower. The trust has also clarified that in case of any enhancements of credit facility sanctioned under the revised guidelines of Base Rate plus 2% crosses Rs 50 lakh, the cap of interest rate could be enhanced to 3% for the entire loans sanctioned and covered under CGS. The revised guidelines shall be applicable for the credit facilities sanctioned by MLIs on or after September 01, 2015, including additional term loans for existing credit facilities covered under CGS. The revised guidelines shall, however, not be applicable for existing working capital cases already covered under CGS where enhancement and / or renewal takes place subsequent to September 01, 2015.

Based on the MLIs plea that the interest rate charged by the MLIs for MSE loans are normally within the range of 12.5% to 14.5% based on its internal rating model which would not be in compliance with the revised guidelines on interest rate cap, the Trust has modified the date of applicability of revised
interest cap from September 1, 2015 to December 1, 2015 and finally, however, the reduction interest rate Cap was withdrawn in November 2015.

Challenges

1. The present challenge for the banks is to contain the NPA level in MSE accounts covered under CGTMSE to continue to get guarantee cover from CGTMSE. Not only to get guarantee cover for new accounts, but to continue the guarantee cover for existing accounts covered under CGTMSE, Banks are required to take immediate steps to reduce the NPA level. Banks can not adopt the route of increasing MSE advances with CGTMSE cover and reduce the % of NPA level, but necessarily have to upgrade the existing NPA account and/or to recover the dues of existing NPA account by preferring claim with CGTMSE. Unless the present NPA level is reduced, banks may not be able to go for further lending to MSE sector under CGTMSE which may pose great challenge for the bankers. Further in case of existing accounts already covered under CGTMSE, if the guarantee cover is discontinued by CGTMSE and in case of such accounts turned as NPA, banks can not make any recovery in such accounts and the reduce the % of NPA, to immediately fall in line with Trust’s requirements to avail guarantee cover subsequently. Further banks have to keep provisions for such accounts and maintain Capital, which are otherwise not required in case of guarantee cover accounts. Further, due to poorly documented financial information & non-availability of accurate information from the MSE borrowers, particularly small enterprises, which is a critical input for decision making, controlling the NPA and to fall in line with the Trust’s requirements is the biggest challenge for the bankers.

2. To have the guarantee cover from Trust, Banks are required to pay Annual service fee/Guarantee fee/Annual guarantee fee to them. Banks pay the fees by debiting their expenditure account and/or debiting the borrower’s account and also on sharing basis by banks and borrower. The trust has now decided to reduce the lending interest rate cap from BR+4 % to BR +2 % for loans up to Rs 50 lacs and BR +3 % for loans above Rs 50 lacs. Now the lending interest rate is linked to credit rating and it is risk associated. By reducing the interest rate cap for eligibility, the trust prefers to extend guarantee cover to small borrowers say up to Rs 25.00 lacs, in such advances banks have fixed lower interest rate and not linked to credit rating. For high ticket advances up to Rs 100 lacs, the interest rate is linked to rating and to meet the interest rate cap for such advances, banks have to necessarily go for lower risk advances with good rating and thus helps the Trust to reduce/avoid lodging of claims by banks. Getting lower risk advances in MSE sector is highly competitive and a challenge for the bankers to get eligibility for guarantee cover. Further, Banks are compelled to refuse loans to high ticket acceptable risk customers under the scheme as interest rate for such customers will be more than the interest rate cap prescribed by the Trust, which will pose big challenge for the bankers to face such customers. Further the revised interest rate cap guidelines shall be applicable for the credit facilities sanctioned by MLIs on or after December 01, 2015, including additional term loans for existing credit facilities covered under CGS. Banks have to face the existing borrowers as it may not be able to lend additional term loan for the existing accounts which are already covered above the revised interest rate cap.

3. Further taking into account the guarantee fee of 0.75 % to 1.00 % and incase of absorbing the entire guarantee fee by the Banks, the banks get only 1% to 1.25% over and above Base Rate and thus Banks will be under pressure with less interest income at one side and maintaining the asset quality of such advances on the other side.

4. Therefore many Member Lending Institutions (Banks) represented the above issues and expressed that reducing the interest rate Cap would exclude many of the MSE accounts from the guarantee cover and would affect the growth of MSE Sector badly, the above guideline was totally withdrawn in November 2015. However, in some of the MLIs, the interest rate Cap for Small enterprises exceeds the prescribed Cap of BR+4 % even at the initial lending
stage itself and also the interest rate Cap increases further when the account’s credit rating slipped in subsequent renewal. It is a challenge for the Bank to maintain the above interest rate Cap throughout the Loan life period to fulfill the Claim requirements.

5. The Trust presently adopts non-discretionary approach in levying Guarantee Fee (GF)/Annual Service Fee (ASF)/Annual Guarantee Fee (AGF) without reference to the level of NPAs and has now decided to charge differential rates of ASF/AGF, depending upon the NPA levels reported by the MLIs. Depending upon the NPAs level mentioned above, the additional fees will be charged ranging from 0.25 % to 1.00 % for all accounts, over and above the regular guarantee fees. It is again a challenge for the Banks to absorb the additional fees at their end because it reduces the income for the bank. It case if the banks decide to recover the additional fees from the borrower, it is a challenge for the banks to recover the additional fees from standard account borrowers arising out of default of other borrowers particularly, when the fees are being paid based on the limit and not on reduced outstanding amount in case of Term loan.

CONCLUSION

MSE sector, being the backbone of Indian economy assumes lot of importance in providing employment opportunities and in contributing towards export and GDP. To reduce the hindrances towards credit flow to MSE sector and give comfort to Bankers and entrepreneurs, Government of India launched Credit Guarantee Scheme (CGS) so as to strengthen credit delivery system and facilitate flow of credit to the MSE sector. The main objective is that the lender should give importance to project viability and secure the credit facility purely on the primary security of the assets financed. However, as the Trust is witnessing very high level of NPA accounts sanctioned under the scheme as reported by some of the Banks and in turn high levels of claim due to NPAs, coupled with a highly leveraged CGTMSE Corpus – has led to take many steps including temporary suspension of CGTMSE scheme coverage to some banks Therefore, Bankers have to take immediate steps to reduce the present level of NPA of loan sanctioned under the scheme in order to continue the guarantee cover scheme for the existing and new accounts with the Trust. Further, since the guarantee fee is linked to NPA level, Bankers have to contain the NPA level to reduce the guarantee fee to be paid. The due diligence on MSE borrowers and credit appraisal system in the Banks are to be further strengthened so as to reduce the slippages of account to NPA category, to take advantage of this scheme.

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GO GREEN: EMERGING CONCEPTS OF GREEN MARKETING

Dr. Sudhir Kumar Sharma
Professor, Government J. P. Verma Arts and Commerce College,
Bilaspur, Chattishgarh, India
Email: skumar99sharma@gmail.com

ABSTRACT

Product and services have grown sophisticated with global competition. The marketers with a view to provide variety in offerings tend to undergo changes in methods and process of manufacturing and distribution. The essence is to provide ample of satisfaction to the target buyers. In all the above process the need of environmental conservation is neglected or rudimentarily concerned by the marketer and the customers. This paper focuses on the practice of green marketing concept which aims to preserve the environment as well as look for the betterment of the need fulfilment of the buyers. It enables the readers to understand the concepts, challenges and need of green marketing practices in the country.

Keywords: Green Marketing; Customers; Environment

INTRODUCTION

Rapid industrialization and widespread globalisation has provided human beings with all necessities, comforts and luxury in life. Products with sophisticated technology have fulfilled the consumers want with in a click of a button. But all these inventions have equal and opposite impact on the biodiversity of the earth. Human beings have given rise to those unforeseen problems which were not thought of earlier. Imbalances in food cycle, water cycle, natural environment, climatic changes, global warming are some of the general impact of advancement, which are common these days. These issues are the matter of great urgency as something needs to be done before it is too late. The importance of preserving the natural environment is also realised by business houses. Thus, practice of green or environmental marketing is the foremost initiative by the business firms to preserve the environment as a part of social responsibility of business.

Green marketing or environmental marketing consists of all activities designed to generate and facilitate any exchanges intended to satisfy human needs or wants, such that the satisfaction of these needs and wants occurs, with minimal detrimental impact on natural environment. The concept was firstly evolved when AMA conducted its first workshop on ‘ecological marketing’ in 1975. Green marketing is rapidly gaining acceptance both in Indian market and worldwide of late. The basic idea behind the ‘go green’ concept is providing and maintaining balance in natural ecosystem.

REVIEW OF LITERATURE

According to green marketing principle every components in the marketing mix will have a green perspective from establishing to introducing a product to the market (Arseculeratne & Yazdanifard, 2014). Consumers’ environmental concerns are connected to the benefit towards the biophysical environment and its issues connected to the consumer and the surroundings. Initially, gender plays an essential role in consumerism and environmental consciousness (Kaufmann, Panni, Orphanidou, 2012). Green marketing is a creative opportunity to innovate in ways that make a difference and at the...
same time achieve business success (Grant, 2007, p. 10). Companies have a responsibility to drive the development towards greater sustainability and becoming greener, so that a company's aim is to create markets for more environmentally friendly products and services and educate and influence customers to change (Hart, 1997, p. 67).

OBJECTIVES OF STUDY

Following are the key objectives of the study:

1. To understand the emerging concept of green marketing.
2. To highlight the needs and essentials for practicing green concept.
3. To focus on the future challenges involved in implementation of the green concepts in India.
4. To know the general perception of customers on green marketing.
5. To gain overall ideas on the advantages and limitations on the go green concept.

METHODOLOGY

Both primary and secondary data is used in the current study. The sources of primary data include the data collected from customers of Bilaspur region through a predesigned self structured questionnaire on 11 different items. The sources of secondary data include review of available literatures from various published and unpublished sources. Testing of hypothesis was done by non-parametric test like Kruskalwallis H test and Mann-Whitney U test. Mean score and standard deviations were used to determine the favourableness of attitude of customers towards different items on the questionnaire.

Why Business Firms Practice Green Marketing?

Business firms go for practicing ‘green concept’ either by compulsion or by their own choice. There are a number of reasons why firms opt for incorporating green marketing concept in the market place:

1. Rapidly detoriating natural environment: Natural environment is constantly being degraded by the man made activities. Firms’ initiative to ‘go green’ helps in preserving and restoring the natural environment.
2. Educating customers: Practice of green marketing helps in educating the customers about the importance of the natural environment. It inculcates positive spirit among the consumers regarding their rights and duties towards the environment in which they live.
3. Government regulations: With a view to protect the ecology, a number of laws have come into force. In order to abide the law in force, firms practice green concept.
4. As a part of social responsibility: Every firm has certain minimum responsibility towards the society in which it operates. Organisations over time have realised moral obligations towards the society. Activities like minimum pollution, waste recycling, environmental friendly products are often practiced by the firms to fulfil social responsibility of business.
5. To survive in a long run business: Practice of green marketing in present market context helps in achieving the long term objective of the firm and the business.
6. To gain competitive advantage: Practising green marketing helps a firm to gain competitive advantage over the similar rivals who do not have them.
7. To add more value to product and brand name: Going green helps firms to superscript their image in the market. It generates more value to the product and brand.
8. Overburden of extra cost: Cost associated with waste disposal; keep on pressurising firms to practice green marketing.
Examples of Green Marketing Practices

1. McDonald's replaced its clam shell packaging with waxed paper because of increased consumer concern relating to polystyrene production and Ozone depletion.

2. Xerox introduced a "high quality" recycled photocopier paper in an attempt to satisfy the demands of firms for less environmentally harmful products.

3. Introduction of CNG in transportation vehicle in Delhi to reduce or minimise air pollution is an example of government initiative of green concept.

4. NTPC publishes its annual report in internet (paperless format) with a view to minimise paper wastage and to be environmental friendly.

Environmental Standards: Environmental standards are established to preserve and establish certain minimum value to the environment. Environmental standards are developed in India by ISO (International organisation for standardisation), with the help of BIS (Bureau of Indian standard), formerly known as ISI (Indian standard Institute). ISO 14000 series constitutes the standard or EMS with a view to protect the environment. Organisations largely follow these established standards to improve their EMS (Environmental management system). ISO 14000 series constitutes the following series in the area of environmental audit:

1. ISO 14000: General guidelines on principles of EMS
2. ISO 14001: Specifications and guidance for EMS
3. ISO 14010: Guidelines for environmental auditing
4. ISO 14012: Guidelines for environmental auditing- Qualifications for auditors
5. ISO 14015: Environmental site assessment
6. ISO 14020: Environmental labelling (Eco-labelling)
7. ISO 14021: Environmental labels and declarations
8. ISO 14040: Life cycle assessment

Eco-Labelling and Eco-Mark Scheme

It is an environmental claim, which appears on the product packaging. The claim includes instructions on the products which can cause likely damages to the environment. ISO 1420 provides the guidelines for eco-labelling of the products. Eco-mark scheme was launched in 1991 by Government of India to increase the customer awareness towards environmental friendly products. Eco mark is a certification mark issued by the Bureau of Indian Standards (the national standards organization of India) to products conforming to a set of standards aimed at the least impact on the ecosystem (M P Pollution Control Board, 'Eco-mark’). Some of the eco-Labels provided in the product packages are shown in the figure 2:

![Figure 1: Ecomark](image-url)
Any new concept is easy to define but practically it is very difficult to put into practice. Green marketing obviously is a great concept to proactively react to the growing depletion of the natural environment. The future challenges are numerous are to be faced by the firms for future growth.

1. Mostly the green product requires the environment friendly input (i.e. the renewable and recyclable materials) which is costly. As the input cost is high, it tends to make the selling cost of the product much higher.

2. Green technology is the essential requirement for producing green products, thus it calls for spending huge investment on research and development activity.

3. Competing with the concept of green product creates competitive advantage for the firm, but in practical in a market with intense competition, it becomes even more difficult to operate.

4. Consumers in India are not aware of the practical significance of the green marketing. Moreover with the growing population and different class of consumer with varied purchasing power, it becomes difficult to propagate the message of product linked to the environment. More of awareness is the need of time which again involves high cost and more time.

5. The willingness of the Indian consumers to pay for the green products differs widely. As most of the India's population lives in rural areas, they are unwilling to pay for the costlier product.

6. The economic aspect of green marketing is often neglected by the marketers. Thus is becomes very essential to understand the practical implication and significance. It might not prove worth in the short run but is always reliable in the long run business policy.

Demographic Profile of the Respondents

Table 1 shows the demographic profile of the respondents taken for the study.
Table 1. Demographic Profile of the Respondents

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20-30 years</td>
<td>3</td>
<td>2.5</td>
</tr>
<tr>
<td>31-40 years</td>
<td>86</td>
<td>71.7</td>
</tr>
<tr>
<td>41-50 years</td>
<td>28</td>
<td>23.3</td>
</tr>
<tr>
<td>Above 50 years</td>
<td>3</td>
<td>2.5</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>68</td>
<td>56.7</td>
</tr>
<tr>
<td>Female</td>
<td>52</td>
<td>43.3</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Graduate</td>
<td>54</td>
<td>45.0</td>
</tr>
<tr>
<td>Post Graduate</td>
<td>66</td>
<td>55.0</td>
</tr>
<tr>
<td>Occupation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service</td>
<td>68</td>
<td>56.7</td>
</tr>
<tr>
<td>Business</td>
<td>52</td>
<td>43.3</td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rs. 15000-30000</td>
<td>12</td>
<td>10.0</td>
</tr>
<tr>
<td>Rs 30001-50000</td>
<td>50</td>
<td>41.7</td>
</tr>
<tr>
<td>Above Rs. 50000</td>
<td>58</td>
<td>48.3</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Hypothesis Testing On Various Dimensions

Table 2 depicts the testing of hypothesis on items of questionnaire on the basis of education of the respondents. It clearly shows that the difference in opinion was noted for the dimension 5, 7, 9 and 10. Rest of the dimensions showed no perceptual differences as on different education level.

Table 2. Responses as per Education

<table>
<thead>
<tr>
<th>Statement</th>
<th>P Value</th>
<th>Null Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am well known to the concept of green marketing practices.</td>
<td>0.14</td>
<td>Retained</td>
</tr>
<tr>
<td>I am familiar with green brand.</td>
<td>0.69</td>
<td>Retained</td>
</tr>
<tr>
<td>Green products give significant advantages to the product users.</td>
<td>0.08</td>
<td>Retained</td>
</tr>
<tr>
<td>Green products in general are not purchased by the consumers due to high price.</td>
<td>0.74</td>
<td>Retained</td>
</tr>
<tr>
<td>Green products are favoured by the consumers with high income.</td>
<td>0.04</td>
<td>Rejected</td>
</tr>
<tr>
<td>Practice of green marketing is a costly affair for the firms.</td>
<td>0.63</td>
<td>Retained</td>
</tr>
<tr>
<td>The understanding of green marketing practice is not widespread among Indian consumers.</td>
<td>0.01</td>
<td>Rejected</td>
</tr>
<tr>
<td>The practical implementation of green marketing practices in India is difficult to achieve.</td>
<td>0.87</td>
<td>Retained</td>
</tr>
<tr>
<td>The responsibility of green marketing practices lies in the hands of both firms and the public.</td>
<td>0.04</td>
<td>Rejected</td>
</tr>
<tr>
<td>Government plays a vital role in educating the masses about the advantages of green business.</td>
<td>0.04</td>
<td>Rejected</td>
</tr>
<tr>
<td>Government should be strict in implementing the green business practices.</td>
<td>0.32</td>
<td>Retained</td>
</tr>
</tbody>
</table>

Table 3 depicts the testing of hypothesis on items of questionnaire on the basis of occupation of the respondents. It clearly shows that the difference in opinion was noted for the dimension 7, 9 and 10. Rest of the dimensions showed no perceptual differences as on different occupation.
### Table 3. Responses as per Occupation

<table>
<thead>
<tr>
<th>Statement</th>
<th>P Value</th>
<th>Null Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am well known to the concept of green marketing practices.</td>
<td>0.118</td>
<td>Retained</td>
</tr>
<tr>
<td>I am familiar with green brand.</td>
<td>0.093</td>
<td>Retained</td>
</tr>
<tr>
<td>Green products give significant advantages to the product users.</td>
<td>0.453</td>
<td>Retained</td>
</tr>
<tr>
<td>Green products in general are not purchased by the consumers due to high price.</td>
<td>0.754</td>
<td>Retained</td>
</tr>
<tr>
<td>Green products are favoured by the consumers with high income.</td>
<td>0.382</td>
<td>Retained</td>
</tr>
<tr>
<td>Practice of green marketing is a costly affair for the firms.</td>
<td>0.051</td>
<td>Retained</td>
</tr>
<tr>
<td>The understanding of green marketing practice is not widespread among Indian consumers.</td>
<td>0.004</td>
<td>Rejected</td>
</tr>
<tr>
<td>The practical implementation of green marketing practices in India is difficult to achieve.</td>
<td>0.779</td>
<td>Retained</td>
</tr>
<tr>
<td>The responsibility of green marketing practices lies in the hands of both firms and the public.</td>
<td>0.005</td>
<td>Rejected</td>
</tr>
<tr>
<td>Government plays a vital role in educating the masses about the advantages of green business.</td>
<td>0.001</td>
<td>Rejected</td>
</tr>
<tr>
<td>Government should be strict in implementing the green business practices.</td>
<td>0.405</td>
<td>Retained</td>
</tr>
</tbody>
</table>

Table 4 depicts the testing of hypothesis on items of questionnaire on the basis of occupation of the respondents. It clearly shows no difference in terms of different items of the questionnaire.

### Table 4. Responses as per Income

<table>
<thead>
<tr>
<th>Statement</th>
<th>P Value</th>
<th>Null Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am well known to the concept of green marketing practices.</td>
<td>0.071</td>
<td>Retained</td>
</tr>
<tr>
<td>I am familiar with green brand.</td>
<td>0.115</td>
<td>Retained</td>
</tr>
<tr>
<td>Green products give significant advantages to the product users.</td>
<td>0.538</td>
<td>Retained</td>
</tr>
<tr>
<td>Green products in general are not purchased by the consumers due to high price.</td>
<td>0.39</td>
<td>Retained</td>
</tr>
<tr>
<td>Green products are favoured by the consumers with high income.</td>
<td>0.761</td>
<td>Retained</td>
</tr>
<tr>
<td>Practice of green marketing is a costly affair for the firms.</td>
<td>0.673</td>
<td>Retained</td>
</tr>
<tr>
<td>The understanding of green marketing practice is not widespread among Indian consumers.</td>
<td>0.064</td>
<td>Retained</td>
</tr>
<tr>
<td>The practical implementation of green marketing practices in India is difficult to achieve.</td>
<td>0.175</td>
<td>Retained</td>
</tr>
<tr>
<td>The responsibility of green marketing practices lies in the hands of both firms and the public.</td>
<td>0.59</td>
<td>Retained</td>
</tr>
<tr>
<td>Government plays a vital role in educating the masses about the advantages of green business.</td>
<td>0.509</td>
<td>Retained</td>
</tr>
<tr>
<td>Government should be strict in implementing the green business practices.</td>
<td>0.056</td>
<td>Retained</td>
</tr>
</tbody>
</table>

Table 5 illustrates the mean score on various items of the questionnaire. It clearly indicates that most of the consumers are not familiar with the green brand and the task of achieving green marketing practices in India is very difficult to achieve. The rest of the dimensions are having mean score above 3.50 and thus are desirable to the customers.
Table 5: Mean Score

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean Score</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am well known to the concept of green marketing practices.</td>
<td>3.46</td>
<td>1.122</td>
</tr>
<tr>
<td>I am familiar with green brand.</td>
<td>3.20</td>
<td>.836</td>
</tr>
<tr>
<td>Green products give significant advantages to the product users.</td>
<td>3.47</td>
<td>1.092</td>
</tr>
<tr>
<td>Green products in general are not purchased by the consumers due to high</td>
<td>3.60</td>
<td>1.126</td>
</tr>
<tr>
<td>price.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Green products are favoured by the consumers with high income.</td>
<td>3.88</td>
<td>.918</td>
</tr>
<tr>
<td>Practice of green marketing is a costly affair for the firms.</td>
<td>3.83</td>
<td>1.032</td>
</tr>
<tr>
<td>The understanding of green marketing practice is not widespread among</td>
<td>3.58</td>
<td>1.112</td>
</tr>
<tr>
<td>Indian consumers.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The practical implementation of green marketing practices in India is</td>
<td>3.23</td>
<td>1.314</td>
</tr>
<tr>
<td>difficult to achieve.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The responsibility of green marketing practices lies in the hands of both</td>
<td>4.11</td>
<td>.646</td>
</tr>
<tr>
<td>firms and the public.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government plays a vital role in educating the masses about the advantages</td>
<td>3.91</td>
<td>.622</td>
</tr>
<tr>
<td>of green business.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government should be strict in implementing the green business practices.</td>
<td>3.92</td>
<td>.762</td>
</tr>
</tbody>
</table>

CONCLUSION

The time has come when we start concern towards the depleting environment. The man-made curse has significant impact on the health of the environment. The go-green concept of marketing can help in attaining the sustainability towards the surrounding and will help in restoration measures. Both firms and household consumers have to understand the measures and should take adequate responsibility in protecting the same. Government should bring in suitable policies to facilitate the process. No doubt the journey behind go-green process is long and complicated, however attempts should be undertaken at individual and organisational level to create a healthy and live long environment.

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WORKABLE AND EFFECTIVE WAYS AND MEANS OF INCREASING AGRICULTURE ADVANCE

Hrishikesh Mishra
Chief Manager (Faculty), Staff College, Union Bank of India, Bengaluru, India
Email: m.hrishikesh@yahoo.com

ABSTRACT

It is estimated that India will have a population of about 137 crores by 2025 and about 400 million tonnes of food grains would be needed to feed this population. It would therefore be necessary to plan agriculture development on sustainable basis. India has about 100 million operational holdings and about 70% of farmers have land holdings less than 2 hac. It is therefore necessary to evolve a technology, which would increase the productivity of small holdings and maintain ecological balance. For agriculture to be successful, many inputs are required. These are quality seeds, fertilizers, pesticides, good management, and good rainfall at the right time OR availability of irrigation etc. In addition to the above, one of the important input for agriculture is the availability of financial assistance from formal financing institutions at the right time. Here the role of Bankers is very important. Lending to agriculture can be in rural, semi urban, urban and also in metro areas. Lot of scope and potentiality lies at all places and these have to be identified and capitalized particularly for investment credit. In order to boost agriculture productivity, farmers need access to affordable and timely credit facilities. Keeping in view of the importance of Agriculture Advance in the interest of the Bank as well as country as a whole, this project has come out with implementable and actionable approach to increase Agriculture advance in banks.

Keywords: Centralised Processing Centre (CPC); Cluster Approach; Agri-Tourism; Homestead Farming; Rseti; Agri-Value Chain; Tat; Integrated Credit Needs; Business Development Cell

INTRODUCTION

Agriculture sector occupies a key position in the Indian economy. It provides employment to about 65 percent of the working population of India. Agriculture is a dominant sector of our economy and it plays a major role in the growth of economy in India. The contribution of agriculture in the GDP of our country is 13.70 percent as of 2013 and it contributes more than 10 percent of our export earnings.
Agriculture credit by institutions/banks has recorded an increasing trend year by year. In order to improve agriculture productivity, farmers need access to affordable and timely credit facilities. In June 2004, Government of India announced a credit package envisaging doubling of agriculture credit over a period of three years beginning from 2004-05 and 30 per cent growth of credit flow to agriculture every year thereafter.

OBJECTIVES

1. To analyse the reason for slow growth in Agriculture Lending in Bank
2. To suggest implementable strategies to cover the big ticket advances
3. To identify new avenues and new schemes for agriculture financing.
4. To suggest implementable strategies to increase Investment Credit

SCOPE

The ongoing importance of agriculture production in the Indian Economy and the credit need to meet such a production requirement on a continuous basis for the sustainable growth of the Bank & economy, timely and adequate credit requirement needs to be given focused approach. The productive sectors of the economy i.e. Retail, agriculture and MSME will continue to be the Bank’s focus area for the years to come.

The Bank is paying penalty in term of not only ‘Rural Infrastructure Development Fund’ (RIDF) but also the image & reputation due to non-achievement of the priority sector & agriculture credit targets as these also being the social commitments for the Bank.

The shortfall in the regulatory requirement of 18% of ANBC under this is directly affecting the Bank’s profitability. Therefore the Bank needs to focus on Agriculture Sector.

Reasons / Drawback in Increasing the Agriculture Lending

Despite Banks are having well structured organisational set up and various products for financing agriculture related activities to meet all the requirements of farmers, they fail to achieve the targets. From the interaction/discussions with Field Officers, Credit Officers, Branch Managers and others bankers, following outcome/points emerged as a constraints in increasing agriculture advances:

Lack of Awareness about the Bank’s Products & Services

Though Banks are having all financial products to meet the requirement of the customers but they (customers as well as staff/officers) are not aware about the same. This may be because of the fact that our Bank is not financing for the diversified agriculture activities and lack of our marketing & advertisement effort for the agricultural lending products.

Lack of Knowledge/Expertise In Carrying Out The Agricultural Project

Agricultural project needs special skill to be successful. Due to lack of skill and expertise in the agricultural project, farmers are not interested in taking up the new potential projects. There is a need of intensive capacity building programme for the farmers on continuous basis.

Poor Marketing and Infrastructure Facilities

Even if the potentials are there in the rural areas but because of poor marketing & infrastructure facilities, farmers are not able to get the price of their product. Agriculture sector faces the problem of marketing, storage, processing and transportation everywhere due to which farmers are not getting good price on their produce.

Fragmentation of Land

Due to fragmentation of land holding, it becomes economically unviable for commercial production which results into lesser demand for investment credit. The average land holding of farming household
as per economic survey 2010-11 is 1.15 ha. These result into poor credit demand and less agricultural production.

Majority of the farmers are small and marginal farmers who are demotivated and less involved in farming practices because of the lower and seasonal income from the farming activities.

**Higher Demand of Short Term Credit & Comfort in Dealing with the Same**

Because of the interest subvention benefits and easy availability of crop loan from the Bank, farmers prefer to avail the benefits available to them. It requires comparatively lesser technical expertise to process & deliver the loan unlike the project/term loan

**High Fluctuation in Farm Output & Prices**

In our country, Agricultural activities are affected by monsoon. Due to uncertainty of monsoon there is a huge fluctuation in agricultural production which is having direct impact on the prices of produce. It has to face the vagaries of natural calamity like flood, draught, earthquake, sunami, etc. Even in the good monsoon year, there is a glut in the market, they will not get the good price nor are they having facility to store it. Therefore, they are reluctant to take high risk with high investment.

**Higher Delinquency in Agriculture Advances**

Most of the field functionaries are facing higher delinquency rate under agriculture advances whatever may be the reason. Therefore, they avoid taking up new agricultural project having good potential.

Since the farmers are not having employment throughout the year as most of the farmers are doing subsistence farming and involved only in one activity. Due to lack of regular source of income, they default in repaying Bank’s loan resulting into higher delinquency ratio.

**Area Specific Schemes**

Most of the regions/areas are not having specific schemes to meet the specific requirements/needs of the people.

**Lack of Adherence to TAT**

“Everything else can wait, but not agriculture” – Jawahar Lal Nehru. It has been felt by our field functionaries that due to non adherence of TAT, farmers/Agri Entrepreneurs are not having confidence to get the credit in time. Timely credit affects the agricultural activities for timely sowing, timely application of inputs, harvesting, threshing, transportation, storage, processing, marketing etc resulting into higher productivity of crops.

**Lack of Connectivity with Farmers**

Because of the various reasons in branches, Field Officers/Branch Managers are not able to connect with the farmers as they are supposed to attend the meetings at various levels, identify the problems as well as provide them the probable solutions.

**Technology Related Issues**

The software used by the banks for processing proposals require updation on a continuous basis particularly for scale of finance related loan proposals which is not in place and processing through it should be made simple.

**Recommendations / Suggestions**

Keeping in view of the above bottlenecks in increasing the agricultural lending as well as agricultural production in our country, suggestions were sought from various concerned person to improve the same.

Based on the feedback received from the field functionaries such as senior branch managers, experienced Agricultural Field Officers and the interactions with various bankers from different Banks
following points are suggested for the implementation to improve agriculture lending portfolio in Banks:

**Comprehensive Agricultural Loan Policy**

Though the Banks are issuing the circulars every year and manual is in place, a need is being felt by the field functionaries to have Agricultural Lending Policy for the Bank which will be including comprehensive guidelines, organisational set up of vertical, Agri Focused Branch, RSETI, etc in the line with the loan Policy. It will give a feel to staff members the importance of Agriculture Credit.

Field functionaries can always refer to this for the guidelines as well as area specific schemes & major agricultural loan products included in the policy.

**Focused Approach through Set up Of Centralized Processing Centre Like Union Loan Point For Agriculture Project Loan Or Alternatively Set Up Of Business Development Cell For Agricultural Advances Or A Mobile Team Of 2-3 Officers**

Most of the field functionaries are of the opinion that Centralised Processing Centre for Agriculture Project loan will give a better result as the same is very successful in some of the Banks like State Bank of India, Axis Bank, IDBI Bank, Canara Bank, etc.

The set up of CPC will be like Union Loan Point in Union Bank of India and Loan Factory of Bank of Baroda which may be headed by a Chief Manager having agricultural lending background and consisting of 2 – 3 specialist officers for Marketing, Lead Generation, follow up with branches and processing of the proposals. This team will also provide the advisory & counseling services to farmers. CPC may be set up in the Agri-Focused Region initially which will be processing project loan only.

Alternatively Bank may think of set up of Business Development Cell in Regional Office with the same structure. In this way Branches will be having more time for mobilization of credit proposals, monitoring & follow up.

Another option for speedier disposal of loan proposal with quality may be to form a Mobile Team of two-three dedicated officers whose responsibility will be to market, mobilize & process the project loan proposals of different branches of the Region.

**RSETIs Should Be Integrated With Training System of Bank and Should Be Controlled by the Training System for Effective Implementation of Objectives of RSETI**

RSETI is A Resource Organization Committed to Entrepreneurship Development through Motivation, Training and Facilitation. RSETI is to be established in every lead district as per the guidelines issued by government of India. It can be a very effective tool for the bank to enhance the agriculture credit and priority sector advances.

For its effective management and to impart effective training for the settlement of unemployed youth and farmers, RSETI should be integrated with training system of bank.

The in-charge of the RSETI should be having a very good track record & performance in his credit.

**Aggressive Advisory & Counseling Services to Farmers**

Lack of awareness among the farmers about the improved cultivation practices and latest technology is one of the biggest hurdles in the improvement of productivity of agriculture sector. This problem can be resolved by strengthening RSETI with right person at right place.

The role of RSETI is not only imparting training but also to see the post training activities of the participants for their settlement through credit linkage with Bank.

VKCs can play a very effective role in providing advisory & counseling services to the farmers.
Area Specific Schemes & Cluster Approach

It should be designed keeping in view of the Agro Climatic Zones. Our country is having diverse climatic zones and the agricultural activities depend upon weather & climatic condition of the locality.

Branches should focus on cluster development for different activities as it will be win-win situation for both farmer as well as Bank. The availability of inputs at reasonable price and marketing of the produce will no more be a problem as market will reach at the doorstep of farmers for the simple reason of assured supply. The cluster approach is very successful in Tamil Nadu & Karnataka.

This is possible through the formation of good number of Farmer’s Club, SHG/JLG and association of Farmers.

Integrated Credit Needs

The branches should be advised to focus more on project/Term Loan proposal along with the production credit/short term credit and emphasis should be for the cross selling of credit for other allied activities as these are interlinked with each other and there is symbiotic relation between them.

Every UGC holder should be approached and canvassed for one or more allied activities as this will not only enhance their income level but also provide them employment throughout the year. This will keep them motivated & involved in farming practices resulting into a better production and also a significant growth in agriculture loan portfolio of bank.

Entire credit needs of the farmers should be looked into while processing any proposals with a project approach from sowing to marketing of the produce.

Simplified Mortgage Loan for Farmers

This scheme should be remodeled for ease and comfort of availing loan by the farmer. Under the scheme, a limit should be fixed depending on the eligibility criteria i.e. 50% of the value of the land or 5 times of annual income or maximum Rs. 10.00 lacs whichever is less. This should be in the form of overdraft/cash credit running facility which can be operated by the farmer as per their need & requirement within the overall limit as per eligibility.

This limit should be given to creditworthy progressive farmers who are involved in the activity since last three years.

Some of the banks are having similar product in which limit is sanctioned as per the eligibility and farmers are using the same as per their convenience.

Focus on Emerging Trends & Techniques in Agriculture

Due to fragmentation of land holding, it becomes very uneconomical to operate and generate profits. With the changing scenario, farming sector is adopting the innovative cultivation practices which require capital investment along with technical skill. Following are the emerging trends & techniques in agriculture which need to be adopted to meet the food requirements of our country’s growing population.

1. Genetic Engineering
2. Tissue Culture
3. Green House Technology
4. Farm Mechanisation
5. Precision Farming
6. Super Critical Fluid Extraction
7. Cold Storages with Cobalt Unit, i.e. with irradiation facility
8. EM (Effective Microorganism) Technology
9. Organic Farming
10. Mushroom Cultivation
11. Bio-Pesticides, Organic Pesticides
12. Biological Control of Pests and Diseases of the Plants
13. Natural Sweeteners
14. Medicinal and Aromatic Plants
15. Bio-Fuel
16. Cultivation of Algae-Spirulina
17. Growing of Exotic Fruits and Vegetables
18. Extraction of Guar Gums
19. Vermicomposting
20. Water Storages-Farm Ponds/Tanks
21. Hi-Tech Dairy
22. Contract Farming
23. Hatchery Units
25. AEZ – Agri Export Zone

Monthly News Letter

Monthly News Letter should be published by the Banks in which along with the various updates the names of the top performer Branches, ROs, FGMOs, etc and the bottom 10 performers should be published which will keep the field functionaries motivated.

Success stories of the branches, BMs & RDOs may be published & circulated through this which acts as a motivational tool for them to continue the motto and the same can be replicated in other branches as well.

Advertisement

Generally bank’s major advertisements are for the retail loan products the result of which is seen in the form of increasing retail loan portfolio. Bank should also allocate the due share for marketing and advertisement of agricultural Loan product.

Advertisement of agriculture loan product should be increased through electronic, print, websites, radio, etc. A wide publicity campaign will give product visibility and will be helpful in getting good proposals. Publicity of Bank can also be through corporate tie-up model.

Farmer’s Meet / Farmer’s Club

Branches can organize the Farmer’s Meet/Villager’s Meet at least on quarterly basis in which a presentation on Bank’s products & services as well as benefits of availing the services can be given. This opportunity also can be utilized for various campaign related activities like credit camp, recovery camp, CASA campaign, third party products, etc.

Formation of Farmer’s Club/SHGs/JLGs can be explored and the meet can be organized in future with the help of these.
Corporate Tie-Up
We may think of having good number of long term corporate tie-up with the manufacturers, dealers, agencies, departments, etc for backward & forward linkages. Under corporate tie-up model entire Agri Value Chain can be financed and the model of channel financing can be implemented. The opportunity of financing through contract farming model should be explored.

Duty Hours of Specialist Officers
The Banks may think of splitting the duty hours of Specialist Officers, who are involved in Agricultural Lending activities, in two shifts: First shift in the morning from 6:00 am to 10:00 am for the field visit on daily basis for inspection, mobilizing new proposals, monitoring, NPA recovery, attending meetings of Farmers Club, SHGs, JLGs, etc and second shift from 2:00 pm to 6:00 pm for processing, documentation, etc in the Branch.

Financing To MFIs / SHGs / JLGs
It is not economical for the Bank to disburse the micro credit. The MFIs are having good organizational set up and having expertise in delivering the micro credit. The MFIs are very successful in rural areas and having recovery percentage more than 95%.

Agri Tourism
At some of the selected potential centres where Bank has adopted the village can be developed as Agri Tourism Centre. It will benefit all the surrounding villages where organic farming practices are adopted.

This is getting momentum in states like Goa, Kerala, Karnataka, etc where there is a good scope of tourism. In these states, there is well established Agri-Tourism Associations which is very active in promoting the tourism. It is suggested to have tie-up with the associations to develop other villages in the similar lines.

Homestead Farming/Farm House/Green Gardening
A product/scheme should be designed for Homestead farming/Farm House/Green Gardening. A person who is having a small piece of land near residential house and is growing short duration crops/vegetables/nursery can be financed for the same may be jointly with spouse.

Adherence to TAT
The branches & regional offices should adhere to the TAT which will give confidence among the farmers/entrepreneurs to get it sanctioned within time.

Technology Related Issues
a. By enhancing the speed of software for processing the loan proposals and adopting the simplified procedure for processing the loan through it. RO should update the package on regular basis.

b. Intranet Web-Portal: It should be installed in every Rural Branch which will display the product features on real time basis.

c. Dedicated Call Centre for Farmers: Bank should have a separate call centre for agricultural activities which will be helpful in imparting counseling & advisory services also.

Capacity Building through Training and Financial Literacy
The Banks should organise the training program and Financial Literacy Camps for farmers to make them aware about the various latest technological practices which can be adopted and also Bank’s loan products & services.
The officers looking after the agricultural lending activities should be specialized and should have knowledge about the agricultural practices as well as Bank’s scheme for the speedier disposal of the proposals.

CONCLUSION

Agriculture is the largest sector of the economic activity and is having crucial role in the country’s economic development by providing food & employment to a very large sector of population, capital for its own development & surplus for national economy.

Agriculture credit is one of the most crucial inputs in all agricultural development programmes. Agriculture sector is having very good potential. With better focus and facilitation, India’s net earnings from agriculture trade can be higher than trade & services.

We can adopt a professional approach in providing timely credit to enhance production & productivity by exploring the vast untapped potential of the agriculture sector.

Our country is having very good network of Bank’s branches which are well spread across the country in all agro climatic zones with a good number of specialist officers and a separate vertical looking after the entire credit needs of the sector. We need to exploit the potentials we have for a better result with focused & professional approach.

It is hoped that the observations in this report and the suggestions made will to an extent help in achieving the above objectives.

“Of all things before us, agriculture comes first” – J L Nehru

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TRANSFORMATION FROM E-COMMERCE TO M-COMMERCE IN INDIA

Tarandeep Kaur
Assistant Professor in Commerce, Mata Gujri College Fatehgarh Sahib, India
Email: tanusiviya15@yahoo.com

ABSTRACT

Electronic commerce and mobile commerce are not only frontier for doing global business and trade but also offers multiple benefits to the business, government and consumers on massive scale. Many companies, organizations, and communities in India are doing business using E-commerce and also are adopting M-commerce for doing business. But still E-commerce is not ubiquitous and pervasive and M-commerce is at nascent stage in India. The tremendous growth in mobile phone penetration shows that major Indian population has adopted to mobile phone and advancement in mobile technology and its usage is not limited for making basic phone calls, but can be used virtually in every sector of human activity—private, business, and government. In this paper researchers attempted to answer the research question that `Is India moving from E-commerce to M-Commerce?'. In this study researchers identified the potential of E-commerce and M-commerce by reviewing its current status in India and considering the online users and their usage behavior. Through this paper, researchers attempt to identify the issues for the future growth of E-commerce and M-commerce with its present volume transactions in India and highlighted critical challenges before E-commerce and M-commerce would become an asset for common people. Researchers observed that customized and innovative services, right regulation and right models will drive the future Ecommerce and M-commerce and it will occupy large segment in Indian market. This paper evaluates the position of E-commerce and M-commerce in India which will be further helpful to for increasing productivity in India. At the same time it will also useful to design and implement different models of mobile commerce in India as model for the commerce in India.

Keywords: Electronic Commerce & M-Commerce in India; TRAI (Telecom Regulatory Authority of India); RBI (Reserve Bank of India); Online Users and Usage Behavior in India; Challenges of E-Commerce in Indian Market; Challenges of M-Commerce in Indian Market

INTRODUCTION

E-commerce, stands for electronic commerce, on the internet, it pertains to a website, which sells products or services directly from the site using a shopping cart or shopping basket system and allows payments through cards, e-banking, cash on delivery. Customers can purchase anything right from a Insurance Policy to pen o sitting comfortably in their office or home and gift it to someone sitting miles apart just by click of a mouse. It offers several benefits to businesses like easily reaching to a fast growing online community, providing unlimited shelf place for products and services, merging the global geographical and time zone boundaries and helping to reach national and global markets at low operating costs. Ease of internet access and navigation are the critical factors that will result in rapid adoption of E-commerce. Safe and secure payment modes are essential to popularize E-commerce in India. Though it offers many benefits to users, there are many reasons for not shopping online like are lack of trust, security concerns, uncertainty about product and service quality, delay or non-delivery of goods, and lack of touch-and-feel shopping experience. Mobile Commerce (M-commerce) is the
subset of electronic-commerce (e-commerce), which includes all e-commerce transactions, carried out using a mobile (hand held) device. M-commerce is the way of doing business in a state of motion. Depends on the availability of mobile connectivity. We have become used to making mobile phone calls anywhere, at any time and m-commerce is build on that capability. According to IT experts, in the future, consumers will be able to shop using a handheld computing device, PDA, wearable computer, mobile phone or smart devices. In virtually any place – malls, restaurants, hotels, airports and other locations – this user will be able to receive coupons, download information, receive sales offers, and perform credit card transactions. In such future scenarios, M-commerce means that customers can shop anywhere, anytime. M-commerce offers multiple advantages like Ubiquity, personalization, flexibility, and distribution, instant connectivity, immediacy. There are many ways in which business, government and citizens of India could benefit from M-commerce like

- Selling a product or service which is information based( delivery directly to mobile devices) or location based
- Improving productivity by gathering time critical information(reports, photographs) and SMS based up-to-date information
- The ability to access information on mobile, at affordable cost can change people's lives and livelihoods in rural areas. (Latest on the weather report or health services). It can be used as the medium to educate and create awareness among the rural people. Usages of Internet on mobile devices have lead to information access overcoming geographical barriers and removed the training cost of mobile technology.

OBJECTIVES

1. To identify the potential of E-commerce and M-commerce by reviewing its current status in India
2. To study the online users and their usage behavior.
3. To identify the issues for the future growth of E-commerce and M-commerce with its present volume transactions in India
4. To understand critical challenges before E-commerce and M-Commerce would become an asset for common people.

RESEARCH METHODOLOGY

For this study information is collected from TRAI, RBI guidelines available online and different websites, blogs and The Economic Times articles.

LITERATURE REVIEW

Studies Related to Consumer Behavior in Context of M-Commerce:

- Je and Myeong-Cheol (2005) studied mobile internet acceptance in Korea by developing an extended version of TAM to better reflect M-internet context. They found that attitude toward mobile internet is the most significant determinant followed by the perceived playfulness and the usefulness to use M-Internet. Further, they established the positive role of the perceived playfulness and the negative role of perceived price level in developing the attitude as well as the intention.

- Nor Shahriza et al. (2006) in their study explored the utilization of mobile phone services in the educational environment and found positive perceptions towards the application of wireless hand services in the context of library and information services that led to the extensive usage of mobile phones applications among Malaysian students.
Vrechopoulos et al. (2002) compared adoption rates and consumer behavior toward m-commerce among Finland, Germany and Greece and found significant difference among consumers in three countries. The study indicated European consumers’ were high in adoption and diffusion due to better quality mobile devices, user-friendly shopping interfaces, more useful applications and services, lower prices, better security, better coverage and higher speed.

In a similar study in Thailand, Kini and Bandyopadhyay (2006) found "good pricing", "quality of service" and ubiquity of mobile device as critical success for higher usage for mobile commerce. While Park et al. (2007) found performance expectancy, effort expectancy, social influence, and facilitating condition as major factors that influenced the adoption of M-commerce in China. Researchers used the unified theory of acceptance and use of technology (UTAUT model) to m-commerce adoption.

However, Kini (2009) conducted a study among MBA students in Chile and found that despite this community an extensive user of electronic commerce, they are not contented using mobile commerce owing to mobile access speed, service quality and price factors.

Thakur & Srivastava (2013) in their study in India investigated the factors influencing the adoption intention of mobile commerce based on constructs from the technology acceptance model and innovation resistance theory. Results of the study indicated perceived usefulness, perceived ease of use and social influence as significant determinants for adopting this new technology platform for conducting business. The results also indicated security and privacy risks negatively related with usage of mobile commerce.

Alkhunaizan and Love (2013) in their research analyzed effect of demographical factors (gender, age, education level) influence on mobile commerce usage in Saudi Arabia. Findings of the study indicated that age affect statistically significant on the actual usage while gender and education level do not have impact on the mobile commerce actual usage. In contrast, Park et al. (2007) found moderating factors such as gender and education level to have a significant influence but interestingly, internet usage experience found to have no significant effect on m-commerce adoption.

Jih (2007) examined the relationship between perceived convenience and shopping intention of college students in Taiwan and established a significant relationship between the two constructs, and a positive effect of convenience perception on shopping intention.

**Challenges of E-Commerce and M-Commerce in India**

1. There has been tremendous growth in E-commerce and wireless technology in last decades. This has changed how people do the business with technology environment. For creating flexible and secure Ecommerce and m-commerce in we need to leverage new technologies with old technologies and social and financial and technology development. The technology development issues that remained to be solved like extending handset battery life, increasing small screen usability, Less Powerful Processors and improving chip integration. M-commerce is a subset of E-commerce; it also faces some of the challenges of E-commerce like India has unbanked population, less credit card population, lack of fast postal services in rural India. The challenges of M-commerce in India are listed as below

2. Accessing the Internet by mobile phones is currently hindered down by slow transmission speeds, frequent disconnects, cost of Wireless connection and wireless communication standards over which data is transmitted.

3. High-speed-bandwidth Internet connection not available to most citizens of the nation at an affordable rate.
4. Payment system that connects the utility of the mobile phone and the Internet together for the whole nation.

5. Limited Internet access among customers, lack of awareness about services and security among customers.


7. Multiple issues of trust in m-commerce technology, doubts about m-commerce security, and lack of widely accepted standards and lack of payment gateways (privacy of personal and business data connected over the Internet not assured; security and confidentiality of data not in place)

8. To deploy Ubiquitous IT Infrastructure and its maintenance: IT infrastructure can be defined as physical components such as hardware, software and network facility plus human components such as human expertise, manuals, and corporate culture constitute IT infrastructure of an organization.

**Status of E-Commerce and M-Commerce in India**

Today E-commerce has become an integral part of our daily life. People use internet for various purposes which include: email, academic and financial information search, music and video on internet, chatting, online job search, gaming, booking railway/airline tickets, hotel reservation online news, internet telephony/video chat/voice chat, and online banking. E-commerce has touched every field of human life from information search to entertainment, job search to matrimonial sites.

Online users and their usage behavior of Ecommerce India has witnessed an increase in the number of internet users.

In India, the youth drive internet usage. School and college going students along with young men contribute to 72% of internet activity. According to a report, jointly prepared by the Indian Council for Research on International Economic Relations (ICRIER), The Internet and Mobile Association of India (IAMAI) and the Department of IT India: Impact of Internet, a 10% increase in internet penetration can increase the GDP (gross domestic product) by 1.08 per cent. This will help the country add $17 billion annually. Research studies have indicated several factors responsible for the sudden growth of E-commerce in India such as:

i. It is predicted that by year 2015, around 65% of Indian population will be in the age group of 15-35 years. Since youth is an early adaptor of all technology, this seems to be a positive factor for the Indian Ecommerce market.

ii. India has an added advantage of lowest broadband prices by the organizations like BSNL. This enhances the potential of online transactions.

iii. India has already started the efforts to provide biometric identity with unique identification number to all its citizens. Having this unique identity in place, and guidelines given by RBI for online transactions would make online financial transactions much safer as they can be easily tracked and subject to law.

iv. Technology advancements such as VOIP have bridged the gap between buyers and sellers online. The emergence of blogs can be considered as an avenue for information dissemination and two-way communication for online retailers and E-commerce vendors.

v. Internet penetration is only about 10% (or about 121 million users) as against about 81% in the US and 36% in China. However this number continues to rise at a consistent pace because of falling prices for broadband connections.
vi. Innovation in e-commerce business models like no question asked return policies ranging from 7 days to 30 days, free product deliveries, the industry dynamics changing “cash on delivery” and product compare model offers benefits to customers than traditionally store

vii. Some companies have begun to develop support mechanisms for the entire cash on delivery model and are trying to reach at corners of India, including in the interiors where traditional logistics companies are still not completely present. The logistics companies are also shoring up their act and have started to build specific verticals and expertise to address the requirements of ecommerce companies

viii. Experts say that over the next 12-18 months there would be a couple of multi-product generalists who would be successful along with a leader in single product category.

ix. Secure online shopping model helped to increase ecommerce uptake. Currently only about 10 million people do online transactions out of an approximate population of 200 million credit and debit card holders. However the latest industry report by First Data Corporation and ICICI Merchant Services indicate that there are about 150 million users that are ‘ready’ for ecommerce.

x. More importantly the report indicates that urban Indian consumers are now confident enough to make online purchases of up to US$500 as against US$40-100 in the recent past. So not only are the numbers of online shoppers projected to increase but there has been a real increase in the total value being spent online.

xi. According to CISCO report article in The Economics times, India will have highest traffic growth rate with 44% CAGR from 2012 to 2017 followed by Indonesia and South Africa. Monthly movement for fixed and mobile data is expected to reach about 121 Exabyte by 2017, from 44 Exabyte in 2012.

xii. Improved fraud prevention and detection technologies have offered a safe and secure business environment and helped in preventing credit card frauds, identity thefts and phishing.

xiii. Consumers in cities are fast realizing the potential of the internet as a medium of transactions. 15. The young population finds online transactions much easier and safer.

**Emerging Services of M-Commerce in India**

Increased mobile penetration and use of GPRS on handsets has resulted in the digital downloads market to cross Rs.2.55 Billion by end of March 2008. Monetary transfers or transactions through mobile phones are found to be much cheaper than traditional bank transfers as the transaction costs are much lower in the former. Innovative solutions for daily use such as payment of auto or taxi fares. Inter-bank transfers services are also on the anvil. ICICI Bank Ltd, India’s largest private bank, has already started offering all its services through mobile phones (called mobile banking) since January 2008. Standard Chartered bank has launched a service that enables money transfer from any ATM to any mobile phone across the country. The recipient receives a pin number on his or her mobile phone and the sender has to convey the order number to the recipient. Using these two the recipient can withdraw money from the bank’s ATM’s. Feasibility studies are being conducted to offer M-commerce to microfinance firms to enable them collect payments from remote areas.

**Comparison of E-Commerce and M-Commerce**

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<td>The searching process may be boring because you need to repeat it at many different sites</td>
<td>You need to specify only the requirements and the mobile agent can do the searching for you.</td>
</tr>
<tr>
<td>The search process ties down your resources, while you visit each site in turn.</td>
<td>The search process, if conducted by a mobile agent, frees up your resources</td>
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</table>
If the network goes down during the searching process, you may need to search it from the beginning. It is less dependent on the network condition as the searching is done at the remote sites by mobile agent. This is more efficient as the search can be preceded in parallel by sending out multiple agents. This is time-consuming because you visit the sites only one by one.

**Note:** E – Estimated, CAGR- Compound Annual Growth Rate

**Source:** The Economics Times dated Wednesday 10 April 2013.

As Indian E-commerce industry is growing, e-payments are increasing accessibility and proving convenience for customers as people are paying utilities, bills, tickets, travel, entertainment online instead of standing long queues. The driving forces for this are RBI policies for secure online transactions with additional security code and 286 millions debit card penetration which is one fourth of population. The enhanced security and incentives, discounts, bonus points, cash back, preferential pricing provided by banks and merchants, can further enhance (add fuel) in E-commerce transactions. Major Indian portal sites have also shifted towards Ecommerce instead of depending on advertising revenue. The web communities built around these portal sites with content have been effectively targeted to sell everything from event and movie tickets, the grocery and computers. Most of the banks like ICICI bank, Global trust bank and UTI bank also have put their electronic banking over the internet facilities in place for the upcoming E-commerce market and the speed post and courier system has also improved tremendously in recent years with online package status at any moment in time. The future does look very bright for E-commerce in India with even the stock exchanges providing an online stock portfolio and status with a fifteen minute delay in prices. Due to mobile and internet penetration and always on devices, rural customer is no longer rural customer like before, and lots of money is coming from government funding, income and transfer of funds, can open new market base for industries with wide range of challenges and frontiers. As knowledge and idea sharing increases, it shortens the product life cycle and rate of innovation is accelerated, and those can become asset for business. If people in India are made more aware, assurance of safe, convenient transactions and help to save money will accelerate cash less economy and will benefit to merchants, consumers, overall economy of country.

**M-Commerce Future Growth**

Currently M-commerce in India is offering exciting and renewed services to the existing mobile users like pocket finder of Aircell, SMS based home appliances handling (ONIDA AC, FM), Projector within the mobile device. Social networking sites like Facebook, twitter are also available on mobile. But it has been limited primarily to basic banking transactions, purchase of travel tickets and payment of some utility bills, is finally taking off with banks, cellular operators and payment service providers coming together to find solutions that comply with regulatory guidelines. Security, a prime concern with banking regulators, has been an obstacle to the growth of M-commerce services such as the so-called mobile wallet, which helps make payments at retail outlets through text messages or Internet-enabled phones. The Reserve Bank of India had issued guidelines against creation of the mobile wallet, a derivative of a phone firm’s master bank account, from which millions of subscribers can be served on their mobile phones. Californian mobile payment service provider Obopay Inc. and Bangalore’s Check India Payment Systems Pvt. Ltd are among a fast-expanding breed of mobile payment service providers which have planned offerings that work within the guidelines and bring the convenience of mobile transactions. Banks in India like ICICI Bank Ltd, SBI, Standard Chartered Bank have already started its Internet banking service on mobile phones. Bharti Telesoft Ltd provides software products and solutions to mobile operators, providing solutions for microfinance operations, especially in data collection work. Data shows that currently products and services are merging as a result of cheap processing and widespread networking, and technologies are changing everything from our relationships to everyday objects. This has also changed the market trends and shopping decisions also. KPMG’s study shows that consumers in India and China are leading the drive for personal
banking and retail transactions via their mobiles. While unveiling the findings of the report, that 3G, 4G and BWA (Broadband Wireless Association) will further fuel the growth m-commerce in India as 3G, WiMax and the like that could support multimedia data delivery & these technologies should be able to ensure constant broadband speeds and seamless connectivity. Many service providers in India like BSNL, Airtel, Reliance, Tata Docomo, vodafone are offering wireless 3G. The KPMG study has also revealed that in spite of the humongous growth of mobile telephony in India, more than half of mobile users did not wish to give up their landline. The reasons being, users felt landlines are more reliable than mobiles and it was the primary source for Internet access. This shows that in future E-commerce and M-commerce will occupy major share in Indian Market.

CONCLUSION

The potential of E-commerce is no more a matter of debate and India realizes the importance, as this is an emerging practice of businesses in today’s world. The steps taken by RBI to improve E-commerce transactions and the data of online user and usage showed that India is adopting the E-commerce but it is not ubiquitous and pervasive due inability to leverage mobile and electronic commerce advances. The M – commerce may create history as our study reveals 73% (Figure 1) of the youth uses internet to do commerce for greatest time saviour, hottest & cheapest deal & for updating the corporate life styleMobile penetration in India is very large but the M-commerce industry in India is in its nascent stage and is evolving every passing day. Data shows that many companies are coming forward in this field to offer new services. The huge unbanked population, the lack of credit-debit card penetration, higher charges on credit-debit usages and some barriers like lack of user trust and awareness in e-commerce and m-commerce technology, doubts about security and lack of widely accepted standards can little hinder the growth of m-commerce in India. But the worldwide acceptance and use of standards in combination with the work performed by market-based competition, collaboration of key players, and regulations imposed by regulation authorities, securities in online payments are expected to boost consumer trust in M-commerce and strengthen its potential and perspectives. India has third largest reservoir of technical human resource, but it is not for medium of commerce for mass people, new models need to be developed and worked out with appropriate strategies to make electronic commerce and M-commerce as key policy for the development and progress in India. This current state will be further helpful to develop the new generation E-commerce i.e. mobile commerce for mass in India. With the explosion of internet connectivity through mobile devices like Smartphone and tablets, millions of consumers are making decisions online and in this way enterprises can build the brand digitally and enhance productivity but government policies must ensure the cost effective methods/solutions. The advancements in technologies and innovative services shows that India is moving from E-commerce to M-commerce, and in future E-commerce and M-commerce will became asset for commerce by the people to the people in India.

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THE ROLE OF TRANSFORMATIONAL LEADERSHIP IN ORGANIZATIONAL COMMITMENT

Samir Contractor  
Assistant Professor, Lala Lajpatrai Institute of Management,  
Mumbai, India  
Email : contractorsamir@gmail.com

ABSTRACT
One of the most important factors influencing commitment of the employees is the behavior exhibited by transformational leaders. It is argued that transformational leaders foster positive employee commitment through their characteristics. Committed employees play a major role in creating the competitive advantage for an organization. In this sense, the purpose of this study is to analyze the role of transformational leadership in eliciting employee’s organizational commitment. As this paper is descriptive, analysis of this paper is totally dependent upon the secondary data like research journal, articles and different websites. The findings of paper could aid the leaders in enhancing the commitment of the employees.

Keywords: Transformational Leadership; Organizational Commitment

INTRODUCTION
Every organization is working hard to attain long lasting success. Success of an organization Depends upon many factor, among them HR is considered as an important contributor. HR plays A major role in creating a competitive advantage for an organization, thus it is not only important To get the best of talent but retaining it is also equally important. Different factors are Investigated and studied for enhancing this variable however; behavior displayed by leaders Plays a very important role. Every organization needs effective leaders who fulfill organizational Efficiency by increasing follower's job satisfaction, performance and commitments. It’s extremely imperative to understand the connection between transformational leadership and Organizational commitment so that such behavior could be used for enhancing the Organizational commitment of the employees. The findings of the study provide evidence that Transformational leadership is at the core of organizational commitment. This study suggests that Transformational leaders are better able to enhance the organizational commitment of the Employees.

Transformational Leadership
Over the past 20 years, transformational leadership has generated a great deal of research Attention. The concept of transformational leadership is first introduced by James Mc Gregor Burns in 1978. The work of Burns (1978) was further extended by Bernard M. Bass (1985). Bass (1985) based his theory of transformational leadership on Burn’s (1978) conceptualization, with several moderation or elaborations. Unlike Burns, Bass argued that Transformational and Transactional leadership, while at the opposite ends of the leadership continuum, maintained that the two can be complementary and that all leaders display both leadership styles though to Different degrees. In leadership literature four dimensions of transformational leader are defined: (1) idealized Influence; (2) inspirational motivation; (3) intellectual stimulation; and (4) individualized Consideration.
Idealized influence or charisma is the first element which involves demonstrating behavior such as serving as a role model, setting high standards of moral values, communicating the importance of a collective sense of vision and sacrificing for the benefit of the group. The leaders who possess these qualities are respected, admired and trusted by everyone. The followers of such leaders feel proud for being associated with him/her.

Inspirational motivation the second element involves leaders’ ability to motivate followers so that they are able to perform beyond the expectation. This characteristic involves the leaders’ ability to communicate clearly the shared vision so that the workers get inspire to achieve important organizational strategic goals. They excite and challenge their followers so that they are able to accomplish great things.

Intellectual stimulation the third element displays behaviors that increase awareness of problems and challenge follower’s assumptions to generate more creative solutions to problems. Such leaders create a culture of active thinking and thus encouraging innovation. They reframe problems to find new solutions. Individualized consideration the fourth element involves leader’s capability to treat each follower individually by giving them the personal attention. Such leaders are compassionate, responsive and appreciative to the employees’ needs and they thus celebrate individual achievements.

Organizational Commitment

Organizational commitment is one of the most frequently studied concepts in organizational psychology and organizational behavior. Organizational commitment is the physiological link between an employee and his organization that makes it less likely that the employee will voluntarily leave the organization (Allen & Meyer, 1996). No doubt, the organizational commitment has become the one of the most research topic in this globalized era. This construct is an important issue in today’s highly competitive business environment as the organization?

Need committed employees to survive in such a globalized scenario. Numerous definitions of Organizational commitment have been proposed (e.g., Meyer & Allen, 1997; Morrow, 1983; Mowday, Porter, & Steers, 1982; O’Reilly & Chatman, 1986), but the common theme of all the definitions is that organizational commitment is the emotional bond or attachment between the employee and his organization. This study found that organizational commitment is the one of the most research topic in this globalized era. This construct is an important issue in today’s highly competitive business environment as the organization?

Meyer and Allen (1997) have found that organizational commitment consists of affective, continuance, and normative commitment. Affective commitment - it refers to the employee’s who demonstrate emotional attachment to, identification with and involvement in the organization? Continuance commitment is that commitment in which employees are continually working for organization because they cannot bear the cost to leave the organization. Normative commitment occurs when an employee feel a sense of obligation towards his organization.

LITERATURE REVIEW

Many studies have been conducted to establish the link between transformational leadership and Organizational commitment. A number of theoretical arguments can be considered to analyze the relationship between transformational leadership and organizational commitment.

Simon (1994) conducted a study on 228 employees in three different US organizations to examine the effect of transformational leadership on organizational commitment. The study found that the ability of leaders to use transformational behaviors (i.e. intellectual stimulation, individualized consideration, idealized influence) has been a major determinant of Organizational commitment.

Bycio.et al., (1995) explored the relationship between transformational leadership and Organizational commitment. The study was conducted on the sample size of 1376 nurses in some US health
organizations. The study found a positive relationship between transformational Leadership and organizational commitment.

Rowden (1999) conducted a study to measure the relationship between the six leadership Behaviors identified by Conger and Kanunogo and two organizational commitment components identified by Porter and Smith. The sample of total 245 respondents participated in the study.

The result indicated that leaders’ sensitivity to members need is related to Organizational commitment. He stated that it is unlikely that someone would be committed to an organization where its leader was not attuned to his or her needs.

Bono & Judge (2003) conducted a study on 247 leaders and 954 followers of these leaders to find Out the association of transformational leadership with various variables related to their followers (self-concordance, follower job satisfaction, and follower job performance). Apart from various other conclusions, the study found a positive relationship between transformational leadership and organizational commitment.

Emery & Baker (2007) conducted an exploratory study to examine the effect of transactional and transformational leadership on the Organizational commitment and job satisfaction of Customer contact personnel in banking and food store organizations. The researchers assessed 77 Branch managers from three regional banking organizations and 47 store managers from one National food chain using Multifactor Leadership questionnaire (MLQ) and 15-item instrument by Porter et.al (1974) to measure leadership and organizational commitment respectively. The study found that three factors of transformational leadership i.e. charisma, intellectual Stimulation and individual consideration were significantly correlated with the Organizational commitment.

Kim & Kim (2014) propose and empirically tested a research model in the context of corporate Spilt-off. The model was to test the differing effects of integration strategy and transformational Leadership on affective organizational commitment. The result of this study showed that Inspirational motivation and individualized consideration were statistically relevant to explain Affective commitment. Furthermore, the study showed that the other two dimensions of TL i.e. Charisma and intellectual stimulation were not statistically related to affective commitment.

Fasola O.S., Adeyemi, M.S., Olowe, F.T (2013) examined and investigated the relationship between transformational, transactional leadership style and their dimensions on the Organizational commitment using multifactor leadership questionnaire (MLQ) and organizational commitment questionnaire (OCQ). The findings of the study showed a positive relationship between transformational, transactional Leadership and organizational commitment. In addition to this, it was found that the impact of transactional leadership styles on the commitment of banking employees in Nigeria is more effective than the transformational style. Based on the findings, it was recommended that managers should positively reward employees with praise and Recognition to make them perform beyond expectations. The study also laid emphasis on using Negative reward approach to improve the below expected performance.

FINDINGS OF THE STUDY

The review of literature shows that there is a positive relation between EI and organizational commitment. Transformational leaders care about their followers’ well-being and they even appreciate their contribution. Such behavior of transformational leaders elicits affective commitment by fulfilling socio-emotional needs as need for esteem, approval and affiliation. (Stinglhamber & Vandenberghhe 2003) Leaders who depict transformational behavior are better able to enhance the commitment of the employees. Transformational leaders share the collective Conscious of their organization. They understand what actions to take to evoke change, spur innovation, and make decisions that will create growth. These characteristics induce a sense of commitment in the employees of the organization. The findings of this study can be used as a Guideline by the management to upgrade the effectiveness of leadership styles in their Organization.
CONCLUSION

The study recommends that the management in organization must focus on leaders’ behavior for improving employees’ organizational commitment. Transformational leaders are able to display good interpersonal relations which in turn influence the employee’s commitment. To enhance the Organizational commitment of the employees, leaders’ needs to depict the characteristic of Idealized influence and must give personal consideration to their employees. The study concludes that transformational leadership style is more appropriate in inducing organizational Commitment. Hence, the study recommends that organization must adopt transformational Leadership style to enhance the organizational commitment of their employees.

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ABSTRACT

Performance appraisal is one of the elements of Human Resource Management for measuring and assessing the execution of the representatives in an association over a timeframe as against the set models. Diverse routines are utilized for assessing execution as a part of distinctive sorts of associations and 360 degrees execution examination is one of them. In spite of the fact that it is not exceptionally well known in India but rather numerous enormous associations utilize this strategy for measuring worker's execution. Through this paper, an endeavor has been made to comprehend and display the approach behind the 360 degrees execution examination and how it can be actualized in associations. Different advantages and detriments of bringing this technique into associations have likewise been recorded down. The accessible writing gives a diagram in regards to how this system is helpful for expanding the general effectiveness of the representative as an individual and the firm overall, and subsequently execution enhances and preparing and improvement prompts genuine open doors for advancement inside of the organization. Representatives are likewise persuaded and can have a positive thump on impact in ranges like client administration.

Keywords: Performance Appraisal; 360 degree

INTRODUCTION

In HR or industrial psychology, 360-degree input, otherwise called multi-rater criticism, or multi source appraisal, is input that originates from individuals from a worker's prompt work circle. Regularly, 360-degree criticism will incorporate direct input from a worker's subordinates, peers (associates), and supervisor(s), and also a self-assessment. It can likewise incorporate, sometimes, input from outer sources, for example, clients and suppliers or other intrigued partners. It might be appeared differently in relation to "upward criticism," where administrators are given input just by their immediate reports, or a "customary execution examination," where the representatives are regularly audited just by their supervisors.

The outcomes from a 360-degree assessment are frequently utilized by the individual getting the input to arrange and outline ways in their improvement. Results are additionally utilized by a few associations as a part of settling on authoritative choices identified with pay and advancements. At the point when this is the situation, the 360 appraisal is for assessment purposes, and is at times called a "360-degree audit." However, there is a lot of verbal confrontation in the matter of whether 360-degree criticism ought to be utilized solely for advancement purposes,[1] or ought to be utilized for examination purposes too.

History

The German military first started assembling criticism from different sources so as to assess execution amid World War II. One of the soonest recorded employments of reviews to accumulate data about representatives happened in the 1950s at Esso Research and Engineering Company. From there, 360 degree input picked up energy. In mid-1980’s teamwork was encouraged and opinions from peers, boss and even customers were given importance and by the 1990s most HR and hierarchical
improvement experts comprehended the idea. The issue was that gathering and grouping the criticism requested a paper-based exertion including either complex manual computations or protracted deferrals. They initially prompted despair with respect to experts; the second to a steady disintegration of duty by beneficiaries.

In any case, because of the ascent of the Internet and the capacity to direct assessments online with reviews, Multi-rater input utilize consistently expanded in prominence.

As of late, Internet-based administrations have ended up standard in corporate advancement, with a developing menu of helpful elements (e.g., multi dialects, similar reporting, and total reporting).

**OBJECTIVE**

1. To understand the concept of 360 degree appraisal system along with its evolvement
2. To understand the advantages and disadvantages of 360 degree appraisal system
3. To understand the systems implementation in Indian context

**Pre-Requisites of 360 Degree Appraisal**

It is imperative for the association and the workers to be arranged ahead of time for the change and tolerating another technique for evaluation. Taking after are a few focuses to be dealt with for this strategy to be powerful:

1. Top administration ought to have the capacity to extra such an extensive amount time to give criticism for every one of the representatives.
2. The criticism subsequently given ought to be free from inclination and obscurity to be guaranteed for the technique to be compelling.
3. The criticism ought to be considered genuinely and the data ought to be accustomed to get positive change oneself and the association.
4. Teamwork ought to be empowered in the association keeping in mind the end goal to accomplish the associations regular target.
5. There ought to be presence of sound rivalry among the representatives of the association.
6. Employees ought to be curious and ought to need to know how individuals feel for them so they can enhance their conduct and performance.

**360 Degree Appraisal System In India**

The unique feature of 360 degree appraisal system is the all-around evaluation of an employee by a group of evaluators. Since the list of evaluators includes supervisors, employees, peers, internal and external customers. Many HR managers view this as a decisive step towards democratization of performance appraisal process, it's also seen by them as an effort to make evaluation as fair and equitable as possible by moving away from traditional top down approach to employee performance appraisal.

However, for a long time, many Indian companies were not enthusiastic about 360 degree appraisal system as an evaluation system due to wide and varied factors like troubling the conventional hierarchical structures, fear of eroded authority by supervisors and fear of victimization of employees. In recent times, there has been a change in attitude and perception of organization towards this appraisal system.

Maruti Suzuki and Ernst & young have developed a 360 degree feedback system for assessing the senior leaders of the former company jointly. As a part of the system peers and employees were asked to respond to a questionnaire online, prepared by E&Y which had compiled the leadership competencies required for managerial people.
Benefits

360 degrees examination offers opportunity to all levels of workers to give their data and contribute towards accomplishment of the association objective. Various particular advantages can be acknowledged from this kind of evaluation, and this method has been increasing boundless ubiquity among little organizations. 360 degrees input helps the people to get a more extensive point of view of how other see them and in this manner it spurs them to work harder towards accomplishing hierarchical objective. The input gives a more adjusted perspective of their execution. Taking after are a few advantages of 360 degree input which I could assemble out of the accessible writing:-

Create Awareness among Representatives and Senior Administration- This arrangement of input makes mindfulness and soul to contend among the workers. They tend to endeavor to accomplish their departmental objectives and their own objectives keeping in mind the end goal to have a superior execution positioning. Since, criticism is taken from companions likewise so representatives ten to have better associations with their partners which bring about solid workplace. The representatives, as well as senior administration excessively gets, making it impossible to know their requirement for improvement. The input in this manner got, is thought to be more goal and legitimate as it's gathered from different sources.

All Round Advancement of the Individual Being Evaluated- This framework helps in the inside and out improvement of the workers. They'll likewise keep up great relations with the clients and suppliers. The defects of persons can be known and in like manner instructional meetings can be masterminded to conquer the shortcomings of the workers. “It widens the degree for workers to get different says for improving their occupation part, execution, and views.

All Endeavors Are Co-Ordinated Towards Accomplishing Authoritative Target- The criticism is tackled sure parameters said in a survey. These parameters are for the most part same for representatives of same level or same office or bunch. Therefore the sort of work they are required to do is likewise same. They coordinate their endeavors towards accomplishing their own objectives and hierarchical objectives. Their input likewise relies on upon how fruitful they were in accomplishing the authoritative target.

Offers Enhancing Execution of Association In General- The Organizations Some Assistance With Canning Utilize The Information Gathered Through Criticism Projects To Screen Reliable Examples And Zones Of Shortcomings For Representatives Inside Of The Association (Ref.3). In This Way As Talked About In The Above Focuses, The Top Administration Can More Powerful And Proper Preparing Projects To Conquer The Feeble Ranges. This Will Prompt Change In Execution Of Different Divisions In The Association And Thus, The General Execution Of The Firm Goes Up.

Expanded Consistency in the Execution- An overall criticism helps in enhancing the consistency in the working examples of an association. The workers are more concerned in regards to how others see them. This rouses them to perform reliably towards accomplishing the authoritative objective as this will offer them some assistance with achieving their own objective too, which will assist lead to individual development. In this manner the representatives will feel more substance with their execution. 360-degree input permits representatives to pick up a more exhaustive comprehension of their effect on individuals they cooperate with consistently (ref.7). This technique helps in rousing the representatives who underestimate themselves.

Enhanced Prevalent Subordinate Connections- In customary evaluation framework, the input is absolutely in the hands of the chief accordingly he can be one-sided in his judgment. He can give great positioning to those in his great books or he can rank representatives on the premise of their late execution while they hope to be positioned on entire year’s execution. This can prompt contrasts in the middle of predominant and the subordinates. The 360 degrees criticism helps in making a domain of trust. The representatives feel more thought process and work in groups towards accomplishing the normal target if the input is sure. Workers have a tendency to be more legit with one another and help one another.
Complete Examination of the Subject- Since criticism is from numerous sources and each source has a different connection with subject. So everyone gives criticism from their own particular viewpoint and according to their experience and desires. "Administrators, for instance, might judge representatives in light of their yield, while colleagues judge others in view of their agreeableness, and subordinates judge bosses taking into account their reasonableness (ref.7)." Thus, this criticism gives a complete investigation of the individual being evaluated and it positively affects him and can incite him to change according to the perceptions.

Suitable For Examination of Top-Administration Officials- This sort of criticism is suitable for the audit of the top administration as they don't have numerous individuals as their administrator or manager who can rate them. In addition they are the general population on whose choices the associations work so their choices influence just about everyone from representatives to clients to suppliers. Subordinates can give their conclusion with no trepidation of being gone up against on the grounds that this survey is done on the rule of namelessness. All endeavors are coordinated towards accomplishing authoritative target the criticism is tackled sure parameters said in a survey. These parameters are for the most part same for representatives of same level or same office or bunch. Therefore the sort of work they are required to do is likewise same. They coordinate their endeavors towards accomplishing their own objectives and hierarchical objectives. Their input likewise relies on upon how fruitful they were in accomplishing the authoritative target.

Drawbacks

Criticism May Not Be Totally Honest- An impediment of this sort of input instrument is that it can be sifted criticism and not totally genuine. Likewise with other evaluation forms, there are characteristic inclinations that can show through this procedure and influence the genuineness of the analyst.

Resentment Assessments Can Be Hurtful- There are times when cruel remarks return and workers require a great deal of preparing and training to have the capacity to ingest the data. This is the place initiative can concentrate on the learning knowledge and not excessively customize the input.

Not Having Enough Reviewers- This sort of input procedure can be more troublesome for littler associations on the grounds that there may not be a sufficiently substantial pool of workers to adequately give criticism. It regards have 5-6 commentators that speak to the same number of distinctive orders inside of the association.

Workers Focus On The Negative- It takes a touch of expert development to handle those unavoidable negative remarks. It is not remarkable for workers to be willfully ignorant about input and neglect to see the formative open doors. At the point when representatives concentrate on "who said what" and not on "in what manner would I be able to enhance myself", it can influence spirit and general work connections.

Worker input of any sort should be thought about valuablely and not literally. Youthful or unpracticed laborers require a ton of preparing, retraining and honing on the procedure to guarantee the takeaway is certain. None of us like to hear the truth of how others view us, yet the formative open door that is accessible by paying consideration on the points of view of others can help every one of us achieve a more elevated amount of polished skill.

Lengthy And Costly Procedure- As compared to one-on-one communication, this is a more time consuming process. It expends a great deal of profitable time of workers which can be used for other beneficial issues. "What's more, lamentably, if there is a multi-year slack between changing the way we treat workers and their subsequent enhanced scores, most existing business and measurable procedure will never have the capacity to demonstrate a circumstances and end results association. This is all the more exorbitant procedure as it contains the expense of surveys and innovative inputs required for the procedure of criticism. These assets can be utilized for more beneficial purposes.
No evidence of improvement on performance- "Most associations have no circumstances and end results information that really demonstrates that the 360° process straightforwardly enhances efficiency." It can't be said with assurance in regards to what sort of impact will it have on the workers and whether it will really bring about getting any positive change the representatives. No confirmation in that capacity has been discovered which demonstrate that chiefs in the associations utilizing 360 degree criticism are more effective than their partners in different associations.

Main Aim Is Not the Score But To Increase Productivity- The main aim of the organization is not to obtain scores but to increase the overall productivity. The 360 degree provides the management with the scores but the problem of productivity still remains to be taken care of. It only ranks the productivity of the employees but ignores factors like how to reduce labor costs and wastage of time, etc.

It Does Not Provide Solution To Improve The Productivity- The scores don't advise which moves to be made to enhance the efficiency. It just tells whether the representatives are performing admirably or not but rather the principle undertaking of picking activities to enhance worker fulfillment and execution is finished by the administration just.

Subordinates Cannot Assess Their Managers Properly- Subordinates don't have appropriate skill to rate their supervisor. They are not sufficiently skilled to judge their execution. They can simply give their perspective on the chiefs in light of his conduct with them however they will be unable to comprehend the work to be acknowledged from him.

Suggestions to Improve the Efficiency of This System

• This framework should be coordinated with other formative exercises so it yields better results. By this the workers can get to be mindful about different occupations being performed and along these lines they can give better survey. On the off chance that particular preparing is being connected with the procedure then it will help in enhanced execution.

• The framework ought to be more targets. It ought to exclude any comments that can offend. Regardless of the fact that somebody is not exceptionally wonderful to work with than he can be told this in a neighborly way and he ought to be given chance for development.

• More significance ought to be given to the choices to be taken after the input procedure is finished. The procedure ought not to end at the criticism report; rather it ought to be gone for giving recommendations to the change and complete preparing projects ought to be taken after as activity.

• Evaluation input ought to be dealt with just as a piece of formative process and not the route for advancement. Other formative variables ought to be connected with evaluation procedure to inspire the workers to enhance their execution.

• Appropriate consideration ought to be taken not to cabin anyone's self image while offering comments to him. A few representatives may be proficient in their work however may not care for some sort of comments against them. Consideration ought to be taken while composing comments.

• The evaluation framework ought to be embraced in the wake of looking into the requests and sentiments of religious gatherings or worker's parties in the association. Worker's organizations hold the ability to censure the choices of specialists by saying that the evaluation framework is only a confection to bait the representatives to work. In this way, framework ought to be composed by remembering the mind of such gatherings.

• Inside governmental issues and groupism ought to be demoralized inside of the association as it can influence the evaluation framework as it could prompt a specific example in rating. The representatives shape little casual gatherings and they can settle on themselves in regards to
what sort of comments to be given to a specific individual. This can change the survey come about henceforth development of such gatherings ought to be disheartened.

- Top level officials may not prefer to be evaluated by the lesser level representatives so they ought to be clarified about the advantages of this criticism framework and they ought to be urged to acknowledge their input and to enhance themselves as needs be.

- For the framework to be fruitful, dynamic investment of top administration is required. They ought to be included from outlining the criticism model to assessing the input reports. Furthermore, they ought to ensure that the polls ought to contain important focuses and ought to cover the genuine encounters of the workers

- Everyone in the association ought to give the input truly and there ought to be a feeling of responsibility and steadfastness while giving their supposition about somebody. Legit sentiments ought to be given with no apprehension of undesirable actions.

CONCLUSION

In the wake of experiencing the accessible examination and writing, I can presume that The 360 Degree Feedback can be utilized as an expansion to the ordinary arrangement of evaluation. It is not advisable to utilize it as a standalone arrangement of evaluation on account of its weaknesses. It is just a section in the improvement handle and not the entire advancement process. It was additionally found that the framework is not being utilized legitimately as its significance is not unmistakably comprehended by the organizations but rather on the off chance that it gets into the psyche of individuals appropriately and in the event that it is taken care of legitimately then it can really prompt the change of associations and also people execution and it can reshape the inward and outside correspondence. Dynamic interest of the considerable number of sources can have a ton of effect. Like some other development, 360 degree input is additionally in the same class as the general population who are working it. Accomplishment of any new thing relies on upon the acknowledgment by the general population why should going use it. Essentially, the accomplishment of 360 degrees criticism relies on upon the workers and administration and on how they see it and it can be fruitful just in the event that it is trailed by an attractive activity of giving improvement preparing. The framework ought to additionally measure the administration competency of the supervisors at exactly that point it will be helpful in giving the troughs the valuable criticism. On the off chance that the criteria for measuring execution are not set as per the association's central goal then it will end up being a sheer wastage of time.

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